

metrovacesa, S.A.

(Incorporated in Spain in accordance with the Spanish Companies Act,
approved by Royal Legislative Decree 1/2010, of 2 July (Texto Refundido de la Ley de Sociedades de Capital, aprobado por el Real Decreto Legislativo
1/2010, de 2 de julio or the "Spanish Companies Act"))

METROVACESA 2021 Senior Notes Program Maximum outstanding balance EUR 100,000,000

INFORMATION MEMORANDUM (*DOCUMENTO BASE INFORMATIVO DE INCORPORACIÓN*) OF THE ADMISSION (*INCORPORACIÓN*) OF MEDIUM- AND LONG-TERM NOTES ON THE ALTERNATIVE FIXED- INCOME MARKET (*MERCADO ALTERNATIVO DE RENTA FIJA*)

Metrovacesa, S.A. ("**Metrovacesa**", the "**Company**" or the "**Issuer**" and together with the entities of the Issuer's corporate group (the "**Group**"), a public limited company (*sociedad anónima*) incorporated under the laws of Spain, with registered address at Calle Quintanavides 13, Parque Vía Norte, 28050, Madrid, Spain, registered in the Madrid Commercial Registry in volume 34,472, page 205, section 8, sheet M-62,0015, entry 690, with tax identification number A-87471264 and Legal Entity Identifier (LEI) code 959800ZQW44V5U3SEZ73, will request the admission (*incorporación*) to trading of medium- and long-term notes (*bonds*) (the "**Notes**") to be issued by the Company in accordance with the provisions of this information memorandum (*Documento Base Informativo de Incorporación*) (the "**Information Memorandum**") on the Alternative Fixed-Income Market (*Mercado Alternativo de Renta Fija*) ("**MARF**") (the "**Program**").

Section 7 of this Information Memorandum and the Final Terms (as this term is defined below) of each issue shall include the particular terms and conditions of the relevant issue. This Information Memorandum contains certain obligations for the Issuer, which are detailed in section 7.6 of this Information Memorandum.

This Information Memorandum (*Documento Base Informativo de Incorporación*) is the document required by Circular 2/2018, of 4 December, issued by MARF regarding admission and delisting of securities on the Alternative Fixed-Income Market (*Circular 2/2018, de 4 de diciembre, sobre incorporación y exclusión de valores en el Mercado Alternativo de Renta Fija*) ("**Circular 2/2018**").

Admission (*incorporación*) to MARF will be requested for the Notes issued under the Program. MARF is a multilateral trading facility (*sistema multilateral de negociación*) ("**MTF**") and not a regulated market, pursuant to the provisions of Royal Decree Law 21/2017 of 29 December, on urgent measures to adapt Spanish law to the European Union securities market legislation (the "**RDL 21/2017**") (*Real Decreto-ley 21/2017, de 29 de diciembre, de medidas urgentes para la adaptación del derecho español a la normativa de la Unión Europea en materia del mercado de valores*). There is no guarantee that the price of the Notes in MARF will be maintained. There is no assurance that the Notes will be widely distributed and actively traded on the market because at this time there is no active trading market. Nor is it possible to ensure the development or liquidity of the trading markets for the Notes.

The Notes to be issued under this Program shall constitute senior obligations of the Issuer, which may be or may not be secured, as provided for in section 7.6.8 of this Information Memorandum.

The Notes will be represented by book-entries (*anotaciones en cuenta*) at the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. ("**Iberclear**") which, together with its participating entities, will be the entity responsible for maintaining the corresponding accounting records (*registro contable*) of the Notes.

The Issuer has been rated BB, with a positive outlook, by Axesior Risk Management S.L.U. ("**Axesior**") on 2 March 2021. Notes to be issued under the Program may be rated or unrated.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

An investment in the Notes involves certain risks. Potential investors should consider carefully and fully understand the risks set forth herein under the "Risk Factors" section, along with all other information contained in this Information Memorandum (*Documento Base Informativo de Incorporación*), prior to making any investment decision with respect to the Notes.

MARF has not undertaken any kind of verification or check with regard to this Information Memorandum (*Documento Base Informativo de Incorporación*), nor on the content of the rest of the documentation and information provided by the Issuer in compliance with the requirements set forth under Circular 2/2018.

The Notes issued under this program shall only be addressed to (i) qualified investors as defined in Regulation (EU) 2017/1129 of the European Parliament and of the Council, of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "Prospectus Regulation"); including (ii) eligible counterparties, as defined in

Directive 2014/65/EU of the European Parliament and of the Council of May 15, 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (the “MiFID II”) and article 207 of the restated text of the Securities Market Act approved by Royal Legislative Decree 4/2015, of 23 October (*Texto refundido de la Ley del Mercado de Valores aprobado por Real Decreto Legislativo 4/2015, de 23 de octubre*) (“Securities Market Act”); and (iii) professional clients, as defined in the Prospectus Regulation, MiFID II and article 205 of the Securities Market, or any provision which may replace or supplement it in the future.

No action has been taken in any jurisdiction to permit a public offering of the Notes or permit the possession or distribution of the Information Memorandum (*Documento Base Informativo de Incorporación*) or any other offer material where a specific action is required for said purpose. This Information Memorandum must not be distributed, directly or indirectly, in any jurisdiction in which such distribution represents a public offering of securities.

This Information Memorandum (*Documento Base Informativo de Incorporación*) is not a public offering for the sale of securities nor a request for a public offering to purchase securities, and no offering of securities shall be made in any jurisdiction in which such offering or sale would be considered in breach of the applicable legislation. In particular, this Information Memorandum does not represent a prospectus approved and registered with the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) (the “CNMV”) and the subscription of the Notes issued under the Program does not represent a public offering pursuant to the provisions set out in article 34 of the Securities Market Act, which excludes the obligation to approve, register and publish a prospectus with the CNMV.

GLOBAL COORDINATOR AND PLACEMENT ENTITY

Banco de Sabadell, S.A.

REGISTERED ADVISOR (ASESOR REGISTRADO)

Banco de Sabadell, S.A.

PAYING AGENT

Banco de Sabadell, S.A.

COMMISSIONER

Bondholders, S.L.

LEGAL ADVISOR

Uría Menéndez Abogados, S.L.P.

The date of this Information Memorandum (*Documento Base Informativo de Incorporación*) is 26 May 2021

IMPORTANT NOTICE

The Issuer has not authorized anyone to provide information to potential investors other than the information contained in this Information Memorandum (*Documento Base Informativo de Incorporación*), the information contained in the final terms and conditions of each issue issued pursuant to the template attached as Annex I (the "**Final Terms**"), publicly available information and the information available in the corporate website of the Issuer. Potential investors should not base their investment decision on information other than that contained in this Information Memorandum, in the successive Final Terms and other sources of public information.

The Placement Entity assumes no liability for the content of this Information Memorandum (*Documento Base Informativo de Incorporación*). The Placement Entity has signed a collaboration agreement with the Issuer for the placement of the Notes, but neither the Placement Entity nor any other entity has undertaken any commitment to underwrite the issue without prejudice to the ability of the Placement Entity to acquire Notes on its own name.

Admission (*incorporación*) to MARF will be requested for the Notes issued under the Program. MARF is an MTF and not a regulated market, pursuant to the provisions of RDL 21/2017. The Notes will be represented by book entries and their accounting records will be kept by Iberclear, together with its participating entities.

This Information Memorandum (*Documento Base Informativo de Incorporación*) follows the applicable proceedings on admission (*incorporación*) to trading and removal of MARF set out in its own regulations and other applicable regulations. Neither the CNMV, the MARF nor the Placement Entity have undertaken any kind of verification or check with regard to this Information Memorandum, nor on the content of the rest of the documentation and information provided by the Issuer in compliance with the requirements set forth under Circular 2/2018.

The Registered Advisor has verified that the content of this Information Memorandum is compliant with the information requirements established by MARF, and has reviewed that the information disclosed by the Issuer does not omit any relevant data or may mislead potential investors, as required under Circular 3/2013 of 18 July on Registered Advisors to the Alternative Fixed Income Market ("**Circular 3/2013**"). However, it shall not be assumed that the Registered Advisor has carried out any checks on the accuracy of the information provided by the Issuer.

PRODUCT GOVERNANCE RULES UNDER MiFID II. THE TARGET MARKET SHALL CONSIST EXCLUSIVELY OF ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS

Exclusively for the purposes of the process of approval of the product which is to be carried out by each manufacturer, the conclusion has been reached, having assessed the target market for the Notes, that: (i) the target market for the Notes consists solely of "eligible counterparties" and "professional clients", in accordance with the meaning attributed to each of these expressions in MiFID II and its implementing regulations (in particular, in Spain, the Securities Market Act and its implementing regulations); and that (ii) all channels for the distribution of the Notes to eligible counterparties and professional clients are appropriate.

Any person, who following the initial placement of the Notes, offers the Notes, sells it, makes it available in any other way or recommends it (the "**Distributor**") shall be required to take into account the assessment of the target market made by the manufacturer. Any Distributor subject to the provisions of MiFID II shall nevertheless be responsible for making its own assessment of the target market for the Notes (whether by applying the target market assessment made by the manufacturer or by perfecting such assessment), and for determining the appropriate distribution channels.

PROHIBITION ON SELLING TO RETAIL INVESTORS

The Notes are not intended to be offered, sold or made available in any other way, nor should they be offered, sold or made available, to retail investors in the European Economic Area ("**EEA**"). "Retail investor" shall be understood for these purposes to refer to any person to whom either or both of the following definitions is/are applicable: (i) "retail client" within the meaning of section (11) of article 4(1) of MiFID II; (ii) client within the meaning of Directive 2002/92/EC, provided that they cannot be classed as a professional client based on the definition contained in section (10) of article 4(1) of MiFID II; or (iii) retail client according to the implementing legislation of MiFID II in any Member State of the EEA (in particular, in Spain, according to the definition of article 204 of the Securities Market Act and its implementing legislation). For this reason, none of the key information documents required by Regulation (EU) No. 1286/2014 of the European Parliament and of the Council of November 26, 2014 on key information documents for packaged retail and insurance-based investment products (the "**Regulation 1286/2014**") has been prepared for the purposes of the offering or sale of the Notes, or to make it available to retail investors in the EEA, and therefore, any of such activities could be unlawful pursuant to the provisions of Regulation 1286/2014.

In the United Kingdom, this document and the Notes would only be distributed to, and are intended for, and any investment and investment activity in the Notes referred to in this document is available only to, and will be subscribed to only by, "qualified investors", as defined in section 86(7) of the Financial Services and Markets Act 2000 (i) who are persons with professional experience in matters relating to investments falling within the definition of "investment professionals" in section 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"); or (ii) who are high net worth entities within section 49(2)(a) to (d) of the Order (together, all such persons shall be described as "relevant persons"). Persons who are not relevant persons should not take any action on the basis of this communication document and should not act on or rely on it.

The Notes have not been, nor will be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or under the securities laws of any state or other jurisdiction in the United States of America. The Notes may not be offered, sold, exercised or otherwise transferred in the United States of America except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable securities laws of any state or other jurisdiction of the United States of America. There is no intention to register any Notes in the United States or to make an offer of any securities in the United States.

TABLE OF CONTENTS

1.	SUMMARY	6
1.1	OVERVIEW OF THE PROGRAM	6
1.2	OVERVIEW OF THE BUSINESS OF THE ISSUER	9
2.	RISK FACTORS	11
2.1	RISKS RELATING TO THE ISSUER AND THE GROUP	12
2.2	RISKS RELATING TO THE ISSUER'S BUSINESS AND INDUSTRY	14
2.3	RISKS RELATING TO GENERAL ECONOMIC, POLITICAL AND DEMOGRAPHIC CONDITIONS	22
2.4	REGULATORY AND LEGAL RISKS	25
2.5	RISKS RELATING TO THE NOTES	27
2.6	RISKS RELATING TO THE SECURITY	31
2.7	RISKS RELATING TO TAXATION	33
3.	DECLARATION OF LIABILITY	36
4.	DUTIES OF THE REGISTERED ADVISOR (ASESOR REGISTRADO) OF MARF	37
5.	INDEPENDENT AUDITORS	39
6.	INFORMATION ON THE ISSUER	40
6.1	HISTORY AND PERFORMANCE OF THE ISSUER	40
6.2	MAIN SHAREHOLDERS	44
6.3	CORPORATE STRUCTURE	44
6.4	CORPORATE PURPOSE	45
6.5	ADMINISTRATIVE AND MANAGEMENT BODIES	45
6.6	BUSINESS	47
6.7	REASONS FOR THE ISSUE AND USE OF PROCEEDS	50
6.8	FINANCIAL INFORMATION	50
6.9	LITIGATIONS, CLAIMS AND OTHER PROCEEDINGS	57
7.	DESCRIPTION OF THE NOTES	58
7.1	TOTAL AMOUNT OF THE SECURITIES ISSUED/ADMITTED TO TRADING	58
7.2	DATE OF ISSUE OF THE NOTES	58
7.3	FORM, DENOMINATION, STATUS AND PRICE OF THE NOTES	58
7.4	REGISTER, TITLE AND TRANSFERS	59
7.5	DEFINITIONS	60
7.6	COVENANTS	63
7.7	INTEREST RATE AND PAYMENTS	65
7.8	REDEMPTION AND PURCHASE	67
7.9	CREDIT RATING	70
7.10	TAXATION	70
7.11	PRESCRIPTION	75
7.12	SYNDICATE OF NOTEHOLDERS	75
7.13	FUNGIBILITY IN THE EVENT OF FURTHER ISSUES	81
7.14	PLACEMENT ENTITY. PLACEMENT AND UNDERWRITING OF THE ISSUE	82
7.15	PAYING AGENT AND DEPOSITARY ENTITIES	82
7.16	NOTICES	82
7.17	GOVERNING LAW AND JURISDICTION	83
8.	ADMISSION (INCORPORACIÓN)	84
8.1	APPLICATION FOR ADMISSION (INCORPORACIÓN) OF THE SECURITIES TO MARF. PUBLICATION OF THE ADMISSION (INCORPORACIÓN) OF THE ISSUES OF THE NOTES	84
8.2	COSTS FOR LEGAL, FINANCIAL AND AUDITING SERVICES AND OTHER SERVICES PROVIDED TO THE ISSUER IN RELATION TO THE EXECUTION OF THE PROGRAM	84
9.	AUTHORIZATION	85
10.	THIRD PARTY INFORMATION, STATEMENT BY EXPERTS AND DECLARATIONS OF INTEREST	86
11.	REFERENCES	87
	ANNEX I. FINAL TERMS TEMPLATE	90
	ANNEX II. 2020 AND 2019 CONSOLIDATED ANNUAL ACCOUNTS	95

**INFORMATION MEMORANDUM (DOCUMENTO BASE INFORMATIVO DE INCORPORACIÓN) OF THE
ADMISSION (INCORPORACIÓN) OF NOTES (BONDS) ON THE ALTERNATIVE FIXED-INCOME
MARKET (MERCADO ALTERNATIVO DE RENTA FIJA)**

1. SUMMARY

1.1 OVERVIEW OF THE PROGRAM

This general overview of the Program contains the basic information about the Program and does not purport to be complete and may be subject to the limitations and exceptions set out below in this Information Memorandum. This sections should be read in conjunction with the entire Information Memorandum and the corresponding Final Terms of each issue.

Issuer	Metrovacesa, S.A.
Program amount	Up to EUR 100,000,000 aggregate principal amount of Notes outstanding at any one time.
Instruments	Notes (bonds).
Currency	Euro (€)
Form and denomination	The Notes are issued to be admitted uncertified, dematerialized book-entry form (<i>anotaciones en cuenta</i>) with a nominal value of EUR 100,000.
Status of the Notes	<p>The Notes to be issued under this Program may be, as determined in the Final Terms:</p> <p>(a) Direct, general, unconditional, unsubordinated and secured obligations of the Issuer, which shall be secured by the Security as described in section 7.6.8 below and the Security Documents (as defined herein). These Notes shall at all times rank <i>pari passu</i> without any preference among themselves and (save for such obligations that may be preferred by provisions of law that are mandatory and of general application) at least equally with all other present and future secured and unsubordinated obligations of the Issuer, from time to time outstanding. In the event of the insolvency (<i>concurso</i>) of the Issuer, the Notes will be special preferred credits (<i>créditos con privilegio especial</i>) pursuant to the provisions of the Insolvency Law and up to the value of the collateral (unless they qualify as subordinated credits under article 281 the Insolvency Law and subject to any applicable legal and regulatory exceptions), to the extent the Issuer's obligations under the Notes shall be secured by the Security, where the Security Interest is an <i>in rem</i> guarantee, and will be ordinary credits (<i>créditos ordinarios</i>), pursuant to the provisions of the Insolvency Law, where the Security Interest is not an <i>in rem</i> guarantee; or</p> <p>(b) Direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer (subject to the provisions of section 7.6.11). These Notes shall at all times rank <i>pari passu</i> without any preference among themselves and (save for such obligations that may be preferred by provisions of law that are mandatory and of general application) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer, from time to time outstanding, and subordinated to any present or future secured and unsubordinated obligations of the Issuer, from time to time outstanding. In the event of the insolvency (<i>concurso</i>) of the Issuer, the Notes will be ordinary credits (<i>créditos</i></p>

ordinarios), pursuant to the provisions of the Insolvency Law (unless they qualify as subordinated credits under article 281 the Insolvency Law and subject to any applicable legal and regulatory exceptions), to the extent the Issuer's obligations under the Notes remain unsecured.

Registration

The Notes will be registered with Iberclear as the managing entity of the central registry of the Spanish clearance and settlement system (the Spanish Central Registry) that records all aggregate securities balances for each of its participating entities (*entidades participantes*) (the Iberclear Members). Each Noteholder's title to the corresponding principal amount of the Notes is set out in the registries maintained by the respective Iberclear Member or the Spanish Central Registry itself if the holder is an Iberclear Member.

Noteholders who do not have, directly or indirectly through their custodians, an account with Iberclear may participate in the Notes through bridge accounts held by each of the Euroclear Bank S.A./N.V. entities and Clearstream Banking, société anonyme, Luxembourg, with Iberclear.

Title

Title of the Notes issued under this Program will be evidenced by book-entry forms (*anotaciones en cuenta*), each person shown in the registries maintained by the respective Iberclear Members, as being a holder of Notes shall be (except otherwise required by the applicable Spanish law) considered the holder of the principal amount of the Notes recorded therein.

The Holder of a Note means the person in whose name such Note is for the time being registered in the book-entry forms (*anotaciones en cuenta*) at the Spanish Central Registry managed by Iberclear or, as the case may be, the relevant Iberclear Member accounting book and Noteholder shall be construed accordingly. One or more certificates (each, a Certificate) attesting to the relevant Holder's holding of the Notes in the relevant registry will be delivered by the relevant Iberclear Member or, where the Holder is itself an Iberclear Member, by Iberclear (in each case, in accordance with the requirements of Spanish law and the relevant Iberclear Member's or, as the case may be, Iberclear's procedures) to such Holder upon such Holder's request.

Transfers

The transfer of securities represented by book entries (as is the case with Notes) will take place by book transfer. The Notes issued under this Program will be issued without any restrictions on their transferability. Consequently, the Notes may be transferred and title to the Notes may pass (subject to Spanish law and to compliance with all applicable rules, restrictions and requirements of Iberclear or, as the case may be, the relevant Iberclear Member) upon registration in the relevant registry of each Iberclear Member and/or the Iberclear itself, as applicable. Each Holder (as defined herein) will be treated (except as otherwise required by Spanish law) as the legitimate owner of the relevant Notes for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or annotation of, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the Holder.

Issue price

Notes may be issued at any price (at nominal value, or at a premium or discount to the nominal value), as specified in the relevant Final Terms of each issue. The price and amount of Notes to be issued under the Program will be determined by the Issuer and the relevant Placement Entity or entities, as the case may be, at the time of each issue in accordance with prevailing market conditions.

Covenants

Among others:

- Structural modifications and change of business
- *Pari passu*
- Use of proceeds
- Security for the Issue
- Maintenance of Loan to Value Ratio
- Maintenance of Net Value of Total Assets

See section 7.6 of this Information Memorandum.

Interest

Notes will be interest-bearing. Interest may accrue at a fixed or variable interest rate, and the Notes may not have a negative yield.

Security

Notwithstanding the universal liability of the Issuer in accordance with article 1,911 of the Civil Code, all current and future obligations arising for the Issuer in relation to each issuance of the Notes, due at any time, both actual and contingent, could be secured by the relevant Security Interest (the “**Security**”), as determined in the relevant Final Terms (the “**Interest Rate**”) of each issue.

If applicable, under the applicable documents in relation to the Security (the “**Security Documents**”), and in accordance with the Program and the Final Terms of the relevant Notes issue, the relevant Security will be granted by the Issuer or the relevant Group entity in order to secure all current and future obligations arising for the Issuer in relation to the Notes for the benefit of the Noteholders on a *pari passu* basis without any preference among themselves and (save for such obligations that may be preferred by provisions of law that are mandatory and of general application) at least equally with all other present and future secured and unsubordinated obligations of the Issuer, from time to time outstanding.

Redemption

The relevant dates, system and price applicable to the redemption of the Notes issued under this Program shall be set out in the Final Terms of each issue and may be at nominal value, or at a premium to the nominal value. Unless previously purchased and cancelled or redeemed as herein provided, the Notes will be redeemed at their face value on the maturity date, which shall not exceed 30 years. Notes may be redeemed before their state of maturity, as provided herein and in the relevant Final Terms.

Optional Redemption by the Issuer (Issuer call)

Notes may be redeemed before their state of maturity at the option of the Issuer (either in whole or in part) to the extent (if at all) specified in the relevant Final Terms of each issue or in this Program, as further described in section 7.8(B) of the Information Memorandum.

Optional Redemption by the Noteholders (Investor put)

Notes may be redeemed before their state of maturity at the option of the Noteholders (either in whole or in part) to the extent (if at all) specified in the relevant Final Terms of each issue or in this Program, as further described in section 7.8(D) of the Information Memorandum.

Events of Default

See section 7.8(E) of the Information Memorandum.

Rating of the issuer

On 2 March 2021, Axesor Risk Management S.L.U. (“**Axesor**”) issued a rating report on the Issuer, based on its own methodology. In its report, Axesor assigns a global risk rating for Metrovacesa of BB with a positive outlook. This rating focuses on the evaluation of solvency and the associated credit risk in the medium and long term of the Issuer.

Taxation	See section 7.10 of the Information Memorandum.
Global coordinator	Banco de Sabadell S.A.
Placement entity	Banco de Sabadell S.A.
Paying Agent	Banco de Sabadell S.A.
Commissioner	Bondholders, S.L.
Governing law	The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by Spanish law.
Risk factors	Investing in Notes issued under the Program involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations under the Notes are discussed under section 2 below.
Use of proceeds	Metrovacesa has requested admission (<i>incorporación</i>) of this Program to MARF in order to raise funds to be destined to the development, among others, of Build to Rent (" BtR ") real estate projects to be developed by the Group in order to consolidate its growth. As such, the aim and purpose of the Notes issued under the Program shall be equivalent to that of a development loan (<i>préstamo promotor</i>).
Admission to trading and listing	The admission (<i>incorporación</i>) to trading of the securities described in the present Information Memorandum will be requested to the multilateral trading facility known as the Alternative Fixed-Income Market (MARF).

1.2 OVERVIEW OF THE BUSINESS OF THE ISSUER

Metrovacesa is a public limited company (*sociedad anónima*) incorporated under the laws of Spain, with registered address at Calle Quintanavides 13, Parque Vía Norte, 28050, Madrid, Spain.

Metrovacesa is Spain's leading real estate developer and has more than 100 years of history. The Group has presence in 31 provinces and divides its portfolio into the following sections: Catalonia (Catalonia and the north of Balearic Islands), Central-North (Central, including Madrid, and North zone, except Catalonia, and including Canary Islands), Western Andalusia (north and west Andalusia), Costa del Sol (south and east Andalusia) and Levante (Valencia, Murcia and the south of the Balearic Islands).

Metrovacesa offers a broad and balanced portfolio of both residential and commercial units. It also focuses on providing an integral service to its customers, not only through a committed team and top quality products but also by means of digital platforms and an active policy as regards environmental, social and corporate governance, given its condition of company listed in the Madrid, Barcelona, Bilbao and Valencia stock exchanges.

The Issuer's consolidated 2020 revenues come mainly from the sale of inventories (98.80%), while additional sources of revenues come from services provided (0.97%) and (0.23%)

1.2.1 Use of proceeds and reasons for the issue

Metrovacesa will exclusively use the funds obtained by the issuance of the Notes to finance the development, among others, of BtR real estate projects in order to consolidate its growth. As such, the aim and purpose of the notes issued under the Program shall be equivalent to that of a development loan (*préstamo promotor*). Each real estate project to be financed will be determined by the Issuer discretionarily.

1.2.2 Financial information

This Information Memorandum (*Documento Base Informativo de Incorporación*) contains financial information that has been extracted from the audited consolidated annual accounts of Metrovacesa as of and for each of the years ended 31 December 2020 and 2019 included in this Information Memorandum as **Annex II**, which have been prepared in accordance with the

International Financial Reporting Standards (IFRS) as adopted by the European Union ("IFRS-EU"), with Regulation (EC) No 1606/2002 of the European Parliament and of the Council dated 19 July 2002 on the application of international accounting standards, and other provisions of the financial reporting framework applicable in Spain.

In addition to the financial information presented herein, each potential investor is recommended to read and analyze the audited consolidated annual accounts for financial years 2020 and 2019 published by the Company, which are attached as Annex II to this Information Memorandum (*Documento Base Informativo de Incorporación*), as well as the additional financial information published by the Company on the CNMV's website (www.cnmv.es), on the corporate website (www.metrovacesa.com) and on MARF's public website (www.bmerf.es).

Certain data contained in this Information Memorandum, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables may not conform exactly to the total figure given for that column or row or the sum of certain numbers presented as a percentage may not conform to the total percentage given.

The table set out below provides the main financial magnitudes of the Group for the years ended 31 December 2020 and 2019.

Main financial figures (EUR thousand)

	As of 31/12/2020	As of 31/12/2019
Total non-current assets	475,293	588,131
Inventories	1,982,565	1,902,343
Total current assets	2,451,304	2,090,792
Total equity	2,179,756	2,340,843
Total non-current liabilities	262,397	128,453
Total current liabilities	484,444	209,627
 Sales	 147,871	 161,508
Profit/(Loss) for the year	(163,524)	(4,496)

Notes:

Source: Metrovacesa's consolidated annual accounts for 2020.

For further information of the Group's financial information see section 6.8.

2. RISK FACTORS

An investment in the Notes is subject to a number of risks. Potential investors should carefully assess the risks described below, together with the remaining information contained in this Information Memorandum, before investing in the Notes. The Issuer believes that the following factors may affect its ability to fulfill its obligations under the Notes Program. The list of factors is not intended to be comprehensive or exhaustive. All of these factors are contingencies, which may or may not occur, and the Issuer is not in the position to express a view on the likelihood of any such contingency occurring. If any of these risks materializes, the business, results of operations, financial condition, profitability and future prospects of the Issuer as well as the Issuer's ability to repay the Notes at maturity (including accrued interests where applicable) and/or to pay the corresponding coupons may be negatively affected and, accordingly, the market price of the Notes may decrease, resulting in a loss of all or part of any investment made in the Notes.

The Issuer does not represent that the risk factors provided below in this section are exhaustive; it is possible that the risk factors described in this Information Memorandum (*Documento Base Informativo de Incorporación*) may not be the only ones which the Issuer and of the companies of the Group are exposed to and there may be other risks, currently unknown or which, at this point in time, are not considered significant, which in themselves or in conjunction with others (whether identified in this Information Memorandum or not) could potentially have a material adverse effect on the Group's activity, business, financial condition and results of operations and the Issuer's capacity to make the repayments corresponding to the Notes upon maturity and/or to pay the corresponding coupons, in which case the market price of the Notes could decrease as a result and any investment made in it could be totally or partially lost. The order in which the risks are described does not necessarily reflect a greater probability of their materialization.

The Issuer calls the reader's attention to the exceptional situation generated by Covid-19. Covid-19 – popularly known as coronavirus– has become a health emergency worldwide affecting citizens, companies and the economy in general, to the point that the World Health Organization (WHO) has declared it a pandemic, due to both its rapid expansion and its effects. Initially recognized in China –in the city of Wuhan– in December 2019, to date, Coronavirus has spread to most parts of the world, including Spain. Such a serious situation is not only harming people's health but its effects on the economy are still difficult to quantify and predict.

In addition, national and international trade relations have been affected by the measures taken to alleviate the Covid-19 crisis, with the resulting unfavorable impact on business development, employment, the consumption and the economic situation in general.

In view of this situation, Spain, following the precedents of other European countries with high rates of infected persons – such as Italy, and France – has implemented drastic measures to limit the expansion of the virus, and other measures aimed at buffering the economic effects. These measures included most notably the declaration of the state of emergency, for the management of the health crisis caused by Covid-19. One of the fundamental rights of citizens –the freedom of movement of persons– was impeded, with the exception of certain stipulated cases, which led Spanish citizens to mandatory confinement in their households, which, in turn, has caused a very important drop in sales and in activity by companies and in their profits. Although there is an attempt advancing in the scale-down process and in restoring those fundamental rights in certain regions of the country less affected by the virus, the implications of the pandemic for the operations of the Issuer is uncertain and will depend largely on its near future evolution and extent. At the date of issuance of this Information Memorandum, it is difficult to make forecasts on the effects that the Covid-19 pandemic will continue to have on the economy. However, considering the particular circumstances of the Issuer and the impact that Covid-19 has had on the Issuer's consolidated annual accounts for the year 2020, this crisis will continue to have an impact on the Issuer's financial statements due to, among others, delays in the finalization of construction of some projects, delays in obtaining First Occupancy Licenses("FOL") – and therefore delay in the delivery of dwellings – and adjustments in the market value of the assets owned by the Company. For the future, it will probably impact its forecasts, as will be the case with most of the companies.

Although Covid-19's spread seems to have been reduced and several types of vaccines against Covid-19 are being administered, there are reasons to believe that Covid-19 may still force lockdowns and restrictions affecting society, the

economy and markets. In this context of uncertainty, in which there is a constant stream of news and the forecasts of different variables are constantly being modified and updated, the Issuer considers that the best way not to misinform potential investors is to reflect verifiable (past) data and to avoid forecasts which most certainly will present significant deviations (upwards or downwards) from reality.

Potential investors should consider carefully and fully understand the risks set forth in this section, along with all other information contained in this Information Memorandum (*Documento Base Informativo de Incorporación*) prior to making any investment decision and reach their own view prior to making any investment decision.

2.1 RISKS RELATING TO THE ISSUER AND THE GROUP

The Group's activity is geographically concentrated.

The Group's assets and operations are located in Spain. Accordingly, the Group's performance may be significantly affected by events beyond its control affecting Spain, and the Spanish residential property market in particular, such as a downturn in the Spanish economy, changing demand for residential property in Spain, changing supply within a particular geographic location, the attractiveness of property relative to other investment choices, changes in domestic and/or international regulatory requirements and applicable laws and regulations (including in relation to taxation and land use), Spain's attractiveness as a foreign direct investment destination, political conditions, the condition of financial markets, the availability of credit, the financial condition of potential buyers, interest rate and inflation rate fluctuations, accounting and control expenses and other developments.

However, the Group has a notable provinces' diversification within Spain. As of 31 December 2020, the Group's assets and operations were located in Madrid —which represented approximately 21% of the Group's gross asset value ("**GAV**")—, Barcelona (which represented approximately 16% of the GAV), Málaga (which represented approximately 17% of the GAV), Sevilla (which represented approximately 6% of the GAV), Valencia (which represented approximately 6% of the GAV), the Balearic Islands (which represented approximately 4% of the GAV), and the rest of provinces (which represented approximately 30% of the GAV).

Likewise, the Group's land bank diversification on Spain's provinces, may result in lower volatility and other risks associated with diversification, and any downturn in such market could have a limited adverse effect on the Group's activity, business, financial condition and results of operations.

The Group may not be able to successfully implement its business strategy, and it may not be able to meet its expected growth and returns.

As of 31 December 2020, the Group has 7,382 active units expected to be delivered in 2021-2024, and has delivered 601 units in 2020, of which 312 were delivered in the fourth quarter of 2020. In addition, it expects to achieve between 1,300 and 1,700 delivery units in 2021. The Group's success and ability to implement its business strategy and meet expected growth and returns may be impacted: (i) by the Group's inability to successfully respond to a potentially increasing real estate demand; (ii) by the Group's failure to make correct assumptions, estimates and judgments with respect to its properties and the number of units it can develop; (iii) by the Group's inability to allocate adequate resources to monitor and administer a larger active portfolio; (iv) by the supply and demand for housing and future housing prices; by the future value of its land bank; (v) by the Group's inability to develop commercially attractive products; (vi) by the Group's inability to acquire land in attractive locations to reach the financial margins embedded in the Group's business plan; (vii) by future construction and development costs; (viii) by the Group's inability to manage projects efficiently; (ix) by the availability and cost of service providers the Group uses to develop its business; (x) by the Group's inability to obtain any necessary permits on a timely basis; (xi) by future laws and regulations that apply to the Group's business; and (xii) by the availability of external financing to grow its business, among others.

Any of these factors may impact the success of the Group's business plans, the commercial success of its projects, its financial condition, prospects or results of operations, which could result in the Group being unable to meet its expected growth or to develop its growth strategy and meet the demands of the market. Even if the Group is able to implement some or all of the initiatives of its business strategy successfully, its operating results may not improve to the extent it anticipates, or at all.

Implementation of the Group's business strategy could also be affected by a number of external factors such as increased competition, legal developments, government regulation, general economic conditions or increased operating costs or expenses. In addition, to the extent the Group has misjudged the nature and extent of industry trends or the Group's competition, the Group may have difficulty in achieving its strategic objectives. Any failure to implement its business strategy successfully may adversely affect the Group's business, results of operations, financial condition or prospects and thus its ability to service the Group's debt.

The Group depends upon its senior management team and on the expertise of its key personnel and may be unable to attract and retain a highly skilled and experienced workforce.

The success of the Group's business depends upon the recruitment, retention and development of highly skilled, competent people at all levels of the organization.

The Group's success depends, to a significant degree, upon the continued contribution of its senior management, who are critical to the overall management of the Company, as well as its culture, strategic direction and operating model. The unexpected loss of the services of any member of senior management, a limitation in their availability or a failure by the Group to develop a succession plan for its senior management could have a material adverse effect on the Group's know-how and internal best practices as well as on its business, results of operations, financial condition or prospects.

In addition, experienced employees in the homebuilding industry and commercial development in general and with expertise in the land-permitting process are fundamental to the Group's ability to generate, obtain and manage business opportunities. Failure to attract and retain such personnel or to ensure that their experience and knowledge is retained within the Company, may materially adversely affect the Group's business, results of operations, financial condition or prospects.

The Group is exposed to risks associated with its indebtedness.

As of 31 December 2020, the Group's current liabilities amounted to EUR 483.5 million, of which EUR 215.9 million correspond to current bank debt, EUR 241 million correspond to other current liabilities, and EUR 26.6 million correspond to provisions, and its non-current liabilities amounted to EUR 262.4 million, of which EUR 217.4 million correspond with banking debt. The Group's Loan to Value ("LTV") as of 31 December 2020 was set at an 8.9%, while it represented 3.0% as of 31 December 2019. The main reasons for the increase in the Group's liabilities relate to an increase in using corporate financing, the entering into new bank debt and the issuance of commercial paper (*pagarés*) throughout financial year 2020, which has been continuing during 2021.

If operating cash flows and other resources are not sufficient, the Group may not be able to repay its debt when due or be forced to restructure or refinance all or a portion of its debt on or before maturity in less favorable conditions than those currently in place. The Group cannot assure that its business will generate cash flows from operations, or that future borrowings will be available to it in an amount sufficient to enable it to meet its payment obligations under its existing indebtedness or to fund its liquidity needs.

In addition, the use of leverage may increase the Group's exposure to adverse economic factors, such as rising interest rates (with a corresponding negative impact on its results of operation), downturns in the economy including any downturn that results from the ongoing Coronavirus pandemic, and deterioration in the condition of its investments and/or the Spanish real estate and banking sectors. All of these factors could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group is also party to certain financing agreements which require compliance with certain covenants limiting its ability to freely dispose of certain assets and incur additional indebtedness and which also require the Group to comply with certain financial ratios, where non-compliance could be considered a breach of contract that may accelerate the Group's repayment obligations. Furthermore, the Group's level of indebtedness may limit its ability to access additional funding on comparable or even less favorable conditions, independently of its capacity to generate sufficient cash flows to cover its debt obligations, which may delay or reduce the Group's investments or cause it to forgo business transactions, which could in turn materially and adversely affect the Group's business, results of operations, financial condition or prospects.

Moreover, some of the Group's obligations under its financing agreements are secured by mortgages over the assets it owns, particularly its land plots. As a result, the acceleration of any of its loans secured by mortgages over its land plots may result in the liquidation of the mortgages securing those loans that could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Real estate appraisals with respect to the Group's property portfolio included in this Information Memorandum (*Documento Base Informativo de Incorporación*) may not reflect the current market values of the Group's portfolio because determining such values is an inherently subjective process.

Valuations of property portfolios have a significant effect on the Group's financial standing on an ongoing basis and on the Group's ability to obtain further financing.

The valuation of real estate, including those contained in valuation reports, is inherently subjective and subject to uncertainty, in part because land and property valuations are made on the basis of assumptions which may not prove to be accurate, and in part because of the individual nature of each land and property. For example, the valuation reports include assumptions as of and prior to the date of valuation reports as to land tenure, lawful construction and the absence of land contamination or adverse site or soil conditions based in part on information provided by us, and which may have varied if made as of the date of this Information Memorandum (*Documento Base Informativo de Incorporación*). There can be no assurance that the estimated GDVs relating to the land bank and the proposed developments assessed in the valuation reports will reflect the actual sales prices achieved by any developments built on the land. Any failure to sell as many residential units as anticipated, or for the sales prices expected, could result in the Group not achieving the estimated GDVs. There can be no assurance that the valuations of land in the Group's financial statements or the GDV estimates for the Group's land bank and proposed developments reflect the actual sales prices achieved of either the land itself or any developments built thereon.

In addition, the valuations contained in the valuation reports are stated as of 31 December 2020, and there can be no assurance that these figures accurately reflect the market value of the Group's properties as of any other date. The market value of the Group's properties may decline significantly over time due to various factors. In addition, the values ascribed by the Group's appraisers should not be taken as an indication of the amounts that could be obtained by the Group upon disposal of such properties, whether in the context of the sale of individual properties or the portfolio as a whole.

The Group is dependent on information technology systems, which may fail, be inadequate to the tasks at hand or be subject to cyber-attack.

The Group is dependent on sophisticated information technology ("IT") systems, including in relation to its internal reporting and the sale of its products. IT systems are vulnerable to a number of problems such as software or hardware malfunctions, malicious hacking, physical damage to vital IT centers and computer viruses, and need regular upgrading. The Group may be unable to implement necessary upgrades on a timely basis or at all and upgrades may not function as anticipated. Failure to protect the Group's operations from cyber-attacks could result in the loss of sensitive information, which could result in reputational damage, litigation and remediation costs. Although the Group has a business continuity plan in place and maintains back-up systems, it may incur in additional costs as a result of any failure of its IT systems. In addition, due to the strict set of measures imposed by the Spanish government to prevent the spread of the Coronavirus pandemic, as described herein, working-from-home policies which rely on the Group's IT systems are being favored, and the Group's IT systems may face additional pressure which could result in their failure.

A major disruption to the Group's IT systems could have a material adverse effect on the Group's business, results of operations, financial condition or prospects, which could in turn be further accentuated by the increased reliance on working-from-home connectivity of the Group's management and employees.

2.2 RISKS RELATING TO THE ISSUER'S BUSINESS AND INDUSTRY

The Coronavirus pandemic's links to other risk factors.

While the Group has taken steps to address the impact of the Coronavirus pandemic, there are always uncertainties associated with changes to the Group's operational practices and whether they will be successful in mitigating the targeted risks of the

Coronavirus pandemic or cause other adverse effects to the Group's business, financial condition and results of operations due to their unforeseen impact on the Group's ability to operate the Group's business in the future. If, among other factors, the adverse impacts stemming from the Coronavirus pandemic were to cause the Group's results of operations or cash flows to continue to be worse than anticipated or otherwise adversely impact certain assets, such as the Group's ability to secure urban permitting in a reasonable time, commence construction within periods required by the Group's permits or deliver homes on schedule, the Group could conclude in future periods that additional impairments or other liabilities are required, which could have significant adverse effects on the Group's business, financial condition and results of operations. Any such future provisions or liabilities could be significant. To the extent the Coronavirus pandemic adversely affects the Group's business, financial condition and results of operations, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section, including *"The Group is exposed to risks associated with its indebtedness."*, *"The Group's operating performance is subject to risks associated with the real estate and residential development industry generally."*, *"The Group may be unable to develop and sell its projects successfully or within the expected time frames."*, *"The Group's business depends upon the availability, skills and performance of contractors, subcontractors and other service providers and suppliers."*, *"Demand for the Group's real estate assets depends on customer preferences for types of accommodation or locations of property and perceptions as to the attractiveness or quality of the Group's products as well as changes in certain laws and regulations may affect demand for the Group's households."*, *"The Group's pre-sales may not materialize on the terms agreed to at the time the contract is signed, if at all."*, *"There is a large stock of unsold households in Spain, among other factors, which may exert downward pressure on new household prices."*, *"Since all of the Group's operations and assets are located in Spain, adverse developments in general political (including the secession movement in Catalonia), economic or health (including the Coronavirus pandemic) conditions in Spain, the EU or globally could have a material adverse effect on the Group's business, results of operations, financial condition or prospects."*, *"Changes in demographic patterns may adversely affect demand for the Group's real estate assets."*, *"Real estate appraisals with respect to the Group's property portfolio included in this Information Memorandum (Documento Base Informativo de Incorporación) may not reflect the current market values of the Group's portfolio because determining such values is an inherently subjective process."*, *"The Group will require a significant amount of cash to service the Group's debt and to sustain the Group's operations, which the Group may not be able to generate or raise. The Group's ability to generate sufficient cash depends on many factors beyond the Group's control."*, *"The recoverability of the Group's deferred tax assets depends on the Group's future taxable income, which may not materialize as estimated."* and *"The Group expects to incur additional indebtedness in the future."*

The Group's operating performance is subject to risks associated with the real estate and residential development industry generally.

The Group's principal activity is the development and sale of residential properties, hence land-permitting process which carries numerous inherent risks and is subject to fluctuations and cycles in value and demand that are beyond the Group's control. The Spanish real estate and residential market may generally be adversely affected by changes in short-term and long-term interest rates and the inflation rate; by employment levels and cost-of-living and real income dynamics; by decreases in residential property demand due to population decreases, lower levels of household formation and other demographic and social changes; by foreign and intra-country immigration trends; by the availability and affordability of mortgage loans and other forms of credit for homebuyers; by including private party and government mortgage loan programs and restrictive measures by banking authorities; by consumer confidence in general and potential homebuyer confidence in particular; by financial system and credit market stability; by regulation, oversight and legal action regarding lending, appraisal, foreclosure and short-sale practices; by increases in personal income tax rates, decreases in the deduction of mortgage loan interest payments and increases in real estate taxes; by the supply and prices of available new or resale residential property and general consumer interest in purchasing a household compared to choosing other housing alternatives, such as rental housing; by supply chain availability or cost increases; by acquisition risks related to the Group's land plots, including due to deficiencies in the due diligence process; by changes in government and local authorities' regulation or policies, including infrastructure policies and planning and environmental regulations; and by political uncertainties, among others.

For internal purposes, the Group weights its geographical presence in the real estate market in which it operates, among others, according to GAV. As of 31 December 2020, approximately 70% of the Group's GAV (c. EUR 1,875 million) was located

in the top six provinces of Spain, i.e. Madrid, Barcelona, Málaga, Seville, Valencia and Balearics. As of 31 December 2020, the overall GAV of the Group amounted to EUR 2,679 million, out of which EUR 2,084 million were residential units and the remaining EUR 595 million were commercial units.

The provinces where the Group operates may be adversely affected by additional factors and market dynamics including, among others, attractiveness of the area where the development is located, political stability of the region and Spain, safety, relocation due to the possibility of working or studying remotely and tourism. The foregoing factors may be enhanced as a result of the measures adopted in relation to the Coronavirus pandemic, as described herein.

Any of these factors could reduce the funding available for the Group's developments or decrease demand for its products, which could materially adversely affect its business, results of operations, financial condition or prospects.

The Group may be unable to develop and sell its projects successfully or within the expected time frames.

The Group's land-permitting process may be subject to delays that may limit its ability to generate positive cash flows with respect to a specific project, including delays in obtaining the relevant permits (see "*Regulatory and Legal Risks—The Group's business may be adversely affected if failing, or if there are any material delays in obtaining, to obtain the required permits and approvals for their development projects.*"). Similarly, the Group's land development process typically requires substantial capital outlays during construction periods, and it may take months or years before positive cash flows, if any, can be generated.

During the construction of development projects, the Group may encounter unexpected operational issues or other difficulties, including those related to technical engineering issues, regulatory changes, disputes with third-party contractors, subcontractors and suppliers, accidents, bad weather, natural disasters (such as floods and fires) and changes in purchaser requirements that may require the Group to amend, delay or terminate a development project.

Any failure to meet deadlines could expose the Group to additional costs and result in the termination of contracts or contractual penalties (or the enforcement of bank guarantees by a purchaser) and could also affect the Group's reputation, which could materially adversely affect the Group's business, results of operations, financial condition or prospects.

Following development, the Group may be unable to sell all or some of the units of a development within the expected time frames due to such reasons as changes in economic or market conditions, including as a result of the Coronavirus pandemic. In such cases, its inventory of completed but unsold units would increase, leading to additional costs, including property taxes and community expenses (*gastos de comunidad*) corresponding to the unsold units. Alternatively, the Group may have to sell units at significantly lower margins or at a loss, which could have a material adverse effect on its business, results of operations, financial condition or prospects.

The Group's business depends upon the availability, skills and performance of contractors, subcontractors and other service providers and suppliers.

The Group relies on the services of third-party contractors (which, in turn, may rely on the services of subcontractors) to develop and monitor its projects, help sell its products and provide post-construction warranty service. As of 31 December 2020, the Group had 61 development sites in construction or completed, equivalent to 3,550 units in construction or completed, with 25 different contractors. If the Group are unable to hire qualified and reliable third-party contractors for any of its projects, its ability to successfully complete projects in time or with the required quality or to sell its units within the expected time frames and price could be impaired. Moreover, pursuant to Law 38/1999, of November 5, Regulating Construction (*Ley de Ordenación de la Edificación*, or "**LOE**"), the Group may qualify as a "developer" (*promotor*), and would therefore be jointly responsible, together with the participants intervening in the building construction process, to its customers for any material damages in the Group's households caused by any defects in the construction of these real estate assets.

Despite the contractor selection and monitoring processes that the Group has implemented, its contractors may fail to meet the Group's standards and deadlines. In particular, although the Group attempts to verify the compliance of contractors with health, safety and environmental regulations (the "**HSE**"), labor laws and other applicable laws and regulations, any failure by contractors to so comply could render the Group liable in respect of these obligations.

In addition, such third-party contractors have been and may continue to be adversely affected by economic downturns or bad management decisions. The Group may hire a contractor that subsequently becomes insolvent, causing cost overruns and project delays and increasing the risk that the Group will be unable to recover costs in relation to any defective work performed by such contractor, to the extent such costs are not covered by insurance or other security provided by the contractor. The insolvency or other financial distress of one or more of the Group's contractors could have a material adverse impact on its business, results of operations, financial condition or prospects. In addition, the adoption of additional protection measures in relation to the Coronavirus pandemic (as described herein) in construction works may increase costs and have other negative consequences for the Group.

However, the Group has implemented strict protocols for hiring contractors, including the following essential requirements, i) financial analysis of the contractor from an independent third-party, ii) approval of the contractor from the financial entity that will provide financing for the project, iii) provision of a guarantee (bank guarantee (*aval*) or surety bonds) covering 10% of the contracted amount, and iv) withholding of 5% of the amount of each completion certificate as an additional guarantee.

Furthermore, construction contractors have been in the past and may continue to be adversely affected by the spread of the Coronavirus pandemic and the related travel restrictions and social distancing measures imposed as a result by the governmental authorities of the countries in which the Group operates. The Coronavirus pandemic could have further material adverse effects on the Group's business, financial conditions and results of operations if it is unable to maintain contractors at the levels necessary to operate its business.

Significant unanticipated costs might arise in relation to the execution of the Group's projects.

The Group is subject to risks related to the cost of executing its projects. Unanticipated costs can arise due to a number of factors, including: errors, omissions and other human factors including those of senior management and key personnel; increases in costs of raw materials, such as concrete and steel; increases in costs of financing projects; labor shortages or increases in labor costs; events affecting the Group's contractors, such as their insolvency; increases in costs of subcontractors and professional services; increases in costs of obtaining permits; unforeseen technical and ground conditions; or delays and cost overruns resulting from the land-permitting process.

Before commencing a development, the Group estimates costs based on certain assumptions, estimates and judgments, which may ultimately prove to be inaccurate caused by, for example, an increase in demand for raw materials or higher construction costs as a result of an increase in demand for housing developments. In addition, if a contractor's or supplier's cost estimates or quotes are incorrect, the Group may incur additional costs or be required to source products and services at a higher price than anticipated, as well as face delays in its development projects if the estimate is incorrect by a large enough margin that the project is more viable by finding an alternative contractor or supplier.

Any unanticipated costs arising during the execution of the Group's development projects, or a failure to manage them effectively, may result in losses or lower profits than anticipated or cause material construction delays, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Demand for the Group's real estate assets depends on customer preferences for types of accommodation or locations of property and perceptions as to the attractiveness or quality of the Group's products as well as changes in certain laws and regulations may affect demand for the Group's households.

Trends in customer preferences have an impact on demand for new residential properties, and any unanticipated changes in such trends, or the Group's misunderstanding of such trends, could have a material adverse effect on its business, results of operations, financial condition or prospects. Additionally, trends in customer preferences may be affected by the Coronavirus pandemic (as described herein), which cannot be accurately predicted due to the uncertainty surrounding the evolution and impact of said pandemic. In addition, events outside of the Group's control may occur that shift customers' perceptions of the attractiveness or quality of its products, including (i) preferences for specific neighborhoods or locations in certain regions (in particular, in regions in which the Group does not own land), (ii) macroeconomic or employment dynamics that concentrate demand in specific areas (such as the establishment of a large employer in a particular area), (iii) preferences for a specific home design type (such as multifamily condominiums, rental properties or detached houses) or (iv) the overall quality of

materials and products used for the finished units. Any of the foregoing may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Demand for the Group's households may also be directly or indirectly affected by a number of laws, regulations and government policies, including regarding lending, appraisal, foreclosure and short-sale practices, leases and eviction of illegal occupants, government mortgage loan programs, down payment assistance programs and taxes. For example, increases in personal income tax rates have in the past adversely affected demand for residential properties. Additionally, certain regulations enacted by the Spanish Government as a consequence of the Coronavirus pandemic such as RD 11/2020 (as defined herein) and any of the subsequent regulations which amend its terms, including, the eighth final provision (*Disposición final octava*) of Royal Decree-law 2/2021, of 26 January, or reinforcement and consolidation of social measures to safeguard employment (*Real Decreto-ley 2/2021, de 26 de enero, de refuerzo y consolidación de medidas sociales en defensa del empleo*), have introduced measures to temporarily protect tenants for as long as the state of alarm (*estado de alarma*) is in force with respect to their primary residence that may affect demand for the Group's homes. These measures establish, amongst other, limitations to the eviction of vulnerable homes or economically vulnerable individuals, an extraordinary six-month extension of lease agreements which, if requested by tenants, must be accepted by landlords, or a mandatory choice by landlords between a moratorium of rent payments and/or their reduction upon request by tenants that are economically vulnerable individuals. Additionally, Royal Decree-law 37/2020, of 22 December, of urgent measures to address situations of social and economic vulnerability in the housing and transportation sectors (*Real Decreto-ley 37/2020, de 22 de diciembre, de medidas urgentes para hacer frente a las situaciones de vulnerabilidad social y económica en el ámbito de la vivienda y en materia de transportes*) establishes that under certain particular circumstances and if certain requirements are met no person in a situation of vulnerability and without alternative housing may be subject to eviction, in those proceedings concerning, among others, claims for rent or amounts owed by the lessee, the expiration of the term of lease agreements, the reinstatement of full possession of a rural or urban estate or the protection of the tenancy of a thing by a person who has been deprived of them. In addition, taxes and duties relating to the acquisition of real estate property (such as value-added tax incurred in the acquisition of new residential property) are an important part of the cost of acquiring or owning a household, and an increase in such taxes may have a material adverse impact on demand for residential property. Despite their temporary nature, it is possible that the validity period of any of the measures introduced as a consequence of the Coronavirus pandemic is extended, or that new measures impacting demand of the Group's products or its business in general are introduced in the future.

Changes in laws, regulations and government policies and increases in taxes and duties relating to the acquisition of real estate property, may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group's pre-sales may not materialize on the terms agreed to at the time the contract is signed, if at all.

Pre-sales are an essential part for the financing and execution of the Group's developments. The Group's pre-sales revenue (the expected revenue that will be generated by units that have been pre-sold) may be adjusted following the withdrawal of buyers, early cancellation of existing contracts (both for reasons in relation to the Coronavirus pandemic (as described herein), new contracts, or changes in the scope of projects in progress. Moreover, the Group may not be able to perform its obligations under its pre-sale contracts due to various reasons, such as an increase in costs which makes the development notviable, not being able to obtain the construction license and not reaching the level of pre-sales necessary to launch the development. As a consequence of the above, the Group may need to refund its customers for the funds that they had advanced, or the Group's customers may terminate their contracts or seek to renegotiate the terms of their contracts to obtain more favorable terms. The occurrence of any of these events could affect the Group's pre-sales and eventual revenues and have a material adverse effect on its business, results of operations, financial condition or prospects.

Nevertheless, the Group includes in all its sales agreement, enough grace periods in order to mitigate, as much as possible, potential impacts due to delays in deliveries.

If the Group cannot obtain sufficient capital on acceptable terms, it may be unable to develop its land bank portfolio or may experience increased costs and delays in the completion of its development projects.

The real estate development industry is capital-intensive and the Group requires significant up-front expenditures to transform its land plots into fully permitted land and to develop its projects. Therefore, the Group may need to borrow additional funds from third parties, the availability of which, especially for development financing, may be constrained regionally or nationally. Lenders may require increased amounts of equity to be invested in a project by borrowers in connection with both new loans and the extension of existing loans, higher interest rates, the completion of other milestones or other requirements. The Group's inability to meet the requirements imposed by its lenders may have a material adverse effect on its business, results of operations, financial condition and prospects.

In addition, if the Group chooses to seek additional financing to fund its operations through the capital markets, volatility in these markets may restrict the Group's access to such financing. If the Group is not successful in obtaining sufficient funding for its planned capital and other expenditures, it may be unable to transform and develop its existing land bank. Moreover, any difficulty in obtaining sufficient capital for planned development expenditures could also cause project delays, and any such delay could result in cost increases. Any one or more of the foregoing events could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

As of 31 December 2020, the Group had 8.9% of LTV, keeping a strict policy of prudence in terms of indebtedness, being its aim to keep a LTV non-higher than 25%.

Land plots and real estate properties can be illiquid assets and can therefore be difficult to sell.

Land and real estate properties can be relatively illiquid, meaning that they may not be easily sold and converted into cash. As of 31 December 2020, the Group's GAV related to land bank under management amounts to approximately EUR 463 million. The Group may seek to, or be required to, sell entire land plots in certain circumstances, including due to changes in development plans, failure to obtain regulatory approvals, its decision not to proceed with the development, changes in economic or property market conditions or financial distress. In this regard, land illiquidity may affect the Group's ability to value, or dispose of or liquidate part of, its land bank in a timely fashion and at satisfactory prices when required or desirable and may incur additional costs until selling the land. This could have a material adverse effect on the Group's activity, business, financial condition and results of operations.

The Group is exposed to liability claims from third parties.

The nature of the Group's business exposes it to potential liability claims from third parties related to the development and construction of the units it delivers. The Group may face legal proceedings as a result of a wide range of events, including (i) actual or alleged deficiencies in its units (including due to the construction materials used), (ii) delays and non-compliance with delivery schedules, (iii) non-performance with obligations to buyers of land plots or third-party contractors, and (iv) the conveyance of defective property title or property misrepresentations. In particular, real estate developers are liable for a ten-year period with respect to any damages arising from building deterioration, provided that such deterioration is caused by flaws or improper execution in the design or construction of the building.

The foregoing could result in civil or criminal liability towards third parties, as well as reputational harm, especially if public safety is impacted. These liabilities may not be insurable or may exceed the insurance limits of the Group's existing insurance policies, and the Group may eventually need to divert financial and management resources from the operation of the Group's business and incur additional costs, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group is subject to the risks associated with joint ventures.

As of the date of this Information Memorandum (*Documento Base Informativo de Incorporación*), the Group is part of a joint venture arrangement with Tishman Speyer to develop up to 56,000 m² over a land plot historically owned by Metrovacesa and suitable for building in Las Tablas in Madrid (Monteburgos), signed in 2018, through the jointly-owned company Monteburgos

Holding Spain, S.L. Moreover, the Group's business plan developments in commercial land is linked to future joint venture agreements.

Joint venture arrangements, and the minority stakes the Group may have in the future, may expose the Group to the risk that: (i) business partners become insolvent or bankrupt, or fail to fund their share of any capital contribution which might be required, which may result in the Group having to pay the business partner's share or risk losing its investment, (ii) business partners have economic or other interests that are inconsistent with the Group's interests and are in a position to take or influence actions contrary to its interests and plans, which may create impasses on decisions and affect the Group's ability to implement its strategies, (iii) disputes develop between the Group and business partners, with any litigation or arbitration resulting from any such disputes increasing the Group's expenses and distracting its management from other managerial tasks; (iv) the Group is liable for the actions of business partners; and (v) a default by a business partner constitutes a default under mortgage loan financing documents relating to an investment, which could result in a foreclosure and the loss of all or a substantial portion of the Group's investment. Any of the foregoing may have a material adverse effect on the Group's activity, business, financial condition and results of operations.

There is a large stock of unsold households in Spain, among other factors, which may exert downward pressure on new household prices.

The bursting of the housing bubble in 2007 led to a significant oversupply of new housing in Spain which resulted in the accumulation of a large stock of unsold new households. As of 31 December 2019 (last year-end data available), there were 457,109 unsold new households in Spain continuing the trend of declining unsold new households that started in 2009 (source: *Ministerio de Fomento*).

This should be coupled with the economic downturn provoked by the Coronavirus pandemic, which has dampened investment appetite in the economy in general and in housing in particular. The above factors continue to exert downward pressure on prices of newly built dwellings.

More generally, it is estimated that prices of households will be reduced in seven out of ten provinces in Spain during 2021, decreasing by approximately 2% at close of 2021 compared to the levels set at the third quarter of 2020 (Caixabank Research, Real Estate Sectorial Report, first semester 2021). Such decrease in prices, particularly as a result of a decline in demand for households, may have a material adverse effect on the Group's activity, business, financial condition and results of operations.

The Group may suffer uninsured losses or suffer material losses in excess of insurance proceeds.

While the Group has, and many of its contractors have, general liability, property, workers compensation and other business insurance, such insurance policies are intended to protect the Group against a portion only of its risk of loss from claims, subject to certain self-insured retentions, deductibles and coverage limits. As a result, the Group's properties or developments could suffer physical damage, resulting in losses which may not be fully compensated by insurance.

In addition, certain types of risks may be, or may become, either uninsurable or not economically insurable, or may not be currently or in the future covered by the Group's insurance policies. In addition, the Group could be liable to repair damage to a property or development or construction defects caused by uninsured risks out of its own funds and would also remain liable for any debt or other financial obligation related to the affected property, even if the property is no longer available for its intended use. Any of the foregoing could have a material adverse effect on the Group's activity, business, financial condition and results of operations.

The Group will require a significant amount of cash to service the Group's debt and to sustain the Group's operations, which the Group may not be able to generate or raise. The Group's ability to generate sufficient cash depends on many factors beyond the Group's control.

The Group's ability to make payments on and to refinance the Group's debt, and to fund working capital and capital expenditures, will depend on the Group's future operating performance and ability to generate sufficient cash.

This depends, to some extent, on the success of the Group's business strategy (including the acquisition) and on general economic, financial, competitive, market, legislative, legal, regulatory and other factors, as well as other factors discussed in these "Risk Factors," many of which are beyond the Group's control.

The Group cannot assure you that the Group's business will generate sufficient cash flows from operations, that the Group will realize revenue growth and operating improvements that the Group anticipates or that future debt and equity financing will be available to the Group in an amount sufficient to enable it to pay the its debts when due, including the Notes, or to fund the Group's other liquidity needs.

If the Group's future cash flows from operations and other capital resources are insufficient to pay the Group's obligations as they mature or to fund the Group's liquidity needs, the Group may be forced to:

- reduce or delay the Group's business activities and capital expenditures;
- sell assets;
- obtain additional debt or equity capital; or
- restructure or refinance all or a portion of the Group's debt, including the Notes, on or before maturity.

The type, timing and terms of any future financing will depend on the Group's cash needs and the prevailing conditions in the financial markets. The Group cannot assure you that it would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all.

Any failure to make payments on the Group's indebtedness, including the Notes, on a timely basis would likely result in a reduction of the Group's credit rating, which could also harm the Group's ability to incur additional indebtedness.

Any refinancing of the Group's debt could be at higher interest rates and may require the Group to comply with more onerous covenants, which could further restrict the Group's business, results of operations or financial condition.

There can be no assurance that any assets which the Group could be required to dispose of could be sold or that, if sold, the timing of such sale and the amount of proceeds realized from such sale will be on a timely basis or in a sufficient amount.

Negative publicity could adversely affect the Issuer and the Group's reputation

The Group's business and growth strategy is dependent in part on the maintenance of the integrity of the Metrovacesa brand and its reputation for quality. Unfavorable media related to the Group's or Issuer's industry, company, brands, marketing, personnel, operations, business performance, or prospects may affect the performance of its business, regardless of its accuracy or inaccuracy. The Group's success in maintaining, extending and expanding its brand image depends on its ability to adapt to this rapidly changing media environment. Adverse publicity or negative commentary from any media outlets could damage the Group's reputation, having a negative effect in their relationship with sellers of land and contractors and reducing the demand for their homes, which could materially adversely affect the Group's activity, business, financial condition and results of operations.

Soil contamination affecting the Group's current land bank which the Group is not aware of could drive to a partial or total impairment of its value.

During the construction of the Group's homes, the Group may encounter unexpected environmental issues such as the discovery of contaminated soil not identified by the soil samples, analysis and investigations conducted during the planning phase, which may result in the violation of environmental laws and regulations. As a result, the Group may be required to commence new authorization procedures and may be subject to lengthy legal and administrative proceedings. Failure to complete the construction projects within the planned timeframe and/or budget could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group expects to incur additional indebtedness in the future.

The Group has historically relied on external funding to acquire land and for construction, and the Group expects to incur additional debt in the future. The indebtedness that the Group has incurred, or that the Group may incur in the future, could reduce the Group's financial flexibility. If certain extraordinary or unforeseen events occur, including a breach of financial covenants, the Group's borrowings and any hedging arrangements that the Group may have entered into may be repayable prior to the date on which they are scheduled for repayment or could otherwise become subject to early termination. If the Group is required to repay borrowings early, the Group may be forced to sell assets when the Group would not otherwise choose to do so, and below the Group's expected prices, in order to make the payments; and the Group may be subject to prepayment penalties. The Group's ability to raise additional debt in the future may impact the Group's ability to engage in developments and acquire new land. The Group may find it difficult or costly to refinance indebtedness as it matures, and if interest rates are higher when the indebtedness is refinanced, the Group's costs could increase.

In addition, the use of leverage may increase the Group's exposure to adverse economic factors such as rising interest rates (with a corresponding negative impact in the Group's margins). Other adverse economic factors that affect the use of leverage may increase the Group's exposure to downturns in the economy and deterioration in the condition of the Group's investments and/or the Spanish real estate and banking sectors. All of these factors could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

2.3 RISKS RELATING TO GENERAL ECONOMIC, POLITICAL AND DEMOGRAPHIC CONDITIONS

Since all of the Group's operations and assets are located in Spain, adverse developments in general political (including the secession movement in Catalonia), economic or health (including the Coronavirus pandemic) conditions in Spain, the EU or globally could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

In March 2020, the World Health Organization (WHO) declared COVID-19 a global pandemic, and governmental authorities around the world have implemented measures to reduce the spread of the Coronavirus pandemic. As part of its response to this situation, the Spanish Government declared a state of alarm (*estado de alarma*) through the enactment of Royal Decree 463/2020 of March 14, declaring the state of alarm for the management of the health crisis caused by COVID-19. The most relevant measures included isolation, confinement and restriction of free movement, the closing of public and private places, except for premises providing essential and healthcare services, border restrictions and a drastic reduction in transport. Further, the Spanish Government has enacted ulterior royal decrees such as, amongst other, Royal Decree 926/2020, of 25 October, by which a subsequent state of alarm has been declared in order to prevent the propagation of infections by SARS-CoV-2, that impose similar, albeit less restrictive, measures such as curfews. These measures have adversely affected companies, workforces, customers, consumer sentiment, economies, and financial markets, and, along with decreased consumer spending, have led to an economic downturn in the markets in which the Group operates and, in particular, that of Spain.

Additionally, during the COVID-19 pandemic, the Spanish Government has enacted certain regulations with a direct impact on housing, such as Royal Decree-law 11/2020, of 31 March, which adopts urgent complementary measures in the social and economic sphere to face COVID-19; and Royal Decree-law 37/2020, of 22 December, on urgent measures to deal with situations of social and economic vulnerability in housing and in transport (as amended, restated or supplemented ("RD 11/2020")), among others. These developments and other consequences such as a downturn in the homebuilding and land development sectors in the Group's markets would materially adversely affect the Group's business, results of operations, and the demand for and the fair value of the Group's assets.

All of the Group's operations are located in Spain. Accordingly, the Group's operating and financial performance can be influenced significantly by political and economic conditions in Spain, and to a certain extent, the EU and global financial performance. From mid-2008, the global economy and the EU experienced a period of recession, which led to a widespread deterioration in these economies, in turn adversely affecting, among other things, consumer confidence, levels of employment, sales volumes, interest rates and the state of the residential development market (which is generally cyclical and affected by

changes in general economic conditions, which saw significant declines in both prices and sales volumes). The Spanish economy experienced a period of improvement since the beginning of 2014, which has been halted by the crisis derived from the Coronavirus pandemic, leading to a generalized drop in employment and in the service sector. The most recent forecasts, as published by Bank of Spain and prepared in collaboration with the Spanish National Institute for Statistics (*Instituto Nacional de Estadística* or “INE”) as of March 2021, envisage a positive annual variation of the Spanish GDP of 5.3% for 2022 and of 1.7% for 2023.

However, due to the Coronavirus pandemic, the forecasts regarding Spain's GDP growth, and the recovery of the Spanish real estate sector have changed completely. In the fourth quarter of 2020, country's GDP has decreased by 8.9% YoY. Also, on January 2021, the Bank of Spain has considered three economic scenarios for the annual variation of the Spanish GDP for 2021: (i) a mild scenario forecasts a GDP positive annual variation of 7.5%, (ii) a central scenario, which forecasts a GDP positive annual variation of 6%, and (iii) a severe scenario, forecasting a GDP positive annual variation of 3.2%. In this third scenario, the Bank of Spain contemplates the possibility of a more severe reoccurrence of the Covid-19 disease in the short term (which would require a tightening of containment measures beyond the levels in place in the first two months of the year 2021), and achieving herd immunity at a later stage. At the opposite end, the mild scenario assumes a favorable evolution of the Coronavirus pandemic since the second quarter of 2021 and a faster distribution of vaccines, which would allow to reduce the economic impact of any containment measures as they would be lower in the coming quarters.

The duration, severity, and scope of the Coronavirus pandemic are highly uncertain. The effects of the Coronavirus pandemic on the global economy, as of the date of this Information Memorandum, are expected to significantly impact global growth in the upcoming years, due to the potential restriction or suspension of business activities, disruptions to tourism, travel and transportation (to which the Group is especially exposed to, as it has a substantial presence in top tourist destinations where both Spanish nationals and foreigners have secondary residencies for leisure), and adverse impacts on labor supply affecting both supply and demand chains. In addition, the demand for the Group's assets and its clients' ability to finance acquisitions of the Group's properties may also be negatively affected by the Coronavirus pandemic, which in turn could, among other effects, depress the value of the Group's assets and investments, limit the Group's ability to finance its future operations and capital needs, disrupt the Group's supply chain, disrupt the Group's growth plans and increase the likelihood and/or magnitude of other risks described in this Information Memorandum. The extent to which the Coronavirus pandemic impacts the Group's business and results of operations in the next quarters and later in the future will depend on future developments, which are highly uncertain and cannot be predicted, including future economic conditions, and the actions to contain it or treat its impact, among others. To date, the Group's primary focus as it faces this challenge has been to do everything it can to ensure the safety and well-being of its employees, customers and trade partners. In addition, while the spread of the Coronavirus pandemic may eventually be mitigated, there is no guarantee that a future outbreak of this or any other widespread epidemics will not occur, or that the Spanish economy will recover, either of which could materially harm the Group's business, results of operations, and the demand for and the fair value of the Group's assets. On a different note, due to the fact that the Group pursues a part of its activity in the region of Catalonia (Spain) (approximately 16% of the GAV as of 31 December 2020 in the province of Barcelona), the Group's activity, business, financial condition and the results of their operations could be adversely affected by the political uncertainty in Catalonia. The Catalanian region has experienced several social and political movements calling for the region's secession from Spain. Activities related to these movements have had and may continue to have a material adverse effect on Spanish economic conditions and political stability. In addition, significant uncertainty exists regarding demands for independence in the region of Catalonia, which could negatively affect the residential and commercial real estate market and the demand for housing. Considerable uncertainty exists regarding the outcome of political and social tensions in Catalonia, which could result in changes in legislation, policies and other factors which could significantly impact the environment in which the Group operates in Catalonia, and Spain as a whole. Continued political uncertainty in relation to this issue could adversely affect general economic growth in the region or more broadly in Spain, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Constraints on the availability of mortgage lending and/or interest rate increases may adversely affect the Group's sales.

The purchase of residential property in Spain is usually facilitated through mortgage lending, and the Group's business therefore partly depends upon the ability of its customers to obtain such financing for the purchase of their households. The Group believes that most of its clients will obtain mortgage loans to finance a substantial portion of the price of the real estate assets they purchase, but the access to the loan facilities provided by financial entities can change depending on varied number of reasons that are totally outside of the scope of control of the Group. The Group develops its residential projects using development loans, whereby customers usually get real estate asset loans for approximately 80% of the purchase price on delivery, as the Group's development loan is subrogated by real estate asset loans made to the Group's customers.

After the global financial crisis that started in 2008, access to residential mortgage lending in Spain has been restricted due to a number of factors. Tighter loan qualifications make it more difficult for a borrower to finance the purchase of a new household or the purchase of an existing dwelling from a potential "move-up" buyer who wishes to purchase one of the Group's real estate assets. Limited availability of mortgage lending may constrain growth in sales volumes and prices in the Spanish homebuilding industry. Also, consumer protection laws, which regulate certain pre-contractual and transparency obligations for financing institutions granting mortgage loans, and other autonomous regions regulation which regulate certain additional protections for consumers, may increase the period needed for the execution of each mortgage loan by customers, delaying the period to formalize sales by the Group.

Mortgage lending rates in Spain are predominantly based on floating interest rates tied to EURIBOR. According to the Bank of Spain, the average rate of the twelve months EURIBOR was -0.487% as of 31 March 2021. An increase in interest rates would increase mortgage loan costs and may negatively affect the availability or attractiveness of mortgage loans as a source of financing for the purchase of residential property and, accordingly, reduce demand for the Group's households. Prospective customers who could obtain a mortgage loan at current interest rates may be deterred by the possibility of increased interest rates in the future (and, in turn, higher monthly interest payments) and instead elect to remain in their current property. Customers who had been looking to invest in property could also be deterred by the possibility of increased interest rates, as higher interest rates could negatively affect their investment returns. An increase in interest rates would increase mortgage loan costs and may negatively affect the availability or attractiveness of mortgage loans as a source of financing for the purchase of residential property and, accordingly, reduce demand for the Group's households.

Limited availability of mortgage lending on acceptable terms or at all may constrain growth in sales volumes and prices in the Spanish homebuilding industry. Even if potential homebuyers do not themselves need financing, adverse changes in interest rates and mortgage availability could make it more difficult for them to sell their existing households to other potential buyers who need mortgage financing, thereby constraining their ability to purchase a new dwelling. If the Group's potential homebuyers or the buyers of its potential homebuyers' existing dwellings cannot obtain suitable financing for any of the above reasons, it will be more difficult for the Group to sell its products. Moreover, an increase in interest rates could affect the attractiveness of an investment in residential property, which could also adversely affect the Group's ability to sell its products, and result in both a decrease in the value of its real estate portfolio and an increase in its financing costs, all of which could have a material adverse effect on the Group's activity, business, financial condition and results of operations.

A future decline in land values could result in significant write-downs.

Inventory risks are inherent to the Group's business. There are risks derived from controlling, owning and developing land and, if housing demand declines, the Group may own land or household sites it acquired at costs that it will not be able to recover fully, or on which the Group cannot build and sell dwellings profitably. Also, there can be significant fluctuations in the value of the Group's owned undeveloped land, building lots and any future housing inventories as a result of changes in market conditions.

In this regard, the outbreak of Covid-19 has led the Group's third party valuers to include a material valuation uncertainty in the valuations, carried out in accordance with the Appraisal and Valuation Standards published by Royal Institution of Chartered Surveyors (RICS) of Great Britain and in accordance with the International Valuation Standards (IVS) published by the

International Valuation Standards Committee (IVSC). Such increase in uncertainty has led to adopt a higher degree of caution in the valuations over the Group's assets. For this reason, the market value of the Group's assets as of 31 December 2020 and 31 December 2019 reflects losses with respect to their acquisition cost. As a result of the above, the Group has recognized net provisions for impairment amounting to EUR 128,914 thousand in the period from 1 January to 31 December 2020 (EUR (2,214) thousand in the same period in 2019).

If market conditions were to deteriorate significantly in the future, the Group could be required to make significant write-downs with regard to its land inventory, which could decrease the asset values reflected on its balance sheet and adversely affect the Group's earnings and the Group's shareholders' equity. In addition, the Group may have to sell residential units or land for lower-than-anticipated profit margins, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Changes in demographic patterns may adversely affect demand for the Group's real estate assets.

Long-term demand for new residential property is directly related to, *inter alia*, population growth and the rate of new household formation. These trends, along with the general perception among consumers of the continuous increase in property prices over time, have, in the past, contributed to an increase in home ownership and demand for new residential property in Spain. However, the population in Spain, which growth was one of the main drivers of the real estate boom that ended in 2007, has steadily decreased since 2012. Nonetheless, exceptionally, according to the INE forecasts, population in Spain will increase from 47 million in January 2021 to more than 47.8 million in 2030 and more than 48 million in 2035. These estimates consider the Coronavirus pandemic, together with the implementation of its vaccine, and other factors that may affect changes in population in Spain but, due to such factors being impossible to accurately predict, the above forecasts may be affected, and the population in Spain may decrease or not correspond with the actual estimates. A decrease in residential property demand due to population decrease (including as a result of changes in foreign and intra-country immigration trends), lower levels of household formation and other demographic changes in the regions where the Group operates could adversely affect demand for its real estate assets and have a material adverse effect on its business, results of operations, financial condition or prospects.

2.4 REGULATORY AND LEGAL RISKS

The Group's business may be adversely affected if failing, or if there are any material delays in obtaining, to obtain the required permits and approvals for their development projects.

As of 31 December 2020, approximately 17% of the Group's land bank portfolio in terms of GAV (approximately EUR 463 million) consisted of land plots under the land-permitting process, while the remaining 83% (approximately EUR 2,216 million) consisted of fully-permitted land plots. As such, the Group's land portfolio included approximately (i) 2,000 non-urban land (*no urbanizable*) units, (ii) 6,000 developable land (*clasificado*) units, and (iii) 4,000 organized urban land (*ordenado*) units.

Given the composition of the Group's land bank portfolio, it is subject to risks associated with the extended time period required for transforming non-urban land (*no urbanizable*) into fully permitted land, and for transforming fully permitted land into a fully completed residential or commercial development (including as a result of the type and quality of the soil). These risks could result in substantial unanticipated delays, or an increase of the Group's expenses in transforming such land and, under certain circumstances, could prevent completion of the development of the Group's projects or require the scope of planned developments to be reduced or their design to be changed, any of which could have an adverse effect on the Group's business, results of operations, financial condition or prospects.

In addition, the Group must obtain a variety of permits to develop its land and for the Group to be able to begin construction of its projects. The Group's ability to obtain these permits is dependent on the Group's ability to meet the relevant regulatory and planning requirements. Moreover, the granting of these Permits is regulated at a regional and municipal level and may be subject to the relevant authorities' discretion. The time needed to obtain these permits also varies depending on the region or municipality. Any failure to obtain required permits on favorable terms, or at all, or any material delays in obtaining such permits, could have a material adverse impact on the Group's business, results of operations, financial condition or prospects. In addition, planning regulations and permits could be challenged within the relevant statutory period, which could eventually lead

to delays in the delivery of the Group's units or even incompleteness of a particular development on the expected terms, or at all, which could have a material adverse impact on the Group's business, results of operations, financial condition or prospects.

Moreover, planning regulations and permits could be challenged within the relevant statutory period, which could eventually lead to delays in the delivery of units or even incompleteness of a particular development on the expected terms or at all, which could have a material adverse impact on the Group's activity, business, financial condition and results of operations.

The construction of new developments involves HSE risks.

Operating in the homebuilding industry poses certain HSE-related risks. A significant HSE incident at one of the Group's developments could put its employees, contractors or subcontractors or the general public at risk of injury or death and could lead to potential litigation, significant penalties or damage to the Group's reputation, which could, in turn, have a negative impact on the Group's ability to generate new business.

In addition, the Group may be liable for the costs of removal, investigation or remediation of hazardous or toxic substances located on, under or in a property currently or formerly owned by it, whether or not it caused or knew of the pollution. The costs of such removal, investigation or remediation or those incurred for the Group's defense against HSE claims may be substantial, and they may not be covered by warranties and indemnities from the seller of the affected land or by the Group's insurance policies. They may also cause substantially increased costs or delays in developments. The presence in the Group's developments of non-HSE-compliant substances or the failure to remove such substances may also adversely affect the Group's ability to sell the relevant developments' units.

Furthermore, laws and regulations may impose liability for the release of certain materials into the air, water or earth, and such release may form the basis for liability to third parties for personal injury or other damages, as well as potential criminal liability.

Any breach of HSE compliance, including any delay in responding to changes in HSE regulations, particularly in light of evolving EU standards and potential new implementing legislation, may result in penalties for noncompliance with relevant regulatory requirements. Monitoring and ensuring HSE best practices may become increasingly expensive for the Group in the future, and HSE risks may become more acute as the Group undertakes larger-scale projects or during periods of intense activity. Any of the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The business of the Group is subject to complex and substantial regulations of which the application, interpretation or enforcement are subject to change.

The Group is subject to extensive national, regional and local and other laws and substantial regulations and administrative requirements and policies that relate to, among other matters, urban planning, developing, building, land use, sales, fire, HSE, consumer protection and employment. Additionally, applicable laws and regulations within Spain may vary from one autonomous region to another, from one municipality to another and between different assets within different regions, which limits the Group's ability to rapidly implement a business strategy and increases its monitoring costs.

The laws and regulations that govern the Group's activities often provide broad discretion to the relevant authorities to impose penalties or shut down any of its development projects if it fails to comply with any of them. In addition, a material change in relevant law, regulations or policies, or the interpretation thereof, or delays in such interpretation being delivered, may delay or increase the cost of the Group's development activity or prevent it from selling residential units already developed. In particular, changes in (but not limited to) the following areas could have a significant adverse impact on its business, results of operations, financial condition or prospects: planning or urbanization requirements, laws regarding land classification building and construction regulations, insurance regulations, labor or social security laws, HSE, tax regulations or environmental and sustainability requirements. Any of the foregoing factors could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group is subject to certain liabilities for ten years following the completion of construction.

In connection with the Group's fully integrated project management, the Group acts as general contractors for certain of the Group's projects. In accordance with the provisions of the Spanish Civil Code, building contractors and architects are liable for a ten-year period in respect of any damages arising from building degradation, provided that such degradation is caused by flaws or improper execution in the design or construction of the building. The Group may not be able to obtain adequate, if any, indemnification from the Group's sub-contractors for such liabilities.

Moreover, Spanish courts have extended this liability to real estate developers, and as such the Group can be held liable even in instances where the Group did not act as the general contractor. The LOE expressly makes it mandatory for real estate developers to grant the buyers of their homes a ten-year guarantee covering certain types of construction defects. In case of construction defects, the Group may incur substantial obligations.

Although the Group makes provisions for such contingencies, amounts ultimately payable by the Group could exceed these provisions. In addition, any legislative amendments imposing further obligations on the Group would have an impact on the Group's business. If the Group has significant obligations related to these legal guarantees, this could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group is subject to risks associated with its buildings' construction materials.

The Group's land and homebuilding activities have in the past and could in the future give rise to legal claims brought against it in respect of the materials used and any defects existing in the buildings sold, including possible deficiencies attributable to third parties under agreements entered into with the Group, such as architects, engineers and building contractors, or to the Group with respect to projects for which the Group employs its fully integrated project management function and acts as a general contractor. The Group may use materials which, though allowed at the time of construction, may be subsequently banned. Despite the Group's endeavors to ensure at all times that the materials used in its development projects duly comply with current regulations, any subsequent change in the regulations could lead to the use of any of these materials being banned, giving rise to claims. Although the Group has not been subject to any substantial claim in respect of the construction materials used in the Group's buildings, there can be no assurance that this will continue to be the case in the future. In order to defend itself against any such claims, the Group could incur additional costs, as well as liability for any damages, including personal injury. If the Group becomes subject to material claims in the future, it could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

2.5 RISKS RELATING TO THE NOTES

The Notes will be effectively subordinated to certain rights of creditors of development loans, which comprise a significant portion of the Group's existing capital structure and future funding requirements.

The Group typically finances a significant portion of the Group's construction costs through development loans. Each development loan (i) is typically secured by real-estate mortgages over the applicable project land for which they are financing the development (such assets will not form part of the collateral securing the Notes and therefore each such development loan will rank effectively senior to the Notes with respect to the value of such real estate assets or other Security securing such loans), (ii) may be incurred by subsidiaries of the Issuer, and (iii) may have recourse against the Issuer.

In the event of any enforcement action under the Notes, lenders of development loans will receive the proceeds from the sale of any non-collateral assets securing such development loans before holders of Notes. To the extent that such debt is incurred by subsidiaries, such debt would also be structurally senior to the Notes, with regard to all of the assets of such subsidiary. Furthermore, with respect to development loans that have recourse to the Issuer, in the event that the lender under such development loan elects to enforce their mortgage security over their development loan and the proceeds of any such enforcement sale is not sufficient to repay all amounts due on such development loans, the lenders of such development loans (to the extent not repaid from the proceeds of the sale of the assets securing such debt) would have an unsecured claim against the Issuer's remaining assets.

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

Axesor assigned the Issuer on 2 March 2021 a credit rating of BB, with a positive outlook. Ratings from rating agencies are a way to measure risk. In addition, including to the extent that any credit rating agencies assign credit ratings to the Notes, ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A rating or the absence of a rating is not a recommendation to buy, sell or hold securities.

The risk of changes to the Issuer's or the Notes' (to the extent any is assigned) credit rating is that it can be revised upward or downward, suspended or even withdrawn by the rating agency. The downward revision, suspension or withdrawal of the credit rating by the rating agencies could alter the price of the Notes for the perception of the markets and hinder the Issuer's access to debt markets and impact its ability to obtain financing. Moreover, in the market investors demand higher returns on higher risk and should assess the likelihood of a downward variation in the credit quality of the Issuer or the Notes (to the extent any is assigned), which could lead to a loss of liquidity in the Notes purchased in the market and a loss in value.

There is no liquid public trading market for the Notes and the ability to transfer them is limited, which may adversely affect the value of the Notes.

There is no liquid trading market for the Notes, and the Issuer cannot predict how liquid that trading market might become. Moreover, the market price of the Notes may be influenced by many factors, some of which are beyond the Issuer's control. Therefore, there is a risk of investors not finding a counterparty for the Notes when wishing to execute their sale before maturity.

Although an application will be submitted to list the Notes issued under the Program on the MARF, the Issuer cannot assure that the Notes will be or will remain listed nor that active trading will take place in the market or outside it. Likewise, it is not possible to ensure the development or liquidity of the trading markets for each issue in particular.

In this regard, the Issuer has not entered into any liquidity agreement, and, consequently, no institution is obliged to quote sale and purchase prices. Therefore, investors may not find any counterparty for the Notes. This may entail problems for investors who need to sell the Notes urgently.

The market price of the Notes may be volatile.

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Issuer's appraisals, operating results, adverse business developments, changes to the regulatory environment in which the Issuer operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Notes as well as other factors. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations, which, if repeated in the future, could adversely affect the market price of the Notes without regard to the Issuer's operating results, financial condition or prospects.

Moreover, these are fixed-income securities and their market price are subject to potential fluctuations, mainly due to the evolution in interest rates. Consequently, the Issuer cannot guarantee that the Notes will be traded at a market price that is equal to or higher than the subscription price.

Credit risk.

The Notes are subject to the risk of the Issuer defaulting on their obligations. Credit risk arises from the potential inability of the Issuer to satisfy the required payments under the Notes. The risk is that of the investor and includes loss of principal and interest. The loss may be complete or partial. If the Issuer default, investors may not be able to receive interest and principal. The Issuer's solvency could be deteriorated as a result of an increase in borrowings or due to deterioration in its financial ratios, which would represent a decrease in the Issuer's capacity to meet its debt commitments.

Risk relating to Spanish Insolvency Law.

Law 22/2003, of 9 July, on Insolvency (*Ley Concursal*), which came into force on 1 September 2004, has been superseded by the restated text of the Insolvency Law approved by Royal Legislative Decree 1/2020, of 5 May (*Texto refundido de la Ley*

Concursal) (the “**Insolvency Law**”) and passed by the Spanish government on 5 May 2020 which entered into force on 1 September 2020.

According to the classification and order of priority of debt claims laid down in the Insolvency Law, in the event of insolvency (*concurso*) of the Issuer, the Issuer’s obligations under the Notes shall rank as follows:

- (a) To the extent secured by the Security, where the Security Interest is an *in rem* guarantee, rank as special privileged credits (*créditos con privilegio especial*) up to the fair value (*valor razonable*) of the assets over which the Security is provided, minus (i) 10% of such fair value; and (ii) the amount of the outstanding credits that enjoy a preferential guarantee on the same asset or on the same right. Any amount which is not ranked as special privileged credits as provided for above, shall rank as appropriate under the Insolvency Law (the amounts shall rank behind privileged credits, but ahead of subordinated credits –except if the Notes could be classified as subordinated in accordance with article 281.1 of the Insolvency Law–, and would not have any preference among them).

These limitations shall only apply to the ranking of claims for the purposes of the composition with creditors (*convenio de acreedores*), refinancing agreements and out-of-court payment agreements, but do not operate as a cap regarding the amounts that the Noteholders may recover from the Security. Therefore, in any event, Noteholders shall be entitled to receive 100% of the proceeds obtained from the sale of the assets over which the Security is provided (up to the amount secured by the Security). Any amounts under the Notes that are not covered by the amounts obtained from the sale of the mortgaged assets under the Security Documents shall rank as appropriate under the Insolvency Law.

- (b) To the extent unsecured or secured by the Security, where the Security Interest is not an *in rem* guarantee, rank as ordinary credits (*créditos ordinarios*), ranking behind privileged credits and ahead of subordinated credits –except if the Notes could be classified as subordinated in accordance with article 281.1 of the Insolvency Law–, and would not have any preference among them.

According to article 281.1 of the Insolvency Law, the following are deemed to be subordinated credits, among others:

- (i) Claims which, having been communicated late, are included by the insolvency administrators (*administradores concursales*) in the creditors’ list, as well as those which, not having communicated or having done so late, are included in such list as a result of subsequent communications, or by the judge when resolving on an action contesting the list.
- (ii) Claims corresponding to surcharges and interest of any kind, including late-payment interest, except for those corresponding to claims which are secured by an *in rem* guarantee, up to the amount covered by the respective guarantee.
- (iii) Claims held by any of the persons especially related to the debtor, as referred to in the Insolvency Law.

In addition, as a result of the Covid-19 health crisis, the Spanish Government has approved various extraordinary resolutions. These extraordinary resolutions include, among others, Law 3/2020, of September 18, on procedural and organizational measures to address Covid-19 in the field of the Administration of Justice (*Ley 3/2020, de 18 de septiembre, de medidas procesales y organizativas para hacer frente al COVID-19 en el ámbito de la Administración de Justicia*) (“**Law 3/2020**”), as amended, which has introduced several temporary measures that impact pre-insolvency and insolvency proceedings.

In line with what other countries have done as a result of the Covid-19 health crisis, Law 3/2020 has established that an insolvent debtor is not obliged to file an insolvency petition until 31 December 2021, even if the debtor has already filed the communication informing about the existence of negotiations with creditors to achieve a refinancing agreement, an out-of-court payment agreement or accession to an early proposal for a composition agreement, as provided for in the Insolvency Law.

In addition, Law 3/2020, as amended, also establishes that creditors’ requests submitted from 14 March 2020 onwards, seeking a declaration to open insolvency proceedings, will not be admitted for processing until 31 December 2021. It also establishes

that requests filed by the debtor prior to that date will be given priority, even if the creditors' requests are filed before the debtor's.

Although a debtor is temporarily not obliged to file for insolvency during the abovementioned period, this can technically still be done if so decided by the debtor.

The issues under the Program may not be suitable for all types of qualified investors, eligible counterparties or professional clients.

Each potential qualified investor in the Notes issued under this Program should determine the appropriateness of such investment in the light of their own circumstances, in particular such investors should:

- Have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the benefits and risks of their investments, and the information contained in this Information Memorandum.
- Have access to and knowledge of appropriate analytical tools to evaluate, in the context of their particular financial situation, an investment in the Notes, and the impact that such investment will have on their portfolio.
- Have a thorough understanding of the terms of the Notes, as well as the performance of the financial markets in which they participate.
- Evaluate possible economic scenarios, interest rate variations and other factors that may affect to the investments and the ability to take risks.

The decisions of the Syndicate of Noteholders may be contrary to those of individual Noteholders.

The terms and conditions of the Notes issued under the Program may include certain provisions regarding the Syndicate of Noteholders assemblies, which may take place to resolve matters regarding the interests of the Noteholders. Such provisions establish certain majorities which shall bind all Noteholders, including those who have not attended nor voted in the assembly, or who have voted against the majority, being bound by the decisions taken in a meeting of Noteholders validly called and held. Therefore, it is possible that the Syndicate of Noteholders takes decisions with which an individual Noteholder does not agree or which may economically prejudice such Noteholders, but to which all Noteholders are bound.

The value of and return on any Notes linked to a benchmark may be adversely affected by ongoing national and international regulatory reform in relation to benchmarks or future discontinuance of benchmarks.

EURIBOR and other interest rate or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory discussions and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. Regulation (EU) No. 2016/1011 (the "**Benchmark Regulation**") was published in the Official Journal of the European Union on 29 June 2016 and has applied from 1 January 2018 (with the exception of provisions specified in article 59 thereof (mainly on critical benchmarks) that have applied since 30 June 2016). The Benchmark Regulation could have a material impact on any Notes linked to EURIBOR or another "benchmark" rate or index, in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the terms of the Benchmark Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark.

In addition, the Benchmark Regulation stipulates that each administrator of a "benchmark" regulated thereunder must be licensed by the competent authority of the Member State where such administrator is located. There is a risk that administrators of certain "benchmarks" will fail to obtain a necessary license, preventing them from continuing to provide such "benchmarks". Other administrators may cease to administer certain "benchmarks" because of the additional costs of compliance with the Benchmark Regulation and other applicable regulations, and the risks associated therewith. The discontinuation of a "benchmark" could have a material adverse effect on the value of, and return on, any Note linked to such benchmark.

2.6 RISKS RELATING TO THE SECURITY

In the event the Notes issued under the Program are secured, in accordance with section 7.6.8, the following risks will apply.

The enforcement of the Security may be affected by restrictions under the Spanish Insolvency Law.

The Spanish Insolvency Law (as defined herein) foresees a suspension of the enforcement powers held by creditors holding securities in the event of insolvency of the debtor.

The Insolvency Law states that a debtor in a situation of current or imminent insolvency, which has not been declared insolvent, may communicate to the competent court for the declaration of the insolvency proceeding, that it has started negotiating with its creditors in order to obtain adhesions to an early proposal of agreement or to reach a refinancing agreement, provided that it is not singular, as well as, if the debtor has requested the appointment of an insolvency mediator to try to reach an out-of-court payment agreement, the notary, the commercial registrar or the chamber of commerce before which the request has been filed, once the appointment has been accepted by the mediator, will communicate to the competent court for the declaration of the insolvency proceeding, the opening of negotiations with the creditors to reach an out-of-court payment agreement, indicating the identity of the mediator.

The communication of the opening of negotiations with the creditors shall not prevent the creditor who has a personal guarantee from a third party for the satisfaction of the claim from enforcing it if the secured claim has matured. The guarantors may not invoke the communication of the opening of negotiations to the detriment of the creditor, even if the latter participates in such negotiations. However, regarding *in rem* guarantees, the effect of the above communications will be that until three months have elapsed from the date of presentation of such communications, (i) creditors may not initiate judicial or extrajudicial enforcement actions in which they request the seizure of assets or rights necessary for the continuity of the debtor's professional or business activity; and (ii) creditors may not initiate judicial or extrajudicial enforcement actions on the assets and rights integrated of the debtor, respectively. In addition, any enforcement actions on the assets or rights referred to above that may be in process shall be suspended.

In addition, no individual financial creditor may initiate enforcement actions against assets or rights of the debtor (and those already initiated shall be suspended) if creditors holding at least 51% of the financial liabilities against the debtor have expressly agreed to start negotiating with the debtor in order to arrange a refinancing agreement and have also agreed not to file or continue enforcement actions against the debtor while the debtor and its creditors are still negotiating.

Despite the foregoing, *in rem* secured creditors will still be entitled to bring court or out-of-court enforcement proceedings against the corresponding secured assets. However, once proceedings have been initiated, they shall be immediately suspended until three months have elapsed from the date of presentation of the above communications if they are (i) related to assets or rights necessary for the continuity of the debtor's professional or business activity; or (ii) related to the debtor's customary residence and assets or rights necessary for the continuity of the debtor's professional or business activity, respectively. The enforcement actions not initiated or suspended may be initiated or resumed if the competent court for the declaration of the insolvency proceeding decides that the assets or rights are not necessary for the continuity of the debtor's professional or business activity. The enforcement actions not initiated or suspended may be initiated or resumed once three months have elapsed since the communication to the court of the opening of negotiations with the creditors.

Once a debtor is declared insolvent, the enforcement of security interests over assets owned by the debtor may not be initiated if they are related to assets or rights necessary for the continuity of the debtor's professional or business activity, and any enforcement actions initiated will be suspended, unless the insolvency court considers that the relevant assets is not necessary for the continuation of the debtor's professional or business activities. In determining which assets of the debtor are used for its professional or business activities, courts have generally adopted a broad interpretation and will likely include most of the debtor's assets. In such case, the above limitations will end from the date of effectiveness of a creditors' composition agreement that does not prevent the exercise of the right of separate execution on those assets or rights, or one year has elapsed since the declaration of insolvency without liquidation proceedings being initiated. The secured creditor could also lose its right to enforce separately within the insolvency proceedings if it did not commence the enforcement prior to the insolvency declaration or have not initiated them one year after the declaration of insolvency.

Furthermore, in accordance with the Insolvency Law, once a debtor is declared insolvent, any action carried out or agreement entered into by the debtor in the two years preceding it can be clawed back (rescinded) by the court if the action or agreement is considered detrimental to the insolvency estate. This may arise even in the absence of fraudulent intent. The following acts are presumed detrimental without there being any possibility to provide evidence to the contrary: (a) acts where no consideration is received for a disposed asset; and (b) acts that result in the early repayment or settlement of obligations which would have become due after the declaration of insolvency (unless such obligations were secured by means of a security interest). In the following cases, however, the presumption is rebuttable: (a) disposals made in favor of “specially related parties” to the debtor; (b) the creation of a security interest securing a pre-existing obligation or a new obligation that replaces an existing one; and (c) those payments or other acts extinguishing obligations that would have become due after the declaration of insolvency and which are secured by means of a security.

Claims arising in favor of a creditor as a result of a claw back action will be subordinated if the court has determined that the creditor acted in bad faith. Other claims may also be subordinated including, *inter alia*, (a) claims by legal or natural persons who are “specially related parties” to the debtor and (b) claims arising from reciprocal obligations if the court rules, based on the insolvency administrator’s report, that the creditor repeatedly obstructed compliance with the agreement against the interest of the insolvency estate. Security interests granted by the debtor to secure subordinated claims will be cancelled by the court.

Under Spanish law, one factor considered in determining if a party is “specially related” is (a) whether such party holds, directly and indirectly, more than 10% of the capital of the debtor (for companies that are not listed) or 5% (for companies that are listed) at the time the credit right under dispute in the insolvency scenario arises or (b) in the event of companies belonging to the same group as the insolvent debtor and their common shareholders, provided that such shareholders meet, directly or indirectly, the minimum shareholding requirements set out before.

Where applicable, the Issuer may not be able to get a mortgage deed in relation to the Security registered.

Where applicable, the due and valid creation of the Security if a mortgage is to be granted, executed in the manner set out in the Security Documents, will require the registration of the deeds of mortgage with the competent Spanish land registries. Accordingly, the above mortgage would only be created once the Issuer completes the relevant registration processes. To the extent such registration is delayed or is not completed, the Noteholders will not have the benefit of such Security.

Notwithstanding the above, under the Final Terms of any issue of Notes, the Issuer may undertake to submit the deeds of mortgage with the relevant public registries, so that the Security is duly registered and therefore created under Spanish law, no later than four months from the issuance date of the Notes and to submit to the Commissioner of the issue within said term, a literal registry certification dated after such registration, certifying that the properties mortgaged in said deed belong to the Issuer and that they do not have any lien, condition or encumbrance, with the exception of those provided for in the issue and other legal encumbrances.

The Issuer may, on one occasion only, extend the four months term set out in the previous paragraph by 90 additional Business Days by giving to the Commissioner at least 5 Business Days prior notice. Such notice must include a detailed description of the reasons for extending the registration process.

If applicable, failure to register the deeds of mortgage as referred to above, for a reason attributable to the Issuer, will constitute an Event of Default of the Notes pursuant to section 7.8(E).

Where applicable, the Security may not be enforced based on a breach by the Issuer of an obligation under the Notes which is considered ancillary or complementary to the main payment obligation.

Spanish law, as applied by competent authorities, may preclude any security being enforced in respect of an agreement (including the Notes), irrespective of its governing law, which is terminated or accelerated, (i) based on the breach of obligations, undertakings or covenants which are merely ancillary or complementary to the main payment obligations, or (ii) based on the unreasonable, inequitable or bad faith interpretation of one of its events of default. Pursuant to this, where applicable, the competent Spanish land registrar may at the time of registration of the deeds of mortgage refuse to register any term or condition of the Notes (including the Events of Default stipulated in section 7.8(E)) which may be contrary to the above

principles of Spanish law, thus prejudicing the possibility of the relevant mortgage being enforced in a fast summary proceeding based on those terms and conditions which have not been registered.

In addition, Spanish courts may, at the time of enforcing the Security, through the ordinary (non-summary) enforcement proceedings, refuse to carry out such enforcement when based on such terms of the conditions of the Notes that are deemed contrary to the principles of Spanish law referred to above.

The Security may not be sufficient to pay all or any of the obligations arising for the Issuer in relation to the Notes.

Although the Security (as defined herein) may have a minimum appraised value relative to the nominal value of the Issue, the value of the Security in the event of liquidation will depend on market and economic conditions and the availability of buyers, as well as other factors which are outside of the Issuer's control. In the event of a foreclosure, liquidation, bankruptcy or similar proceedings, the proceeds from any sale or liquidation of the Security may not be sufficient to pay all or any of the Issuer's obligations in relation to the Notes and any other *pari passu* claims.

Where applicable, the Security may not benefit from all enforcement proceedings available under Spanish law.

Where applicable, the deeds of mortgage through which the Security may be granted will not include an ECO valuation under the Order of the Spanish Ministry of Economy ECO/805/2003, of 27 March (as amended) (*Orden ECO/805/2003, de 27 de marzo, sobre normas de valoración de bienes inmuebles y de determinados derechos para ciertas finalidades financieras*) (the "**ECO Valuation**") which is a requirement to have access to the special mortgage enforcement proceeding included in Act 1/2000, of 7 January, on Civil Proceedings (*Ley 1/2000, de 7 de enero, de Enjuiciamiento Civil* or "**Civil Proceedings Act**"), and to the notarial enforcement proceeding foreseen in the Spanish Mortgage Act (*Decreto de 8 de febrero de 1946 por el que se aprueba la nueva redacción oficial de la Ley Hipotecaria*) in the event of default of the Issuer's obligations under the Notes issue.

In such case, although the Noteholders will have access to other enforcement proceedings available under Spanish law, they will not be able to resort to the special mortgage enforcement proceeding nor to the notarial enforcement proceeding of the Security upon default. The main difference between said proceedings and the standard enforcement proceeding under the Civil Proceedings Act is that in the standard enforcement proceeding, due to the lack of ECO Valuation, an *ad hoc* valuation of the properties encumbered by the Security will need to be conducted by an expert appointed by the Court prior to the enforcement of the relevant Security, which would lengthen the enforcement process. Conversely, where the deeds of mortgage creating the Security and registered with the Commercial Registry include ECO Valuations over the encumbered properties, either the special mortgage enforcement proceeding or the notarial enforcement proceeding may be used by the secured parties (in this instance, the Commissioner on behalf of the Noteholders). Any of both proceedings would be faster as regards the execution of such Security once a breach under the Notes issue has occurred.

In addition and where applicable, any deeds of pledge over shares and their enforcement may be subject to Spanish law. As of the date hereof, there is no case law in Spain as regards the enforcement of a pledge in a bond issue and, in particular, enforcement pursuant to the provisions of Royal Decree Law 5/2005, of 11 March 2005, on urgent measures to promote productivity, which implemented in Spain the EU Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on financial collateral arrangements. In addition and as for the case of deeds of mortgages, in order for the beneficiaries of the deeds of pledges to benefit from the special enforcement proceeding for encumbered shares of the Civil Proceedings Act and the notarial enforcement proceeding, the pledges must include a valuation of the shares. Otherwise, the enforcement will follow the proceeding referenced to in the previous paragraph.

2.7 RISKS RELATING TO TAXATION

Taxes have an important impact on the business of the Group, and a change in national, regional or local tax regulations may have a material impact on demand for residential property.

Given the Group's business, it is regularly involved in the exploitation and disposal of real estate assets in Spain. As a result, its real estate activity can be affected by direct and indirect taxation, particularly transfer taxes, stamp duties, real estate property taxes and value-added tax, which is subject to the interpretation and scrutiny of the corresponding Spanish tax

authorities (whether national, regional (including those applicable in the Historical Regions (*comunidades o territorios forales*) of Spain) or local).

Although the Group believes that it is in material compliance with applicable tax laws (including in connection with the Group's real estate and financing activities), it may be subject to a reassessment by the tax authorities, and, in that event, it cannot be disregarded that the Spanish tax authorities' interpretation of such laws may differ from the Group's. As a consequence, the occurrence of any of the above may have an impact on the cash and financial position of the Company, and may materially affect its business, results of operations, financial condition or prospects.

The recoverability of the Group's deferred tax assets depends on the Group's future taxable income, which may not materialize as estimated.

As of 31 December 2020, a significant portion of the Group's deferred tax assets are tax loss carryforwards whose recoverability depends mostly on the Group's capacity to generate future taxable income. Based on the Group's current estimates the Group expects to generate sufficient future taxable income to achieve the realization of the Group's current tax loss carryforwards, supported by the Group's historical trend of business performance. However, the Group's current and deferred income taxes may be impacted by events and transactions arising in the normal course of business as well as by special non-recurring items or changes in the applicable tax laws. Changes in the assumptions and estimates made by management may result in the Group's inability to recover the Group's deferred tax assets if the Group considers that it is not probable that taxable profit will be available against which the deductible temporary difference can be utilized. A future change in applicable tax laws could also limit the Group's ability to recover the Group's deferred tax assets. Additionally, currently ongoing or potential future tax audits may affect the recoverability of the Group's deferred tax assets.

If the Group is unable to recover the Group's deferred tax assets, it could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Risks relating to the Spanish withholding tax regime.

Article 44 of the regulations approved by Royal Decree 1065/2007, of 27 July, which approves the General Regulations on the actions and procedures of tax audit and tax inspection and on the development of the common rules of the procedures for the application of taxes, as amended by Royal Decree 1145/2011 of 29 July 2011 (the "**Royal Decree 1065/2007**"), sets out the reporting obligations applicable to preference shares and debt instruments issued under Law 10/2014, of 26 June, on the organization, supervision and solvency of credit institutions (*Ley 10/2014, de 26 de junio, de ordenación, supervisión y solvencia de entidades de crédito*) (the "**Law 10/2014**"). The procedures apply to interest deriving from preferred securities (*participaciones preferentes*) and debt instruments to which Law 10/2014 refers.

According to the plain wording of section 4 of article 44 of the regulations approved by Royal Decree 1065/2007, income derived from securities originally registered with Iberclear will be paid by the Issuer net of Spanish withholding tax (at a current rate of 19%) if the recipient of the payment is an individual resident in Spain for tax purposes and subject to Spanish Individual Income Tax. The Issuer will not pay any additional amounts in respect of any such withholding tax.

On the other hand, interest payments made by the Issuer in respect of the Notes for the benefit of non-Spanish tax resident investors, or for the benefit of Spanish Corporate Income Tax taxpayers, will not be subject to Spanish withholding tax, provided that the Iberclear Members that have the Notes registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, if applicable, provide the Issuer, in a timely manner, with a duly executed and completed statement (a Payment Statement, as defined herein), in accordance with section 4 of article 44 of the regulations approved by Royal Decree 1065/2007, with the following information:

- (i) Identification of the Notes.
- (ii) Total amount of the income paid by the Issuer.
- (iii) Amount of the income corresponding to individuals residents in Spain that are Personal Income Tax taxpayers.
- (iv) Amount of the income that must be paid on a gross basis.

If the Iberclear Members fail or for any reason are unable to deliver a duly executed and completed Payment Statement to the Issuer in a timely manner in respect of a payment of income made by the Issuer under the Notes, such payment will be made net of Spanish withholding tax, currently at the rate of 19%.

Should this occur, affected beneficial owners would receive a refund of the amount withheld, with no need for action on their part, if the Iberclear Members submit a duly executed and completed Payment Statement to the Issuer no later than the 10th calendar day of the month immediately following the relevant payment date. In addition, non-Spanish tax resident investors who are the beneficial owners of such income may apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the Spanish Non Resident Income Tax Law.

Prospective investors should note that the Issuer does not accept any responsibility relating to the lack of delivery of a duly executed and completed Payment Statement by Iberclear Members in connection with each payment of income under the Notes. Accordingly, the Issuer will not be liable for any damage or loss suffered by any beneficial owner who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax because the Payment Statement was not duly delivered to the Issuer.

Noteholders must seek their own advice to ensure that they comply with all procedures to ensure the correct tax treatment of their Notes. The Issuer does not assume any responsibility in this regard.

3. DECLARATION OF LIABILITY

Mr. Jorge Pérez de Leza Eguiguren and Mr. Borja Tejada Rendón-Luna, on behalf of Metrovacesa, as CEO and CFO, respectively and expressly authorized by the resolution of the Issuer's Board of Directors dated 20 May 2021, hereby assume responsibility for the content of this Information Memorandum (*Documento Base Informativo de Incorporación*), as required by Circular 2/2018.

Mr. Jorge Pérez de Leza Eguiguren and Mr. Borja Tejada Rendón-Luna, hereby declare that the information contained in this Information Memorandum (*Documento Base Informativo de Incorporación*) is, to the best of their knowledge and after executing its reasonable diligence to ensure that it is as stated, compliant with the facts and does not suffer from any omission that could affect its content.

4. DUTIES OF THE REGISTERED ADVISOR (ASESOR REGISTRADO) OF MARF

Banco de Sabadell, S.A. is a Spanish public limited company (*sociedad anónima*) with tax identification number A-08000143, registered at the Commercial Registry of Alicante under volume 156,980, book 4,070, page 1, sheet A-156980, with registered office at Avenida Oscar Espla 37, 03007 Alicante. Banco de Sabadell, S.A. is registered in the Registry of Registered Advisors pursuant to Operative Instruction (*Instrucción Operativa*) 6/2018 of 15 October, in accordance with section 2 of the Circular 3/2013 (currently, section 3 of Circular 2/2018) ("**Banco de Sabadell**" or the "**Registered Advisor**").

Banco de Sabadell has been designated as Registered Advisor of the Issuer (*asesor registrado*). Accordingly, the Registered Advisor shall enable the Issuer to comply with the obligations and responsibilities to be assumed on admitting to listing of the issued Notes on the Alternative Fixed-Income Market ("**MARF**"), acting as specialist liaison between both MARF and the Issuer, and as a means to ease the development of these securities under the new securities trading regime.

Therefore, Banco de Sabadell has undertaken the compromise to cooperate with the Issuer on (i) the admission (*incorporación*) of the Notes to be issued under the Metrovacesa 2021 Senior Notes Program, (ii) compliance with any obligations and responsibilities that apply to the Issuer for its admission and participation on MARF, (iii) the preparation and presentation of financial and business information required thereby and (iv) review of the information to ensure that it complies with applicable standards. Thus, Banco de Sabadell will collaborate with the Issuer to ensure the latter complies with its obligations and responsibilities deriving from the admission (*incorporación*) of the Notes on MARF, acting as specialized interlocutor between both MARF and the Company and as a mean to facilitate its insertion and development in the new trading regime of the Notes.

Banco de Sabadell shall provide MARF with the periodic information required by it, and MARF, in turn, may seek any information deemed necessary in connection with the Registered Advisor's role (and obligations as Registered Advisor). MARF may take any measures in order to verify the information that has been provided.

The Issuer must have, at all times, a designated Registered Advisor listed in the "Registered Advisors Market Registry" (*Registro de Asesores Registrados del MARF*).

As registered advisor, Banco de Sabadell, with respect to the application for admission of the Notes to trading on MARF:

- (i) has verified that the Issuer complies with MARF's regulation requirements in order for the securities to be admitted thereto;
- (ii) has assisted the Issuer in preparing the Information Memorandum;
- (iii) has reviewed all information provided by the Issuer to MARF in connection with the application for admission to trading of the securities on MARF; and
- (iv) has verified that the information provided by the Issuer complies with the regulatory requirements and includes no omission likely to mislead potential investors.

Once the Notes is admitted to trading on MARF, Banco de Sabadell, as registered advisor of the Issuer, will:

- (a) review the information prepared by the Issuer for its filing with MARF periodically or on an ad hoc basis, and verify that the content meets the requirements and time limits provided under the rules and regulations of MARF;
- (b) advise the Issuer on any factors that may affect the Issuer's compliance with its obligations as an issuer of securities that have been admitted to trading on MARF, as well as the best way to deal with such events in order to avoid breaching such obligations;
- (c) inform MARF of any facts that may constitute a breach by the Issuer of its obligations in the event that it appreciates a potential material breach by the Issuer that had not been cured by its advice; and
- (d) manage, deal with and respond to queries and requests for information from MARF in relation to the situation of the Issuer, the evolution of its activity, the level of performance of its obligations and any other data deemed relevant.

For the above purposes, Banco de Sabadell, as registered advisor of the Issuer, will perform the following actions:

- (1) maintain necessary and regular contact with the Issuer and analyze exceptional situations which may occur in the evolution of the market price, trading volume and other relevant circumstances in the trading of the Issuer's securities;
- (2) sign such statements as may be required under MARF's regulation as a result of the admission to trading of the securities on MARF, as well as in relation to information required to companies with securities admitted thereto; and
- (3) send to MARF, as soon as possible, any information received from the Issuer in response to enquiries and requests for information that MARF may have.

5. INDEPENDENT AUDITORS

Pricewaterhousecoopers Auditores, S.L., with corporate address at Torre PwC, Paseo de la Castellana 259 B, Madrid and registered in R.O.A.C. (*Registro Oficial de Auditores de Cuentas*) with number S0242 has audited the consolidated annual accounts of Metrovacesa corresponding to the financial years ended 31 December 2020 and 31 December 2019.

Pricewaterhousecoopers Auditores, S.L., has not resigned nor been removed from its duties during the period covered by the historical information for which it was appointed auditor of the Company.

6. INFORMATION ON THE ISSUER

6.1 HISTORY AND PERFORMANCE OF THE ISSUER

6.1.1 Issuer's general information

The legal name of the Issuer is Metrovacesa, S.A., and its commercial name is "Metrovacesa".

The Issuer was incorporated as a corporation for an indefinite term under public deed executed on 18 February 2016, under the corporate name Metrovacesa Suelo y Promoción, S.A. (on 30 June 2017 the Issuer resolved to change its corporate name to Metrovacesa, S.A.).

The Issuer has its registered office at Calle Quintanavides 13, Parque Vía Norte, 28050, Madrid, Spain.

The share capital stock of the Issuer is represented by 151,676,341 shares with a par value of EUR 7.20000001476829 each, meaning a nominal value of EUR 1,092,069,657.44. The shares are fully subscribed and paid in.

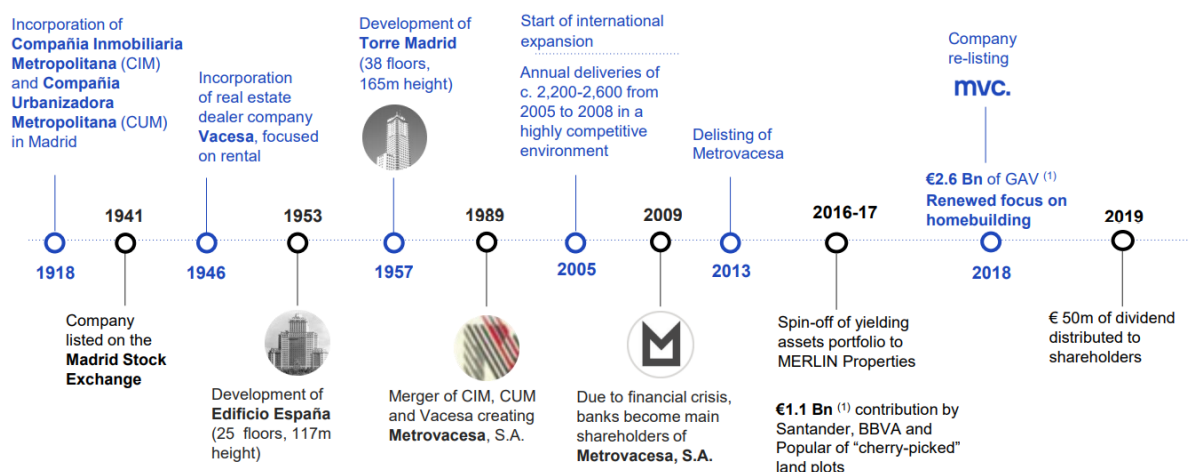
The share capital stock of the Issuer is listed on the Barcelona, Bilbao, Madrid and Valencia Stock Exchanges since 2018.

The Issuer holds Spanish tax identification number A-87471264. The Legal Entity Identifier (LEI) code of the Issuer is 959800ZQW44V5U3SEZ73.

The corporate website of the Issuer's group is www.metrovacesa.com.

6.1.2 Overview of the history of the Issuer

The Issuer benefits from 100 years of established heritage, knowledge, brand name and experience of its predecessor companies. Its predecessors were Compañía Urbanizadora Metropolitana, Compañía Inmobiliaria Metropolitana (incorporated in 1918 and 1935, respectively) and Vacesa S.A., which merged in 1989 to form Inmobiliaria Metropolitana Vasco Central, S.A., later renamed as Metrovacesa, S.A. ("MVC"). MVC was one of the leading residential developers in Spain benefiting from the industry-wide recognition of its predecessor companies.



Notes:

(1) Gross Asset Value (GAV) based on September 2017 valuation reports from Savills and CBRE.

MVC's predecessors shaped the real estate development business and the architectural landscape of various cities in Spain, having built some of the country's most iconic buildings, including Edificio España in 1953 and Torre Madrid in 1957, both of which are located in Madrid. Aside from the brand name, operational experience and recognition of its predecessor companies,

the Issuer also benefits from their high standards of corporate governance, investor relations and market knowledge, as one of them, Compañía Urbanizadora Metropolitana, was listed on the Spanish Stock Exchanges from 1941 to 2013.

As a result of the effect of the 2008 global crisis and its impact on the real estate development business in Spain, in 2009 a group of Spanish banks became the main shareholders of MVC, which initiated a restructuring process to reduce and refinance its financial debt. This restructuring was completed in July 2011, and resulted in an increase of the stake of these Spanish banks in MVC through debt-to-equity swaps.

On 18 February 2016, following the spin-off (without liquidation) of the real estate development business of MVC, the Issuer was incorporated under the initial name of Metrovacesa Suelo y Promoción, S.A.

In July 2017, the Issuer received a contribution from several entities of Banco Santander, S.A. and Banco Bilbao Vizcaya Argentaria, S.A. groups, which became its main shareholders. The Banco Santander, S.A. group ("**Grupo Santander**") entities were integrated at the time by Banco Santander, S.A., Altamira Santander Real Estate, S.A., Luri 6, S.A., Banco Popular Español, S.A., Aliseda, S.A.U. and Inversiones Inmobiliarias Canvives, S.A., while the Banco Bilbao Vizcaya Argentaria, S.A. group ("**Grupo BBVA**") entities were integrated at the time by Banco Bilbao Vizcaya Argentaria, S.A., Anida Operaciones Singulares, S.A., BBVA Propiedad, S.A., Arrels CT Finsol, S.A., Arrels CT Patrimoni i Projectes, S.A., Anida Desarrollos Inmobiliarios, S.L., L'Eix Immobles, S.L., Arrahona Nexus, S.L., Unnim Sociedad para la Gestión de Activos Inmobiliarios, S.A., Gescat, Gestio de Sol, S.L. and Prov-Inf-Arrahona, S.L. Said contribution consisted of land plots worth approximately EUR 1.1 billion in GAV and 3.1 million sqm of land, with a capacity to develop approximately 24,000 residential units. These land plots were carefully selected by the Issuer after a five-month due diligence process. The strict selection criteria focused on (i) fully-permitted residential plots –that is, land plots with both urbanization and rezoning plans approved– and land plots with strategic locations under the land permitting process, (ii) the potential to develop a minimum of 40 to 50 units per land plot, (iii) land plots located in cities specifically selected and with at least 150,000 inhabitants, (iv) land plots with limited urban planning risk, and (v) land plots not tied to, or restricted by, outstanding financing.

As stated above, on 30 June 2017, the Issuer's General Shareholders' Meeting resolved to change the Issuer's corporate name to Metrovacesa, S.A. This resolution was executed on public deed on 10 November 2017 and registered with the Commercial Registry of Madrid on 29 November 2017.

In December 2017, the Group acceded to the Code of Best Tax Practices. This Code includes recommendations voluntarily followed by the tax administration and companies, with the aim of improving the application of the tax system by improving legal certainty, reciprocal co-operation based on good faith and well-placed trust between the tax administration and companies, and the application of responsible tax policies in companies with the consent of the board of directors. Main benefits are i) enhanced transparency, good faith and co-operation with the tax administration in company's tax practice; ii) enhanced transparency and legal certainty in the application and interpretation of tax regulations by the tax administration; and iii) reduction of lawsuits and conflict avoidance. In Spain, less than 200 companies have acceded to this Code.

In December 2017, the Issuer became the parent company of Metrovacesa Arrendamiento through two in-kind contributions by the shareholders of Metrovacesa Arrendamiento, which were entities belonging mainly to Grupo Santander and Grupo BBVA.

On 6 February 2018, the Issuer's shares were admitted to trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges. Since then, Metrovacesa reports regularly to the market and thoroughly complies with listed companies' transparency requirements.

As of the date of this Information Memorandum (*Documento Base Informativo de Incorporación*), the entities belonging to the Grupo Santander have a combined stake in the Issuer of 49.36% and the entities of Grupo BBVA have a combined stake of 20.85%.

In July 2018, Metrovacesa announced the closing of a joint venture agreement with Tishman Speyer for the joint development of the Monteburgos Project in Madrid, which envisages developing high quality office space in the area of Las Tablas (Madrid) over a land plot currently owned by Metrovacesa and suitable for building.

In January 2019, the Group was selected by Google as “successful case study” for its online strategy and the online strategy designed in 2018 to boost leads, conversion rates and brand positioning, segmented by type of client, project and geo-localization.

In March 2019, the Group reached an agreement with the Investment Fund Ares Management for the sale of 2 Build to Rent projects in Madrid with approximately 200 residential units.

In June 2019, Metrovacesa signed a preliminary sales agreement with Sanitas Mayores for the development of a nursing home in Manresa (Barcelona). Delivery date is expected by 2022.

As notified by Metrovacesa to the CNMV by a communication of other relevant information (*comunicación de otra información relevante*) dated 4 March 2020, on the same date, the Company sold a plot of land in Valdebebas, Madrid (the “**Valdebebas Sale**”). A portion of the sale price in the amount of EUR 15,379 thousand, plus VAT, were paid on that same date; EUR 23,067 thousand was deferred to August 2020 and the remaining amount was conditional upon the approval of a detailed study associated with the sold plot. Deferred payments are guaranteed with a resolutive condition registered in the property register. The buyer defaulted its deferred payment obligation in August 2020. Given that the buyer did not cure such payment default, the Issuer exercised the condition subsequent and reversed the Valdebebas Sale, notifying accordingly to the Land Register.

On 23 April 2020, through a communication of other relevant information (*comunicación de otra información relevante*), Metrovacesa informed its shareholders that, as a result of the uncertainty caused by Covid-19, it had decided to postpone decisions on dividends until a moment where more certainty could be reached on the situation of the economy and Metrovacesa’s business. Due to the continuing uncertainty during financial year 2020, the Company resolved not to distribute dividends during 2020. Notwithstanding the above, the Ordinary General Shareholders’ Meeting of the Company held on 5 May 2021, approved the distribution on 20 May 2021 of a dividend equal to EUR 0.40 per share charged to freely available reserves.

On 30 April 2020, the Group signed two long term corporate financings partially backed by the State guarantee line managed by the ICO (*Préstamo ICO*) of EUR 12 million, thus increasing the liquidity of the Group.

Effective March 2020, the Group has extended the “Be Safe Insurance Policy” to most of its projects (even though the policy was already in place in 2019 for some projects). This insurance policy covers payments from clients who are affected either by a collective dismissal (*expedientes de regulación de empleo* or ERE) or by measures to temporarily suspend employment contracts and temporarily reduce working hours (*Expediente de Regulación Temporal de Empleo* or ERTE) as a result of the Covid-19 pandemic. The current circumstances caused by the health crisis and the travel restrictions imposed under the Covid-19 outbreak have prompted MVC to work even closer to its customers than before.

In June 2020, Metrovacesa was awarded the “Equality in the Workplace” (*Igualdad en la Empresa*) seal of distinction, which is granted by the Ministry of Equality and managed by the Women’s Institute. This seal recognizes the equality plan “We build Equality” promoted since 2018 in order to develop best practices and policies that promote equal treatment and opportunities between men and women.

In September 2020, Metrovacesa announced a repurchase program for the shares of its subsidiary Metrovacesa Promoción y Arrendamiento, S.A. (“**MPyA**”) in order to provide a liquidity event to the minority shareholders and retail investors (more than 3,000) given that the shares of MPyA are not listed on a regulated market. Such repurchase program was settled on 20 October 2020 and, as a result, as of the date of this Information Memorandum (*Documento Base Informativo de Incorporación*) Metrovacesa owns 100% of MPyA.

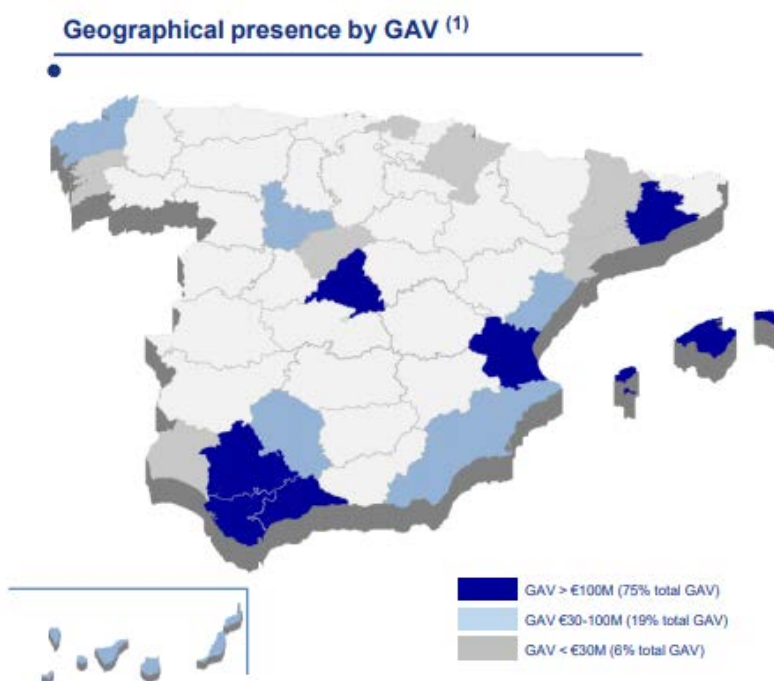
Also in October 2020, the Company registered a Commercial Paper Program on MARF with a maximum outstanding amount of EUR 100 million and maturity periods of up to 24 months, with the aim to diversify its financing sources in the capital markets. The Information Memorandum (*Documento Base Informativo de Incorporación*) on the admission (*incorporación*) of such commercial paper (*pagarés*) on MARF is publicly available at MARF’s website (www.bmerf.es). Based on this program, as of 31 December 2020, Metrovacesa has issued commercial paper (*pagarés*) in the amount of EUR 19,400 thousand and has repaid EUR 3,300 thousand.

Over the course of financial year 2020, due to the situation created by the Covid-19 outbreak and the need to finance its activities, Metrovacesa has used EUR 135,000 thousand of the Group's syndicated loan arranged on 1 December 2017 and which amounted, in total, to EUR 275,000 thousand. Also, the Group has signed new bank loans in order to finance the construction of residential development projects which, as of 31 December 2020, amounted to EUR 315,032 thousand, of which EUR 215,884 thousand have been used.

6.1.3 Portfolio

The Issuer structures its portfolio according to the geographical areas where it conducts its business. Its portfolio is divided into the following sections: Catalonia (Catalonia and the north of Balearic Islands), North-Central (Center, including Madrid, and North zone, except Catalonia, and including Canary Islands), Western Andalusia (north and west Andalusia), Costa del Sol (south and east Andalusia) and Levante (Valencia, Murcia and the south of the Balearic Islands).

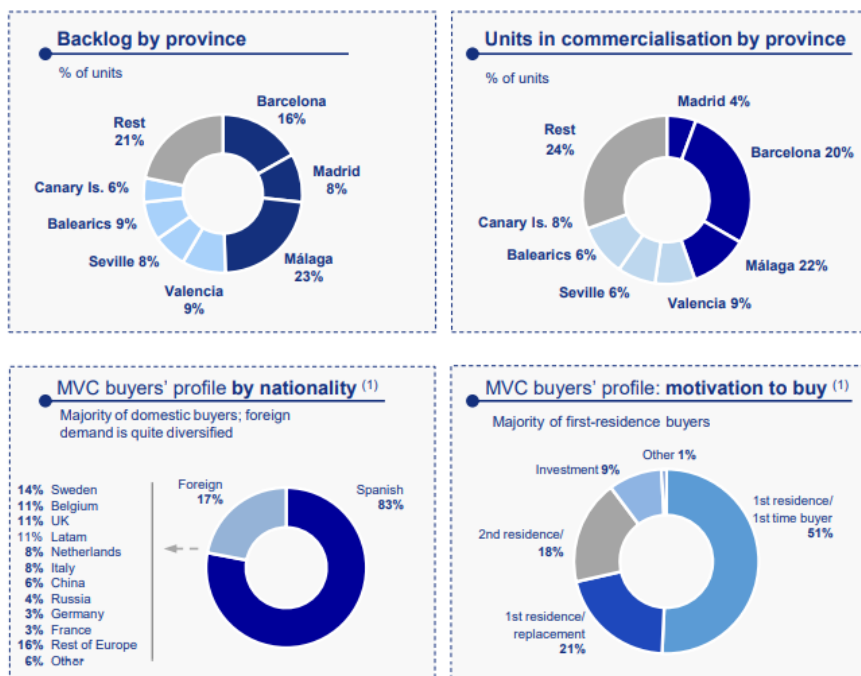
The map below shows the geographical presence of the Issuer, measured by GAV, as of 31 December 2020:



Notes:

(1) Map excludes provinces with a reduced presence, below EUR 10 million in GAV.

The Issuer has presence in the most dynamic locations. Below is a detail of Metrovacesa's clients and projects by location, price, age and motivation as of 31 December 2020:



Notes:

(1) Calculated as a percentage of units in the sales backlog, excluding built-to-rent assets.

The Issuer holds a major number of fully-permitted residential real estate units in the provinces of Madrid, Barcelona, Costa del Sol, Seville and Valencia, which constitute the vast majority of its total GAV. As of 31 December 2020, such geographical areas represented approximately 70% of the Group's GAV (c. EUR 1,875 million).

As per the Issuer's commercial land by location, measured as a percentage over the GAV of the assets, as of 31 December 2020 the Group has 48% of its commercial land in the province of Madrid, followed by a 31% in the province of Barcelona, a 7% in Balearic Islands, and minor percentages in locations such as Cadiz, Canary Islands and other locations in Spain. The Issuer's residential portfolio is more atomized as a 22% of residential assets are located in Málaga, 14% in Madrid, 12% in Barcelona and minor percentages are in Seville, Valencia, Cádiz, Balearic Islands, Alicante, A Coruña and Canary Islands, among others.

6.2 MAIN SHAREHOLDERS

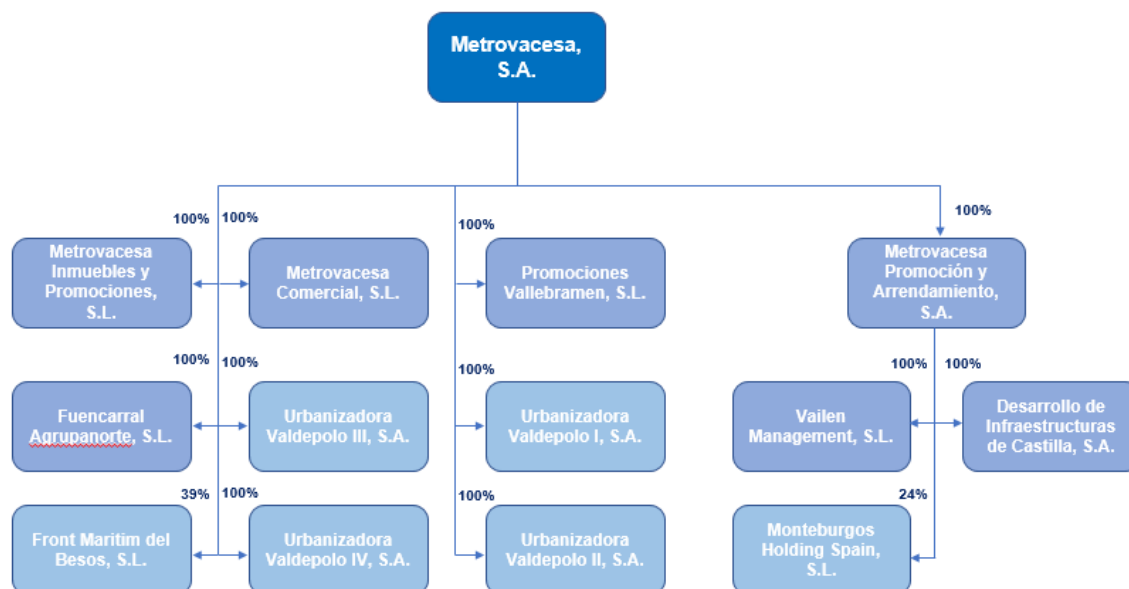
As of the date of this Information Memorandum (*Documento Base Informativo de Incorporación*), the main shareholders of Metrovacesa are as follows:

- (i) the entities belonging to the Grupo Santander, which have a combined stake in the Issuer of 49.36%; and
- (ii) the entities of Grupo BBVA, which have a combined stake of 20.85%.

6.3 CORPORATE STRUCTURE

The Issuer heads up a group of entities and carries out its business activities either directly or through investments in other companies with an identical or similar corporate object.

The corporate structure of the Group comprising the Issuer and its subsidiaries as of the date of this Information Memorandum (*Documento Base Informativo de Incorporación*), is the following:



Notes:

Metrovacesa, S.A. owns 38.63% of the company Front Maritim del Besos, S.L.

6.4 CORPORATE PURPOSE

The Issuer's main corporate purpose is (i) the acquisition or development of all kinds of real estate plots or buildings for their development or improvement and their subsequent sale, (ii) the development and parceling of real estate assets in general, (iii) the acquisition of land and real estate urban assets or any kind of rights *in rem* over real estate assets for their sale, (iv) the real estate management either directly or through its affiliates, for its own benefit or for the benefit of third parties, and the development and management of real estate communities, (v) the acquisition, sale, intermediation, development, commercialization and management of real estate assets —rural, urban or industrial— including for leasing purposes, (vi) the rehabilitation, refurbishment or siting of buildings or part of them, (vii) the creation, formation and exploitation of developments of any kind, (viii) the provision of technical advice and the execution of studies and projects regarding the real estate activities included in this paragraph, specifically regarding the execution of technical, legal and commercial activities for urban development that may be necessary for launching, constructing or any other form of exploitation of parking lots, nursing homes, student housing, hotels and any other type of social or community facilities, and (ix) the ownership and management golf courses and development and sale of sports clubs. Finally, the Issuer may also participate in other companies conducting an analogous corporate object in the manner set forth by the Board of Directors.

6.5 ADMINISTRATIVE AND MANAGEMENT BODIES

Given its widespread capillarity in Spain, the Issuer operates its business through five established regional offices (for the geographical areas of North-Central, Western Andalusia, Costa del Sol, Levante and Catalonia). Although its management is centralized, the Issuer's development activities are run to a great extent from its regional offices, which operate in the main regions where its business is focused.

(A) Board of Directors

The Issuer's Board of Directors is responsible for the management of Metrovacesa and, among other functions, establishes its strategic, accounting, organizational and financing policies. Currently, the Board of Directors consists of the following 12 members, of which 25% are women and 42% are independent or external:

Board of Directors	Category	Member of Board of Directors since
Mr. Ignacio Moreno Martínez	External ⁽¹⁾	20/10/2016
Mr. Jorge Pérez de Leza Eguiguren	Executive	22/11/2016
Mr. Mariano Olmeda Sarrión	Proprietary ⁽²⁾	27/04/2017
Mr. Javier García-Carranza Benjumea	Proprietary	06/04/2016
Mr. Carlos Manzano Cuesta	Proprietary	19/09/2017
Ms. Ana Bolado Valle	Proprietary	30/06/2017
Mr. Cesáreo Rey-Baltar Oramas	Proprietary	28/03/2017
Mr. Enrique Migoya Peláez	Proprietary	22/02/2021
Ms. Beatriz Puente Ferreras	Independent	19/01/2018
Ms. Emma Fernández Alonso	Independent	19/01/2018
Mr. Vicente Moreno García-Mansilla	Independent	19/01/2018
Mr. Juan Béjar Ochoa	Independent	19/01/2018

Notes:

(1) Non-executive Chair.

(2) Non-executive deputy Chair.

Additionally, the Board of Directors has the following two committees, which are internal reporting and consultative bodies without executive functions but with powers of reporting, advising and submitting proposals:

- The Remuneration and Appointments Committee, which is composed by the following four directors: Ms. Emma Fernández (also its Chair), Mr. Ignacio Moreno, Mr. Cesáreo Rey-Baltar and Mr. Vicente Moreno.
- The Audit Committee, which is composed by the following three directors: Ms. Beatriz Puente (also its Chair), Mr. Carlos Manzano and Mr. Juan Béjar.

(B) Management

Metrovacesa has a centralized, highly skilled and well dimensioned senior management team. It is supplemented by full in-house regional teams with nationwide capillarity and first-hand knowledge of regional dynamics, local relationships and local regulations. In addition, the Issuer has project managers that handle several projects at a time while coordinating its full-time employees.

Below follows the composition of Metrovacesa's management committee and the regional directors as of the date of this Information Memorandum:

Management committee



Jorge Pérez de Leza
CEO



Borja Tejada
CFO



Eduardo Carreño
Head of Residential
Operations



Pilar Martín
Head of Legal



Miguel A. Melero
Corp. Resources



Raquel Bueno
Corporate
Development



Miguel Díaz
Head of Land



Enrique Gracia
Head of Commercial



Carmen Chicharro
Head of Sales,
Innovation & Marketing



Juan Carlos Calvo
Strategy & Investor
Relations

Regional structure

NORTH / CENTRAL



Luis Miguel Pascual
12 employees
3 project managers



Antonio Gil
12 employees
3 project managers



Lorenzo Santana
10 employees
4 project managers



Pablo Andreu
9 employees
4 project managers



Jesús Osorio
13 employees
5 project managers



Alfonso Menéndez-Pidal
21 employees

Notes:

The blue circles inform of the number of years of experience in the industry.

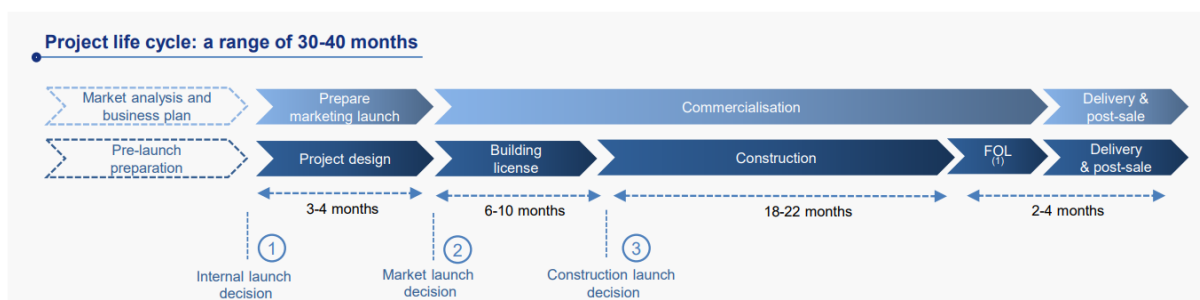
As of December 2020, the Issuer had an average workforce of 195 employees, 43% of whom were women. In addition, on June 2020 Metrovacesa obtained the Equality in the Company Distinction awarded by the Ministry of Equality (*Distintivo del Ministerio de Igualdad*), being one of the 157 Spanish companies that have obtained it.

6.6 BUSINESS

6.6.1 Strategy

The Issuer has three business lines, i.e. residential development, commercial development and land bank management, with a main focus on the first one, where it has consolidated its position as the national homebuilding industry leader with premium and sustainable margins.

The graphic below provides a general overview of the Issuer's project cycles which vary depending on the sub-category (residential development and commercial development):



Notes:

(1) First Occupancy License.

(A) Residential development

A brief description of the phases comprising the residential development process —the Issuer's main business line—is presented below:

Pre-launch

The process begins with the analysis of opportunities through a thorough-market analysis in order to produce a business plan. At this stage, the Issuer relies on the regional offices where the land plot is located in order to benefit from their first-handed local knowledge. They are supported by departments that analyze financial figures and cross-check business plans, while providing the relevant input on prices, sales, marketing, selling strategies and operating margins. The Issuer thus obtains a competitive advantage in identifying and assessing land opportunities and is able to produce market studies that will be used by the development manager to define the initial product.

Once the business plan is completed, the relevant regional manager, in consultation with the operations department, the chief operating officer and with the approval of the management committee, appoints the architect. They are appointed mainly based on reputation, experience and knowledge of the development area, on a case-by-case analysis. Architects prepare the basic project (*proyecto básico*) which contains information required for compliance with urbanistic regulations and which is added to the business plan. Once analyzed by the operations department and the regional manager, it is submitted to the Issuer's management committee for approval.

Prior to approval, a variety of factors are reviewed, among others: (i) market conditions in the area where the land plot will be developed; (ii) overall timing; (iii) estimated financial data; (iv) experience of the architect and the commercialization agency; or (v) potential downside and risks. The management committee follows a multi-faceted analysis with a financial focus, a SWOT focus (strengths, weaknesses, opportunities and threats of each project) a commercial focus, among others. If the business plan is approved, the development is launched and the agreement with the pre-selected architect is executed.

In addition, the Group seeks advice from various external brokers with a deep local market knowledge, which enables the Group define more accurately the product mix to be developed, as well as the price range potential clients would be willing to pay.

Project design

Then, the Issuer requests the building permit from the relevant city council, and the architect commences the preparation of an execution plan for the project, following the business plan. As per the technical aspects of the project, the Issuer has the competitive advantage of being able to offer tailored specifications, materials and type of products for the design of each project, while exerting the minimum intervention over the land. In addition, the Issuer uses construction materials that aim to reduce its carbon footprint and combines excellence in business practices with a thorough awareness of the environment. In parallel with the above, the commercialization department begins planning the commercialization and marketing strategy.

Commercialization

In this phase, the Issuer:

- (i) Appoints a broker based on experience, service quality, selling capacity, customers' familiarity with them and customer service. The Issuer's competitive advantage lies in the fact that it preserves flexibility to select the best broker available for the specific project with local market and target client expertise, instead of having framework agreements with specific brokers.
- (ii) Initiates its marketing plan, launched by its marketing department in coordination with the regional manager and the development manager. The Issuer also relies on third-party advertisement agencies, which allows it to keep abreast of the latest sales and commercialization techniques.
- (iii) Commences its pre-sales process, which is essential for the financing of the development and is closely monitored by the regional manager and management committee.
- (iv) Obtains the building permit from the corresponding city council.
- (v) Obtains the financing required for the applicable development, once the above steps are partly fulfilled in order to show capability to fulfil its business plan from an early stage.
- (vi) Selects the third-party contractors after several bidding rounds to homogenize proposals, the last of which involves face-to-face meetings with the remaining contractors to analyze their respective proposals in detail.

When most of the above has been fulfilled, the management committee decides on whether or not to approve the construction of the development.

Construction

Construction is outsourced, but continuously supervised on site to ensure that the works meet the Issuer's quality standards and avoid cost overruns. Ongoing monitoring systems are established to be updated on the progress of the works, and incentives for being ahead the estimates are put in place by the Issuer. In parallel with construction works, the Issuer executes private sale and purchase agreements with customers for the acquisition of individual units and provide them bank guarantees (or similar) for the amounts prepaid.

First Occupancy Licence (FOL), delivery and post-sale

Upon completion of the construction phase, the Issuer obtains a first occupancy license and, after notarizing the description of the new building (*declaración de obra nueva*) and horizontal division (*division horizontal*), the units are delivered to customers along with a welcome package. The Issuer's customer service representatives accompany customers in the delivery process and provide them with information and advice with respect to their new homes.

(B) Commercial development

Although the Issuer's core activities focus on residential development, it also holds a sizable portfolio of around EUR 589.4 million (comprising approximately 22% of its total GAV as of 31 December 2020) of high quality liquid commercial land plots in strategic locations, 94.8% of which are fully-permitted.

With this business line, Metrovacesa counts with one-off attractive opportunities that differentiates it from its competitors and provides further business diversification and optionality.

(C) Land bank management

Lastly, the Issuer also partially targets its business plan towards land bank management, which is aimed at creating value through the development of fully-permitted land. With this third business line, the Issuer enjoys the option to develop or, depending on market conditions, to sell a portion of its land bank portfolio, accelerating sales and profitability. Such a competitive advantage gives it flexibility to adapt to cycles and to market demand.

6.7 REASONS FOR THE ISSUE AND USE OF PROCEEDS

Metrovacesa will exclusively use the funds obtained by the issuance of the Notes to finance the development, among others, of BtR real estate projects in order to consolidate its growth. As such, the aim and purpose of the notes issued under the Program shall be equivalent to that of a development loan (*préstamo promotor*). Each real estate project to be financed will be determined by the Issuer discretionarily.

6.8 FINANCIAL INFORMATION

6.8.1 Issuer's consolidated annual accounts

Attached to this Information Memorandum (*Documento Base Informativo de Incorporación*) are the consolidated annual accounts of the Issuer and its subsidiaries as of, and for the financial years ended, 31 December 2020 and 31 December 2019, audited by PricewaterhouseCoopers Auditores, S.L. and unqualified.

Annual financial information relating to the Group may be accessed on the public website of the CNMV (www.cnmv.es) or on the Group's own website (www.metrovacesa.com). As of the date of this Information Memorandum, only the annual accounts of the Issuer for the financial year ended 31 December 2019 are deposited with the Commercial Registry of Madrid and the annual accounts of the Issuer for the financial year ended 31 December 2020 will be deposited in due time in accordance with applicable regulations.

The main variations in the amounts contained in the Issuer's consolidated annual accounts are explained below (note that the numbers shown below have been adjusted by rounding so that the totals may not coincide exactly with the information included in the consolidated annual accounts).

(A) Balance sheet

The table set out below provides the main financial aggregates for the consolidated balance sheet as of 31 December 2020 and 31 December 2019:

	As of 31/12/2020	As of 31/12/2019
	<i>(in thousands of euros)</i>	
ASSETS		
Non-current assets		
Property plant and equipment and intangible assets	1,503	1,629
Investment property	321,306	334,090
Investments in associates	54,853	61,125
Receivables	11,106	95,675
Deferred tax assets	86,525	95,612
Total non-current assets	475,293	588,131
Current assets		
Inventories	1,982,565	1,902,343
Trade and other receivables	3,175	25,081
Receivables from Public Administrations	17,116	5,003
Other financial assets	114,409	18,667
Cash and cash equivalents	334,039	139,698
Total current assets	2,451,304	2,090,792
Total assets	2,926,597	2,678,923

Notes:

Source: Metrovacesa's consolidated annual accounts for 2020.

	As of 31/12/2020	As of 31/12/2019
	<i>(in thousands of euros)</i>	
EQUITY		
Total equity attributable to the Company's shareholders		
Share capital	1,092,070	1,092,070
Share premium	1,328,323	1,328,323
Other reserves	(795)	(742)
Retained earnings	(247,009)	(84,028)
Reserves in companies consolidated using the equity method	(2,870)	(2,665)
Treasury shares	(2,696)	(2,801)
Other shareholder contributions	12,881	10,995
Other equity instruments	633	387
Value adjustments	(781)	(775)
Minority interests	—	79
Total equity	2,179,756	2,340,843
LIABILITIES		
Non-current liabilities		
Provisions	14,582	10,061
Financial debt	217,389	94,983
Trade and other payables	23,948	13,928
Deferred tax liabilities	6,478	9,481
Total non-current liabilities	262,397	128,453
Current liabilities		
Provisions	26,588	19,041
Financial debt	215,884	53,468
Trade and other payables	229,891	126,866
Payables to Public Administrations	12,081	10,252
Total current liabilities	484,444	209,627
Total liabilities	746,841	338,080
Total equity and liabilities	2,926,597	2,678,923

Notes:

Source: Metrovacesa's consolidated annual accounts for 2020.

As per the Group's balance sheet as of year-end 2020, the following should be highlighted:

- (i) Book value of real estate assets: Metrovacesa's group real estate assets have an aggregate book value of EUR 2,303,871 thousand. Most of this figure comes from inventories, which amount to EUR 1,982,565 thousand, while the remaining EUR 321,306 thousand is attributed to the investment properties' book value.

- (ii) Non-current assets: the Group's non-current loans to associates decreased from EUR 90,609 thousand as of 31 December 2019 to EUR 3,704 thousand as of 31 December 2020 mainly due to the reclassification of a loan granted by the Issuer to a number of associates (Urbanizadora Valdepolo I, S.L., Urbanizadora Valdepolo II, S.L., Urbanizadora Valdepolo III, S.L., AND Urbanizadora Valdepolo IV, S.L.) for an overall amount of EUR 90,000 thousand, granted on 13 May 2011 to provide them with a long-term capital structure in keeping with their business plan. Since such loan is set to mature in 2021, the outstanding balance, amounting to EUR 88,000 thousand as of 31 December 2020, has been reclassified from non-current assets to current assets on the Group's consolidated balance sheet, increasing current loans to associates up to EUR 88,000 thousand.
 - (iii) Total cash: as of 31 December 2020, total cash was equal to EUR 334,039 thousand, having increased in the amount of EUR 194,341 thousand compared to the balance as of 31 December 2019 (which was equal to EUR 139,698 thousand). From the total cash balance as of 31 December 2020, there were restrictions on availability amounting to EUR 130,141 thousand that related to amounts received in connection with developments deposited in special accounts, separate from any other kind of funds held by the Group and that may only be used in matters related to the building of those developments. The remaining EUR 203,898 thousand was available for the Group without restrictions.
 - (iv) Share premium: between 31 December 2020 and 31 December 2019, the share premium has remained at EUR 1,328,323 thousand as no dividends have been distributed during the financial year 2020. Accordingly, the last cash distribution, which amounted to of EUR 49,975 thousand, dates back from the General Shareholders' Meeting of Metrovacesa held on April 2019.
 - (v) Financial debt: the Group's current and non-current financial debt has increased due to a higher volume of work in progress. Specifically, during 2020 the Group used EUR 135,000 thousand of the syndicated loan arranged by the Group on 1 December 2017 and which amounted to EUR 275,000 thousand, compared to the EUR 50,000 thousand used during financial year 2019. As for current financial debt, in 2020 the Group has signed bank loans related to real estate projects in construction in the amount of EUR 315,032 thousand, having drawn EUR 215,884 thousand as of 31 December 2020. Lastly, during 2020, the Company has issued commercial paper (*pagarés*) in the overall amount of EUR 16,100 thousand, which are traded on MARF.
 - (vi) Average supplier payment period in financial year 2020: 40 days.
 - (vii) Loan to Cost: being an indicator that measures the company's debt position, amounted 9.92% (3.48% in 2019), having increased due to the rise in the Group's financial debt. It is widely used by investors when assessing the financial leverage of real estate companies, as well as by rating agencies and creditors to evaluate the level of debt.
 - (viii) Shareholders' funds: the Company's consolidated shareholders' funds have decreased from EUR 2,340,843 thousand in 31 December 2019 to EUR 2,179,756 thousand in 31 December 2020, mainly, due to the impairment on asset values, based on the latest appraisal of the Group's land, developments in progress and finished structures at the close of each financial year.
- (B) Income statement

The table set out below provides the main financial aggregates for the consolidated income statement for financial years ended on 31 December 2020 and 31 December 2019:

	For the year ended 31/12/2020	For the year ended 31/12/2019
	<i>(in thousands of euros)</i>	
CONTINUING OPERATIONS		
Sales	147,871	161,508
Cost of sales	(124,757)	(141,412)
Staff costs	(14,700)	(14,995)
Amortisation/Depreciation	(496)	(387)
External services	(17,408)	(18,936)
Variation in trade provisions	(122,129)	5,955
Changes in value of investment properties	(12,364)	6,983
Gains/(losses) on sale of investment properties	(41)	3,886
Other gains or losses	(1)	(6)
OPERATING RESULTS	(144,025)	2,596
Financial income	2,303	1,964
Financial expenses	(13,540)	(9,325)
Capitalised financial expenses	4,104	2,531
Results in entities carried under the equity method	(6,283)	(205)
FINANCIAL RESULTS	(13,416)	(5,035)
PROFIT/(LOSS) BEFORE TAX	(157,441)	(2,439)
Corporate income tax	(6,083)	(2,057)
PROFIT/(LOSS) FOR THE YEAR	(163,524)	(4,496)
Owners of the parent	(163,524)	(4,494)
Non-controlling interests	—	(2)

Notes:

Source: Metrovacesa's consolidated annual accounts for 2020.

In relation to the consolidated income statement for financial year 2020, the following should be highlighted:

- (i) Sales: in 2020, the Group recognized revenues from sales in the amount of EUR 147,871 thousand, which derived mainly from: (i) the sale of inventories, which generated revenues in the amount of EUR 146,092 thousand; (ii) services provided, in the amount of EUR 1,433 thousand; and (iii) lease income, in the amount of EUR 346 thousand.
- (ii) Operating results (EBIT): in 2020, the Group's EBIT amounted to EUR (144,025) thousand compared to the EUR 2,596 thousand in 2019. Such decrease is mainly due to the valuation of the Group's assets, which reflects losses with respect to their acquisitions costs and which has led the Group to recognize net provisions for impairment in the amount of EUR 128,914 thousand for financial year 2020, compared to the EUR 4,769 thousand set for financial year 2019.
- (iii) Profit before and after taxes: while the Company's profit before taxes (EBT) was equal to EUR (157,441) thousand, the net income (after taxes) was EUR (163,524) thousand.
- (iv) Income tax expense: in 2020, Metrovacesa had an income tax expense due to corporate income tax equal to EUR 6,083 thousand.
- (C) Financial structure

- Net financial debt

	As of 31/12/2020	As of 31/12/2019
	<i>(in thousands of euros)</i>	
Bank debt ⁽¹⁾	(419,784)	(152,424)
(+) Commercial paper program (MARF) ⁽²⁾	(16,100)	–
(+) Available cash	203,898	72,328
(+) Other financial assets and liabilities	3,545	2,488
Net financial debt	(228,441)	(77,608)

Notes:

(1) Net amount of the advance payments made at the time of the opening of the corporate financing for an amount of EUR 2,611 thousand at 31 December 2020 and EUR 3,973 thousand at 31 December 2019.

(2) Includes the debt for MARF commercial paper notes as it is considered comparable to bank debt.

Source: Metrovacesa's consolidated annual accounts for 2020.

As of 31 December 2020, the Group's financial debt stood at EUR (419,784) thousand, compared to EUR (152,424) thousand as of 31 December 2019 and hence implying an increase of EUR 267,360 thousand.

As per the Group's net financial debt on 31 December 2020, it amounted to EUR (228,441) thousand compared to a total of EUR (77,608) thousand at 31 December 2019. This variation is mainly due to the increase in projects under construction as well as the complete withdrawal of the Group's corporate loan during financial year 2020.

- Loan to Value (LTV)

	As of 31/12/2020	As of 31/12/2019
	<i>(in thousands of euros)</i>	
(-) Net financial debt	228,441	77,608
Market value of property assets recorded in investment property	321,306	334,090
Market value of property assets recorded in inventories	2,244,022	2,254,153
LTV	8.90%	3.00%

Notes:

Source: Metrovacesa's consolidated annual accounts for 2020.

Metrovacesa's Group had an LTV ratio of 8.90% at 31 December 2020 compared to a LTV ratio of 3.00% at 31 December 2019. Such increase in the LTV is mainly due to the increase in activity in the Group during the 2020 financial year.

- Loan to Cost

	As of 31/12/2020	As of 31/12/2019
	<i>(in thousands of euros)</i>	
(-) Net financial debt	228,441	77,608
(+) Inventories	1,982,565	1,902,343
(-) Pre-payments to suppliers	(2,079)	(6,354)
(+) Investments properties	321,306	334,090
LTC	9.92%	3.48%

Notes:

Source: Metrovacesa's consolidated annual accounts for 2020.

The Group had a Loan to Cost of 9.92% at 31 December 2020 compared to a ratio of 3.48% at 31 December 2019, also due to the increase in the Group's activity during the 2020 financial year.

- Analysis by maturity of bank debt

	31 December 2020					
	(in thousands of euros)					
	Financial liabilities					
	2021	2022	2023	2024	Subsequent years	Total
Payables						
- Bank loans (*)	105,885	139,129	—	—	—	245,014
- Other financial liabilities	16,620	—	—	—	161	16,781
Payables to associates and related parties						
- Bank loans (*)	93,898	78,260	—	—	—	172,158
Trade and other payables:						
- Trade payables	71,003	—	—	—	23,787	94,790
- Personnel (**)	3,519	—	—	—	—	3,519
	290,925	217,389	—	—	23,948	532,262

(*) EUR 178,773 thousand of loans to developers are registered in the current liabilities because they are directly related to operating cycle. On the contrary, the maturity varies from 30 to 32 months. The Group will pay these loans when the financed inventories are delivered, that it is expected to be in the next 24-36 months.

(**) As reported in the Company's Annual Remuneration Report 2020, the chairman of the group has the right to compensation in the event of termination of office for any reason amounting to EUR 500 thousand. This amount is provisioned under the heading "Personnel" on the balance sheet.

	31 December 2019					
	(in thousands of euros)					
	Financial liabilities					
	2020	2021	2022	2023	Subsequent years	Total
Payables						
- Bank loans (*)	30,466	—	60,429	—	—	90,895
- Other financial liabilities	41	—	—	—	168	209
Payables to associates and related parties						
- Bank loans (*)	23,002	—	34,554	—	—	57,556
Trade and other payables						
- Trade payables	49,540	—	—	—	13,760	63,300
- Personnel (**)	3,394	—	—	—	—	3,394
	106,443	—	94,983	—	13,928	215,354

Notes:

(*) EUR 48,823 thousand of loans to developers are registered in the current liabilities because they are directly related to operating cycle. On the contrary, the maturity varies from 30 to 32 months. The Group will pay these loans when the financed inventories are delivered, that it is expected to be in the next 24-36 months.

(**) As reported in the Company's Annual Remuneration Report 2019, the chairman of the Group has the right to compensation in the event of termination of office for any reason amounting to EUR 500 thousand. This amount is provisioned under the heading "Personnel" on the balance sheet.

Source: Metrovacesa's consolidated annual accounts for 2020.

(D) Cash flow

The table set out below provides the main financial aggregates for the consolidated cash flows statements for financial years ended on 31 December 2020 and 31 December 2019:

	For the year ended 31/12/2020	For the year ended 31/12/2019
	<i>(in thousands of euros)</i>	
1. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/ (loss) for the year before tax	(157,441)	(2,439)
Adjustments to results:		
Fixed asset amortisation/ depreciation	496	387
Change in allowances and provisions	122,129	(5,955)
Changes in value of investment property	12,364	(6,983)
Profit/(loss) on fixed asset write-offs and disposals	41	(3,886)
Results of entities accounted for by the equity method	6,283	–
Financial income	(2,303)	(1,964)
Capitalised expenses	(4,104)	(2,531)
Financial expenses	13,540	9,325
Other gains or losses	1	6
Adjusted results	(8,994)	(14,040)
Changes in working capital		
- Inventories	(195,086)	(49,822)
- Trade and other receivables	11,084	(10,940)
- Other current assets	(347)	(9,263)
- Accounts payable	121,921	67,006
Other cash flows from operating activities		
- Interest paid (-)	(7,450)	(7,963)
- Interest collected	417	77
- Income tax received (paid)	–	(3,097)
- Total net cash flows from operating activities	(78,455)	(28,042)
2. CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in:		
Intangible assets	(325)	(467)
Property, plant and equipment	(45)	(617)
Investment property	(1,308)	(1,432)
Loans to companies	(3,095)	–
Divestment from:		
Investment property	–	10,279
Other financial assets	(5,891)	–
Total net cash flows from investing activities	(10,664)	7,763
3. CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts and payments on equity instruments:		
Issuance of equity instruments	–	440
Receipts and payments on financial liability instruments:		
Issue		
Issue of Debt with credit institutions	363,827	114,882
Other financial liabilities	19,400	–
Repayment and amortisation of:		
Repayment of syndicated loan facilities	(96,467)	(52,322)
Other financial liabilities	(3,300)	–
Share premium distribution	–	(49,974)
Total net cash flows from financing activities	283,460	13,026

INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS, NET	194,341	(7,253)
Cash and cash equivalents at beginning of the year	139,698	146,951
Cash and cash equivalents at end of the year	334,039	139,698

Notes:

Source: Metrovacesa's consolidated annual accounts for 2020.

In 2020, the net cash used in operating activities has decreased with respect to 2019 due to the changes in working capital, more precisely affecting inventories.

The cash flow from financing activities has partially increased due to the absence of approval of share premium distributions in the 2020 Annual General Shareholders' Meeting of Metrovacesa.

At 31 December 2020 there were restrictions on availability of cash amounting to EUR 130,141 thousand (EUR 67,370 thousand at 31 December 2019) that relate to amounts received in connection with developments that are deposited in special accounts, separate from any other kind of funds held by the Group and that may only be used in matters related to the building of those developments.

6.8.2 Recent events

As per the most significant events of Metrovacesa that have taken place from 1 January 2021 to this date, the following should be highlighted:

- (i) On 13 April 2021, Metrovacesa commenced construction work on the first phase of a new project in Estepona, Serene Atalaya (Málaga), a complex consisting of 33 semi-detached villas, for which the Issuer will make an investment of EUR 34 million. This project intends to strengthen Metrovacesa's presence in the province of Malaga, where it has 21 active developments, offering close to 1,200 new-built households in the area.
- (ii) In April 2021, Metrovacesa completed construction works on the Alamar residential development in Torremolinos (Málaga), which began on 26 July 2019. The Issuer has allocated an investment of EUR 42 million and the delivery of the households is scheduled for the third quarter of 2021. With this project, Metrovacesa adds 21 active developments in the province of Málaga, reaffirming its commitment to the Costa del Sol area.
- (iii) During 2021, Metrovacesa has continued to progress with the "Málaga Towers" project and, in April 2021, began construction works on "Living", one of its two towers. This is one of Metrovacesa's most significant projects, for which a total investment of EUR 80 million is planned and which is supported by a development loan granted by CaixaBank, S.A. In this context, the Issuer has launched its own commercial network for Málaga Towers, thus highlighting its firm commitment with quality, personalized service to its customers and the province of Málaga. This also constitutes a new step in the services that the Issuer provides to the developer's network of agents, together with the digital platform metrovacesa4u.

6.9 LITIGATIONS, CLAIMS AND OTHER PROCEEDINGS

As described in the consolidated annual accounts for financial year 2020, there are currently certain legal proceedings against the Group arising from the ordinary course of its business. These proceedings have not, to date, materially impacted the Group's ability to conduct operations or meet forecasted goals. As of the date of this Information Memorandum (*Documento Base Informativo de Incorporación*) the Group did not have any outstanding material litigation proceedings.

Although it is difficult to accurately estimate the total amount of potential costs that the Issuer's group may incur in connection with the legal proceedings in which it is a defendant, the management of the Group considers that Company's provisions are adequate to meet probable and reasonably estimated losses in the event of unfavorable court decisions on said proceedings.

7. DESCRIPTION OF THE NOTES

7.1 TOTAL AMOUNT OF THE SECURITIES ISSUED/ADMITTED TO TRADING

The instruments issued in the Metrovacesa 2021 Senior Notes Program (*Programa de Bonos Senior Metrovacesa 2021*) will be medium- and long-term Notes (*bonds*).

The maximum nominal amount of the Metrovacesa 2021 Senior Notes Program (*Programa de Bonos Senior Metrovacesa 2021*) will be EUR 100,000,000. It is expressly noted that this limit shall not be exceeded at each issue date (on a cumulative basis with the outstanding issues).

The Notes to be issued under this Program may be, as determined in the Final Terms:

- (i) direct, general, unconditional, unsubordinated and secured obligations of the Issuer, which shall be secured by the Security as described in section 7.6.8 below and the Security Documents (as defined herein); or
- (ii) direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer (subject to the provisions of section 7.6.11).

Regarding the terms and conditions of the securities, the Notes under the Program will be issued pursuant to the Final Terms template attached as **Annex I** hereto.

The Final Terms of each issue will specify the nominal and total effective amount of the Notes admitted to trading and the nominal and effective amount and number of Notes to be admitted, as well as if they are secured obligations of the Issuer or not.

The Notes to be issued under the Program will be denominated in euros.

7.2 DATE OF ISSUE OF THE NOTES

The Final Terms of each issue of Notes will establish the envisaged dates of issue of the Notes, which may not exceed the validity period of this Program.

The validity of this Program is 12 months as from its admission (*incorporación*) to MARF.

Notes may be issued, subscribed and disbursed on any Business Day during the validity of the Program. In any case, the admission (*incorporación*) of the Notes into MARF must take place within such term. For each issue of Notes, the Final Terms and the corresponding complementary documentation for its admission shall be sent and deposited in the MARF.

7.3 FORM, DENOMINATION, STATUS AND PRICE OF THE NOTES

(A) Form and denomination

The Notes are issued to be admitted uncertified, dematerialized book-entry form (*anotaciones en cuenta*) with a nominal value of EUR 100,000 (the "**Authorized Denomination**") each, subject to the provisions of the Securities Market Act, in particular articles 6 and 8 of the Securities Market Act.

(B) Status of the Notes

The Notes to be issued under this Program may be, as determined in the Final Terms:

- (a) Direct, general, unconditional, unsubordinated and secured obligations of the Issuer, which shall be secured by the Security as described in section 7.6.8 below and the Security Documents (as defined herein). These Notes shall at all times rank *pari passu* without any preference among themselves and (save for such obligations that may be preferred by provisions of law that are mandatory and of general application) at least equally with all other present and future secured and unsubordinated obligations of the Issuer, from time to time outstanding. In the event of the insolvency (*concurso*) of the Issuer, the Notes will be special preferred credits (*créditos con privilegio especial*) pursuant to the provisions of the Insolvency Law and up to the value of the collateral (unless they qualify as

subordinated credits under article 281 the Insolvency Law and subject to any applicable legal and regulatory exceptions), to the extent the Issuer's obligations under the Notes shall be secured by the Security, where the Security Interest is an *in rem* guarantee, and will be ordinary credits (*créditos ordinarios*), pursuant to the provisions of the Insolvency Law, where the Security Interest is not an *in rem* guarantee; or

- (b) Direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer (subject to the provisions of section 7.6.11). These Notes shall at all times rank *pari passu* without any preference among themselves and (save for such obligations that may be preferred by provisions of law that are mandatory and of general application) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer, from time to time outstanding and subordinated to any present or future secured and unsubordinated obligations of the Issuer, from time to time outstanding. In the event of the insolvency (*concurso*) of the Issuer, the Notes will be ordinary credits (*créditos ordinarios*), pursuant to the provisions of the Insolvency Law (unless they qualify as subordinated credits under article 281 the Insolvency Law and subject to any applicable legal and regulatory exceptions), to the extent the Issuer's obligations under the Notes remain unsecured.

According to article 281.1 of the Insolvency Law, the following are deemed to be subordinated credits, among others:

- (i) Claims which, having been communicated late, are included by the insolvency administrators (*administradores concursales*) in the creditors' list, as well as those which, not having communicated or having done so late, are included in such list as a result of subsequent communications, or by the judge when resolving on an action contesting the list.
- (ii) Claims corresponding to surcharges and interest of any kind, including late-payment interest, except for those corresponding to claims which are secured by an *in rem* guarantee, up to the amount covered by the respective guarantee.
- (iii) Claims held by any of the persons especially related to the debtor, as referred to in the Insolvency Law.

Accrued and unpaid interest due in respect of the Notes at the commencement of an insolvency proceeding (*concurso*) of the Issuer will qualify as subordinated credits. Under Spanish law, accrual of interest on the Notes shall be suspended from solvency (article 152 of the Insolvency Law).

In accordance with the applicable legislation, the Notes issued under this Program will not grant the Noteholders any present and/or future political rights over the Issuer.

(C) Price of the Notes

Notes may be issued at any price (at nominal value, or at a premium or discount to the nominal value), as specified in the relevant Final Terms of each issue. The price and amount of Notes to be issued under the Program will be determined by the Issuer and the relevant Placement Entity or entities, as the case may be, at the time of each issue in accordance with prevailing market conditions.

(D) ISIN code

The information relating to the ISIN Code (International Securities Identification Number), or any other codes used internationally, of each of the issues made under this Program will appear in the Final Terms of the relevant issue.

7.4 REGISTER, TITLE AND TRANSFERS

(A) Registration

The Notes that will be admitted on MARF, issued under this Information Memorandum, shall be represented in book-entry form (*anotaciones en cuenta*), as set out in the mechanisms for trading on MARF for which admission of securities is required.

The party in charge of keeping the accounting records (*registro contable*) of the Notes issued under this Program will be Iberclear, with registered office at Madrid, Plaza de la Lealtad, 1, together with its participating entities, pursuant to article 8.3

of the Securities Market Act, as the managing entity of the central registry of the Spanish clearance and settlement system (the "**Spanish Central Registry**") that records all aggregate securities balances for each of its participating entities (*entidades participantes*) (the "**Iberclear Members**"). Each Noteholder's (as defined below) title to the corresponding principal amount of the Notes is set out in the registries maintained by the respective Iberclear Member or the Spanish Central Registry itself if the holder is an Iberclear Member. Noteholders who do not have, directly or indirectly through their custodians, an account with Iberclear may participate in the Notes through bridge accounts held by each of the Euroclear Bank S.A./N.V. entities ("**Euroclear**") and Clearstream Banking, société anonyme, Luxembourg ("**Clearstream, Luxembourg**"), with Iberclear.

(B) Title

Title of the Notes issued under this Program will be evidenced by book-entry forms (*anotaciones en cuenta*), each person shown in the registries maintained by the respective Iberclear Members, as being a holder of Notes shall be (except otherwise required by the applicable Spanish law) considered the holder of the principal amount of the Notes recorded therein.

The "**Holder**" of a Note means the person in whose name such Note is for the time being registered in the book-entry forms (*anotaciones en cuenta*) at the Spanish Central Registry managed by Iberclear or, as the case may be, the relevant Iberclear Member accounting book and "**Noteholder**" shall be construed accordingly. One or more certificates (each, a "**Certificate**") attesting to the relevant Holder's holding of the Notes in the relevant registry will be delivered by the relevant Iberclear Member or, where the Holder is itself an Iberclear Member, by Iberclear (in each case, in accordance with the requirements of Spanish law and the relevant Iberclear Member's or, as the case may be, Iberclear's procedures) to such Holder upon such Holder's request.

(C) Transfers

The transfer of securities represented by book entries (as is the case with Notes) will take place by book transfer. The Notes issued under this Program will be issued without any restrictions on their transferability. Consequently, the Notes may be transferred and title to the Notes may pass (subject to Spanish law and to compliance with all applicable rules, restrictions and requirements of Iberclear or, as the case may be, the relevant Iberclear Member) upon registration in the relevant registry of each Iberclear Member and/or the Iberclear itself, as applicable. Each Holder will be treated (except as otherwise required by Spanish law) as the legitimate owner of the relevant Notes for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or annotation of, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the Holder.

7.5 DEFINITIONS

In the terms and conditions of the Notes, the following expressions have the following meanings:

"**Auditor**" means Pricewaterhousecoopers Auditores, S.L. or any other entity of recognized prestige who could be appointed by the Issuer as auditor from time to time.

"**Auditor Certificate**": means the certificate that the Auditor will release including the LTV Ratio and the Net Value of Total Assets (as these terms are defined herein), which has to be issued before 31 March of each year.

"**Cash**": means cash in hand (or in transit or in tills, or payments by *cheques*, debit cards or credit cards (in each case, net of charges) which are not yet received in cleared funds) and credit balances or amounts on deposit with a bank which are freely transferable and freely convertible and accessible by a member of the Group within 90 days.

"**Cash Equivalent**" means:

- (i) Direct obligations (or certificates representing a right on such obligations) issued by, or unconditionally guaranteed by, the government or a Member State of the European Union (except Greece), the United States of America, Switzerland or Canada (including, in each case, any agency or authority thereof), as appropriate, the payment of which it is supported by the full recognition and credit of the corresponding Member States of the European Union or the United States of America, Switzerland, or Canada, as appropriate, and unenforceable by the Issuer's decision.

- (ii) Demand deposits (*depósitos a la vista*), time deposits (*depósitos a plazo*) certificates of deposit (*certificados de depósito*), bank acceptances (*aceptaciones bancarias*) with 12 month maturity or less starting the date of acquisition, issued by either a bank or a fiduciary company by, the legislation of a Member State of the European Union (except Greece) or the United States of America or any state thereof, Switzerland or Canada; when such bank or fiduciary company has a Capital, excess and aggregated retained earnings of more than EUR 500,000,000 (or the equivalent currency at the time of the investment) and whose long-term debt has a rating of Baa3 or more by Moody's Investors Service, Inc. ("**Moody's**"), BBB- or more by Standard & Poos Ratings Group ("**S&P**"), BBB- or more by Fitch Ratings Limited ("**Fitch**"), BBB- or more by DBRS Rating Limited ("**DBRS**"), or BBB- or more by Axesor (or the equivalent rating category of any other rating agency internationally recognized);
- (iii) Commercial paper with minimum rating of BBB- or equivalent of Moody's, S&P, Fitch, DRBS or Axesor and, as appropriate, a maturity within a year from the date of the acquisition.
- (iv) Assets with share guarantee with a minimum rating of BBB- from one of the Moody's, S&P, Fitch, DBRS or Axesor agencies, listed on official European markets and which shall be enforceable at the first request of the Issuer without limitation by the debtor.
- (v) Other liquid investments with a maturity time shorter than T+3, including any other asset owned by the Group adjusting, as appropriate, according to the auditors in the proportion declared by the Issuer's auditor either in its consolidated annual audit report or in the Auditor Certificate.

"**CIT**": will have the meaning given to it in section 7.10.

"**CIT Law**": will have the meaning given to it in section 7.10.

"**CIT Regulations**": will have the meaning given to it in section 7.10.

"**CNMV**": means the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*).

"**Commissioner**" means Bondholders, S.L.

"**Date of Calculation**": means 31 December of each financial year.

"**Event of Default**": will have the meaning given to it in section 7.8(E).

"**Group**": means Metrovacesa and its Subsidiaries.

"**IGT**": will have the meaning given to it in section 7.10.

"**IGT Law**": will have the meaning given to it in section 7.10.

"**Indebtedness**": means any indebtedness of the Group to the extent that such indebtedness would appear as a liability on a balance sheet according to IFRS-EU (or, if applicable, the Spanish General Accounting Plan or *Plan General de Contabilidad*), including (but not limited to) every indebtedness by or in regards to (i) quantities collected by the acceptance through credit acceptance mechanisms; (ii) quantities collected by the issuance of notes or other fixed-income securities; and (iii) the quantity of any liability in relation to leases or installment sale contracts that could, according to the applicable law and the accounting general principles, be treated as financing or a leasing.

"**Interest Rate**": will have the meaning given to it in section 7.7.

"**LTV Ratio**" (Loan to Value Ratio) means L expressed as a percentage of V as at each reference date, where:

- (i) L is equal to Net Financial Debt; and
- (ii) V is equal to the Market value of property assets recorded in investment property plus the market value of property assets recorded in inventories plus attributable market value of assets (investment property or inventory) owned by subsidiaries accounted by equity method;

calculated in relation to the consolidated audited financial statements of the Issuer and its Subsidiaries of the corresponding year, according to the Auditor Certificate.

"MARF": means the Spanish Alternative Fixed-Income Market (*Mercado Alternativo de Renta Fija*).

"Metrovacesa" means Metrovacesa, S.A.

"Net Financial Debt": means, at the moment of the calculations, the difference between the Group's financial debt (that is, (i) obligations and other short-term marketable securities, (ii) long-term loans, (iii) obligations and other long-term marketable securities and (iv) short-term loans) and the Group's cash and cash equivalents according to the latest available consolidated audited annual financial statements.

"Net Value of Total Assets": means, at the moment of the calculations, total assets of the Group according to the latest available consolidated audited annual financial statements.

"NRIT": will have the meaning given to it in section 7.10.

"NRIT Law": will have the meaning given to it in section 7.10.

"NRIT Regulations": will have the meaning given to it in section 7.10.

"Paying Agent": will have the meaning given to it in section 7.15.

"Payment Statement": will have the meaning given to it in section 7.10.

"Permitted Security Interest" means:

- (i) any netting or set-off arrangement entered into by any member of the Group in the ordinary course of its financing arrangements for the purposes of netting debit and credit balances;
- (ii) any Security Interest arising by operation of law or in the ordinary course of business of the Issuer;
- (iii) any Security Interest over creditor rights;
- (iv) any Security Interest in existence on each Issue Date to the extent that it secures Indebtedness outstanding on such date;
- (v) any Security Interest over or affecting any asset existing at the time it was acquired by a member of the Group after each Issue Date;
- (vi) any Security Interest over or affecting any asset of any company existing at the time it becomes a member of the Group after the Issue Date;
- (vii) any Security Interest for tax being challenged diligently and in good faith, taking into account applicable time and grace periods for any such challenge;
- (viii) any Security Interest created by or resulting from any litigation or legal proceeding;
- (ix) the Security to be created pursuant to the Security Documents and as provided for in this Information Memorandum; and
- (x) any Security Interest which replaces any other Security Interest permitted under paragraphs (i) to (ix) immediately above inclusive and which secures an amount not exceeding the maximum principal amount secured by such permitted Security Interest.

"Person": means any individual, corporation, association, joint venture, alliance, public limited company (*sociedad anónima*), trust, limited liability company (*sociedad de responsabilidad limitada*), company under incorporation (*sociedad en formación*), irregular company, the government or any of its agencies or political subdivisions or any other entity, with or without an independent legal status.

“PIT”: will have the meaning given to it in section 7.10.

“PIT Law”: will have the meaning given to it in section 7.10.

“PIT Regulations”: will have the meaning given to it in section 7.10.

“Placement Entities”: will have the meaning given to it in section 7.14.

“Regulation”: will have the meaning given to it in section 7.12.

“Security”: will have the meaning given to it in section 7.6.8.

“Security Documents”: will have the meaning given to it in section 7.6.8.

“Security Interest” means any mortgage, charge, pledge, lien, right *in rem*, personal, guarantee or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction.

“Subsidiaries”: means, in regards to the Issuer, another Person governed by the Issuer where its control is achieved by:

- (i) the possession of the majority of the Voting Rights;
- (ii) the right to appoint and/or remove to the majority of the members of the board of directors;
- (iii) the availability to dispose, by virtue of the agreements celebrated with third parties, of the majority of the Voting Rights; or
- (iv) having appointed, with its own votes, the majority of the members of the board of directors, who are in office at the time where the consolidated financial statements should be drawn up and during the immediately preceding two exercises.

Furthermore, Voting Rights owned through other dependent companies, through persons acting in their own name but on behalf of the controlling entity or on behalf of other dependent entity, or those owned in concert with any other Person, shall be included.

“Voting Rights”: means the rights to vote in the general shareholders meeting (regardless of whether in this particular moment, the shares have or could have, voting rights due to any externality).

“Wealth Tax”: will have the meaning given to it in section 7.10.

“Wealth Tax Law”: will have the meaning given to it in section 7.10.

7.6 COVENANTS

The Notes to be issued under the Program will contain the following covenants:

7.6.1 Information covenant

So long as the Notes are outstanding, the Issuer shall provide to the Commissioner (as defined herein) the following information, and it shall be made available to Noteholders and at the specified office of the Commissioner:

- (i) as soon as they become available, but in any event within 180 days after the end of each of its financial year, a copy of the Group's audited consolidated financial statements for that financial year; and
- (ii) as soon as the same become available, but in any event within 90 days after the end of each half-year in each financial year, a copy of the Group's consolidated financial statements of the for such half-year, including the auditor's half-yearly report (such auditor's report being issued on the basis of a limited review of the half-yearly figures);
- (iii) immediately upon the occurrence of an acquisition, disposal, or substantial restructuring of the Issuer or its Subsidiaries or upon the occurrence of a change of Auditors or any other material or substantial event relating to the Issuer or its Subsidiaries, a copy of the notice containing the description of the relevant event submitted to MARF in accordance with applicable rules and regulations;

- (iv) the Auditors' Certificate in any event within 180 days after the end of each financial year, commencing with the financial year ending on 31 December 2020; and
- (v) any rating on the Issuer made by any rating agency internationally recognized or by Axesor.

All financial statements and financial information shall be prepared in accordance with IFRS-EU. In addition, all annual financial statements shall be audited by, and all half-yearly financial statements subject to the limited review of, the Auditor.

For clarification purposes, the Commissioner assumes no responsibility for the authenticity, accuracy or correctness of the information, reports or certifications provided by the Issuer.

7.6.2 Authorizations and licenses

The Issuer undertakes to obtain and take all necessary measures to maintain in full force and effect all authorizations, approvals, licenses and consents required by the legal provisions in force from time to time for the conduct of its own business within the framework of its corporate purpose, to enable it to legally issue the Notes and to fulfil its obligations and exercise its rights thereunder or to ensure the legality, validity, effectiveness, enforceability or legal effect of the Notes.

7.6.3 Compliance with laws

The Issuer shall comply at all times with the civil, mercantile, administrative, environmental, tax, labor or any other applicable legislation, as well as with the permits and authorizations specific to its activity, ensuring they remain in force. Also, the Issuer shall comply with the legal regulations and contractual obligations that apply to it in every jurisdiction, and with payment obligations regarding the payment of principal and interest on the Notes.

7.6.4 Tax payments

The Issuer undertakes to pay all taxes required by law within the time period allowed for payment. The Issuer will maintain its tax residence within the Spanish territory and its VAT registration under applicable Spanish law.

7.6.5 Structural modifications and change of business

So long as the Notes are outstanding, the Issuer will not enter into any merger, spin-off, dissolution or corporate reorganization, except (i) between companies of the Group; and (ii) when the Issuer becomes the owner of an absorbed company.

In addition, the Issuer shall not make any material change in the general nature of its business.

7.6.6 *Pari passu*

So long as the Notes are outstanding, the Issuer undertakes to maintain the Notes and the rights deriving therefrom in favor of the Noteholders at least with the same rank, preferences, *in rem*, personal or other guarantees, each as appropriate regarding the status of the Notes, as those that derive or may derive for other unsubordinated creditors by reason of agreements the Issuer has entered into or may enter into in the future, unless otherwise authorized by the Noteholders, save for those ranks, preferences and privileges created by operation of law.

7.6.7 Use of proceeds

The Issuer will exclusively use the funds obtained by the issuance of the Notes to finance the development, among others, of BtR real estate projects in order to consolidate its growth. As such, the aim and purpose of the notes issued under the Program shall be equivalent to that of a development loan (*préstamo promotor*). Each real estate project to be financed will be determined by the Issuer discretionarily.

7.6.8 Security for the Issue

Notwithstanding the universal liability of the Issuer in accordance with article 1,911 of the Civil Code, all current and future obligations arising for the Issuer in relation to each issuance of the Notes, due at any time, both actual and contingent, could be secured by the relevant Security Interest (the "**Security**"), as determined in the relevant Final Terms of each issue.

If applicable, under the applicable documents in relation to the Security (the “**Security Documents**”), and in accordance with the Program and the Final Terms of the relevant Notes issue, the relevant Security will be granted by the Issuer or the relevant Group entity in order to secure all current and future obligations arising for the Issuer in relation to the Notes for the benefit of the Noteholders on a *pari passu* basis without any preference among themselves and (save for such obligations that may be preferred by provisions of law that are mandatory and of general application) at least equally with all other present and future secured and unsubordinated obligations of the Issuer, from time to time outstanding.

All costs, expenses and taxes resulting from the grant of the Security shall be borne by the Issuer.

Each Noteholder, by subscribing to, purchasing or otherwise acquiring a Note secured by the Security, shall be deemed (i) to have consented and agreed to the terms and conditions of the Security Documents and to be bound thereby; and (ii) to have granted to the Commissioner and, if applicable, the entity acting as security agent in relation to the Security, full power and authority to enter into the Security Documents in their name and on their behalf and to perform their obligations and exercise their rights, powers and discretions, and to accept the relevant Security in their name and for their benefit.

For credit priority purposes, in the event of insolvency (*concurso*) of the Issuer, the Notes will be special preferred credits (*créditos con privilegio especial*) pursuant to the provisions of the Insolvency Law and up to the value of the collateral (unless they qualify as subordinated credits under article 281 the Insolvency Law and subject to any applicable legal and regulatory exceptions), to the extent the Issuer’s obligations under the Notes shall be secured by the Security, where the Security Interest is an *in rem* guarantee, and will be ordinary credits (*créditos ordinarios*), pursuant to the provisions of the Insolvency Law, where the Security Interest is not an *in rem* guarantee. For more information please see section 7.3(B) of the Information Memorandum. Noteholders will be placed in accordance with the classification and order of priority of credits established by the Insolvency Law.

7.6.9 Maintenance of LTV Ratio

So long as the Notes are outstanding, the Issuer shall ensure that as of each Date of Calculation, the LTV Ratio of the Group shall not be above 35%.

7.6.10 Maintenance of Net Value of Total Assets

So long as the Notes are outstanding, the Issuer shall ensure that as of each Date of Calculation, the Net Value of Total Assets of the Group shall not be below EUR 1,000,000,000.

7.6.11 Negative Pledge

So long as the Notes are outstanding, the Issuer shall not create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Indebtedness or to secure any guarantee or indemnity of any such Indebtedness unless such Security Interest created to secure any such Indebtedness or guarantee or indemnity (i) at the same time or prior thereto, is created as security for all current and future obligations arising for the Issuer in relation to each issuance of the Notes, or (ii) is approved by the Syndicate of Noteholders (as defined herein).

For the avoidance of doubt, the above limitation will not apply to Permitted Security Interests, including the Security to be created pursuant to the Security Documents and as provided for in section 7.6.8 of this Information Memorandum.

7.6.12 Additional undertakings or representations

The relevant Final Terms may include additional undertakings or representations of the Issuer that would be applicable to the relevant Notes issued under such Final Terms.

7.7 INTEREST RATE AND PAYMENTS

The Notes might be issued with fixed or variable interest rate, as determined in the relevant Final Terms (the “**Interest Rate**”) of each issue, and the Notes may not have a negative yield. Interest Rate shall accrue from the disbursement date of each issue until its maturity date.

The Interest Rate may be amended on the basis of the credit rating of the issue of the Notes, if and as determined in the relevant Final Terms.

Each Note will cease to bear interests when such Note is redeemed or repaid pursuant to section 7.8, from the due date for redemption thereof unless, upon due presentation thereof, payment of the principal amount of the Notes is improperly withheld or refused, in which event interest will continue to accrue at such rate (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder, and (ii) the seven days after the Paying Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that day (except to the extent that there is failure in the subsequent payment to the relevant Noteholders under these conditions).

If interest is to be calculated in respect of a period which is equal to or shorter than a Regular Period, it shall be calculated by applying the Interest Rate to the Authorized Denomination, multiplying the product by the relevant Day Count Fraction (as defined below) and rounding the resulting figure to the nearest cent (half a cent being rounded upwards) where:

"Business Day" means a day fixed at any time by the European Central Bank for the operation of the TARGET2 system, as defined below.

"Day Count Fraction" means in respect of any period the number of days in the relevant period, from and including the date on which interest begins to accrue up to but excluding the date on which it falls due, divided by the number of days in the Regular Period in which the relevant period falls. May be Actual/Actual / Actual/Actual ICMA basis unadjusted standard / Actual/360 ICMA.

"Regular Period" means each period from and including the issue date under each issue of Notes or any interest payment date to (but excluding) the next interest payment date.

"TARGET2" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilizes a single shared platform and which was launched on 19 November 2007.

Therefore, in accordance with the abovementioned, the applicable interest of the Notes will be specified in the Final Terms of each issue of the Notes. The interest payment dates of each issue shall be monthly, quarterly, semiannually or annually, and if applicable, the existence of any irregular periods will be set forth in the relevant Final Terms.

If variable Interest Rate is specified in the relevant Final Terms, the Interest Rate shall be the sum of the EURIBOR plus the Margin. Notwithstanding the above, the Final Terms may also include floor and/or cap clauses to the Interest Rate. The Notes may not have a negative yield.

In case the EURIBOR does not appear on the relevant page or if the relevant screen page is unavailable, the Paying Agent will (i) request each of the Reference Banks to provide a quotation of the EURIBOR on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and (ii) determine the arithmetic mean of such quotations; and if fewer than two such quotations are provided as requested, the Paying Agent will determine the arithmetic mean of the rates (being the nearest to the EURIBOR, as determined by the Calculation Agent) quoted by major banks in the principal financial center of the specified currency, selected by the Paying Agent, at approximately 11.00 a.m. on the first day of the relevant Interest Period for loans in euros to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time.

For the purposes of this section:

"Calculation Agent" has the meaning given in the relevant Final Terms of each issue.

"EURIBOR" means, in respect of any specified period, the interest rate benchmark known as the Eurozone interbank offered rate which is calculated and published by a designated distributor (as at the date of the Program, Thomson Reuters) in accordance with the requirements from time to time of the European Banking Federation based on estimated interbank

borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor).

"Interest Determination Date" has the meaning given in the relevant Final Terms of each issue.

"Margin" has the meaning given in the relevant Final Terms of each issue.

"Reference Banks" has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Paying Agent in the market that is most closely connected with the EURIBOR.

"Relevant Financial Centre" has the meaning given in the relevant Final Terms of each issue.

Payments of principal and interest shall be made by transfer to a Euro account (or other account to which Euros may be credited or transferred) of the relevant Noteholder, maintained by or on behalf of the Noteholder with a banking institution that has access to the TARGET2 system, details of which appear on the records of Iberclear or, as the case may be, the Iberclear Member at the close of business on the day immediately preceding the relevant payment date or any other termination date for payment of interest or principal, as the case may be. Noteholders must rely on the procedures of Iberclear or, as the case may be, the relevant Iberclear Member to receive payments in respect of the relevant Notes. Neither the Issuer, nor the Paying Agent, nor the Placement Entity of each issue will have any responsibility or liability for the records relating to payments made in respect of the Notes.

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of section 7.10. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

If any of the relevant dates set out in the previous paragraphs is not a Business Day, payment will be made on the next succeeding Business Day, without affecting the calculation of interests in both cases.

7.8 REDEMPTION AND PURCHASE

The relevant dates, system and price applicable to the redemption of the Notes issued under this Program shall be set out in the Final Terms of each issue and may be at nominal value, or at a premium to the nominal value. If any of the relevant dates is not a Business Day, payment will be made on the next succeeding Business Day, with no affection on the calculation of interests in both cases.

(A) Final redemption

Unless previously purchased and cancelled or redeemed as herein provided, the Notes will be redeemed at their face value on the maturity date, which shall not exceed 30 years. Notes may be redeemed before their state of maturity, as provided herein and in the relevant Final Terms.

(B) Optional Redemption by the Issuer (Issuer call)

If the Call Option is specified in the corresponding Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part, on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders or such other period(s) as may be specified in the relevant Final Terms (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued and unpaid interest (if any) to such date) (the **"Call Option"**).

For the purposes of this section:

"Optional Redemption Amount (Call)" means, in respect of any Note:

- (i) a percentage of its principal amount (at least 100%); or

- (ii) the make-whole amount, as may be specified in the relevant Final Terms, and will be the higher of (a) the principal amount outstanding of the relevant Notes (or as the case may be, the relevant part of it) as at the Optional Redemption Date (Call), together with accrued but unpaid interest to such date; and (b) the sum of the present values at the Optional Redemption Date (Call) of the outstanding payments of principal and interest under the Notes to (and including) the relevant maturity date (excluding accrued but unpaid interest to the Optional Redemption Date (Call)), computed by a suitably qualified financial institution appointed by the Issuer using a discount rate equal to the Reference Rate as of the Optional Redemption Date (Call) and assuming the relevant Notes would otherwise have been redeemed on their scheduled maturity date.

"Optional Redemption Date (Call)" has the meaning given in the relevant Final Terms.

"Reference Rate" means (a) the bid-side rate for the fixed leg of a hypothetical interest rate swap with a notional profile equal to the semiannual interest that would be payable on the Notes (had the redemption not taken place), with the same payment dates as the Notes and a floating leg of six-month EURIBOR with no spread and where such hypothetical interest rate swap is between fully collateralized market counterparties plus the Applicable Make-Whole Spread. The Reference Rate shall be determined by a suitably qualified financial institution appointed by the Issuer with the prior written approval of the Commissioner using its standard valuation methodology as at the date of calculation; or (b) a fixed rate set out in the relevant Final Terms.

"Applicable Make-Whole Spread" means the make-whole spread determined in the relevant Final Terms.

(C) Purchase of the Notes

Subject to compliance with applicable laws and regulations, the Issuer or any of its Subsidiaries, may at any time purchase Notes issued under this Program (i) through a tender offer directed to all Noteholders at any price; or (ii) on the open market at any price.

(D) Optional Redemption by the Noteholders (Investor put)

If the Put Option is specified in the corresponding Final Terms as being applicable, the Notes Issue may be redeemed at the option of any Noteholder in whole or, if so specified in the relevant Final Terms, in part, on any Optional Redemption Date (Put) at the relevant Optional Redemption Amount (Put) on the Noteholder giving not less than 30 nor more than 60 days' notice to the Issuer or such other period(s) as may be specified in the relevant Final Terms (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes specified in such notice on the relevant Optional Redemption Date (Put) at the Optional Redemption Amount (Put) (the **"Put Option"**)).

For purposes of exercising the Put Option, each Noteholder shall, within the notice period specified in the relevant Final Terms:

- (i) inform the Commissioner and the Issuer of its intention to exercise the Put Option, as well as the number of Notes in respect of which it intends to exercise the Put Option;
- (ii) block the Notes in respect of which the Put Option is to be exercised or instruct the relevant Iberclear member or Iberclear (as applicable) to carry out such blocking; and
- (iii) send a duly signed notice of exercise of the Put Option to the Paying Agent and the Commissioner, pursuant to which the relevant Noteholder specifies a bank account into which payment is to be made. As stated above, this notice shall be irrevocable.

At the end of the notice period specified in the relevant Final Terms, the Commissioner shall inform the Issuer and the Paying Agent of the Notes to be redeemed. The Issuer shall redeem the relevant Notes within fifteen (15) Business Days after the expiration of the notice period specified in the relevant Final Terms.

For the purposes of this section:

"Optional Redemption Amount (Put)" means, in respect of any Note, 100% of the principal amount of each Note, plus accrued and unpaid interest to the date of redemption.

"Optional Redemption Date (Put)" has the meaning given in the relevant Final Terms.

(E) Events of Default

Failure by the Issuer to comply with the following obligations and/or the occurrence of the following circumstances, will be referred to as an **"Event of Default"**. If any of the following Events of Default occurs and is continuing:

- (i) Non-payment: the Issuer fails to pay any amount of principal, accrued interests or any other amount in respect of the Notes on the dates to be determined. The Issuer shall be entitled to remedy non-payment failures within the 10 Business Days from the date in which the corresponding payment should have been paid.
- (ii) Non-compliance: the Issuer is in material default of any of the covenants described in section 7.6. A material default will be defined as the unfulfillment of the covenants set out in section 7.6 being non remedied after a grace period of 120 Business Days from the date of communication of the non-compliance by the Agent.
- (iii) Where applicable, if the Issuer deteriorates or does not repair the assets over which the Security is granted, with fraud, fault or willful misconduct of the owner, so that their value is reduced by at least 20%.
- (iv) Where applicable, failure to insure the assets over which the Security is granted against fire and risks, or to do so for an amount less than specified, or to allow such insurance to lapse.
- (v) Cessation of activity: if the Issuer ceases to carry out its habitual activity or substantially modifies the nature of its business or corporate purpose.
- (vi) Unsatisfied judgment: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or any Subsidiary provided that individually or in aggregate the amount of property, assets and/ or revenues involved in any such distress, attachment, execution or legal process equals or exceeds EUR 50,000,000.
- (vii) Adverse material change: if any circumstance, fact or condition beyond the Group's control occurs or will occur, that constitutes an adverse material change, defined as an event outside the control of the Group that results, or is likely to result, in a reduction in shareholders' equity of more than 25% of the shareholders' equity as of 31 December 2020.
- (viii) Insolvency, winding up, and others: the Issuer or any Subsidiary (i) adopts any corporate measure or initiates steps to request its administration by third parties, bankruptcy, winding up (*liquidación*) or dissolution (*disolución*) or for the appointment of an interventor, depositary or similar officer for itself or for any of its assets, or if any third party requests or urges any of the aforementioned actions, provided that, in the latter case, the claim has been admitted for processing; or (ii) it carries out any action aimed at obtaining adhesions to an anticipated proposal for a reorganization agreement or to the judicial approval of a refinancing agreement, all in accordance with the provisions of Articles 583 and following of the Insolvency Law; or (iii) it begins formal negotiations with its creditors with a view to a general readjustment or renegotiation of its indebtedness or makes a general assignment of its assets in favor of its creditors or an out-of-court agreement.
- (ix) Where applicable, in the event that for a reason attributable to the Issuer, a mortgage deed in relation to the Security is not registered in the corresponding Property Registry within a period of four months from the issuance date of the Notes, as well as in the event that the Commissioner is not presented within said period with a literal registry certification dated after such registration, certifying that the properties mortgaged in said deed belong to the Issuer and that they do not have any lien, condition or encumbrance, with the exception of those provided for in the issue and other legal encumbrances.

The Issuer may, on one occasion only, extend the four months term set out in the previous paragraph by 90 additional Business Days by giving to the Commissioner at least 5 Business Days prior notice. Such notice must include a detailed description of the reasons for extending the registration process.

Then, any obligations arising for the Issuer in relation to the Notes may, by notice in writing given to the Issuer by (i) the Commissioner, acting upon a resolution of the Syndicate of Noteholders (both as defined herein), in respect of all Notes, or (ii) unless there has been a resolution to the contrary by the Syndicate of Noteholders, any Noteholder in respect of such Note, be declared immediately due and payable whereupon it shall become immediately due and payable at its principal amount, together with accrued interest, without further formality, unless remedied by the Issuer within 60 Business Days from the date which the corresponding failure has been recorded (ten Business Days for the Event of Default described under item (i)).

(F) Cancellation

All Notes so redeemed shall be cancelled and may not be reissued or resold. Notwithstanding the previous sentence, Notes purchased pursuant to section 7.8(C) may be held, re-sold, or, at the option of the relevant purchaser, cancelled and while held by or on behalf of the Issuer or any such Subsidiary as treasury shares, shall not entitle the Holder to vote at any meetings of the relevant Syndicate of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Syndicate of Noteholders or for the purposes of section 7.12.

7.9 CREDIT RATING

Notes issued under this Program shall be rated by Axesor or other credit rating agencies, as expressly indicated in the Final Terms of each issue. In any case, the rating agencies must (i) be recognized by the European Securities and Markets Authority (“ESMA”) in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies; and (ii) be appointed by the Issuer.

On 2 March 2021, Axesor issued the rating report for the Issuer. In its report, Axesor assigns a global risk rating for Metrovacesa of BB, with a positive outlook. This rating focuses on the evaluation of solvency and the associated credit risk in the medium and long-term of the Issuer. Axesor is a credit rating agency recognized by ESMA.

Notes issued under the Program may be rated or unrated. Where the issuance of Notes is rated, its credit rating may not necessarily be the same as the credit rating applicable to the Issuer. The rating of certain Notes to be issued under the Program shall be specified in the applicable Final Terms, and will be issued by a credit rating agency in compliance with the provisions set forth above.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.

7.10 TAXATION

The following summary is a general description of certain tax considerations relating to the Notes. It does not constitute tax advice and does not purport to be a complete analysis of all tax considerations relating to the Notes, as applicable, whether in Spain or elsewhere, and does not deal with the tax consequences applicable to all categories of investors, some of which might be subject to special rules. Prospective investors should consult their own tax advisors as to the consequences under the tax laws of the country of which they are resident for tax purposes and under the tax laws of Spain of acquiring, holding and disposing of Notes and receiving payments of under the Notes. Furthermore, this summary does not take into account the regional special tax regimes in force in the Basque Country and Navarre, or the regulations adopted by the Spanish Autonomous Regions.

This summary is based upon the law as currently in effect and is subject to any change in law that may take effect after this date. As a result, this description is subject to any changes in such laws or interpretations occurring after the date hereof, including changes having retroactive effect.

References in this section to Noteholders include the beneficial owners of the Notes. Investors should also note that the appointment by an investor in the Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisors in relation to the tax consequences for them of any such appointment.

This information has been prepared in accordance with the following Spanish tax legislation in force at the date of this Information Memorandum:

- Personal Income Tax (“**PIT**”). Law 35/2006, of 28 November, governing Personal Income Tax and partial amendment of the laws on Corporate Income Tax, Non-residents Income Tax and Wealth Tax (*Ley 35/2006, de 28 de noviembre, del Impuesto sobre la Renta de las Personas Físicas y de modificación parcial de las leyes de los Impuestos sobre Sociedades, sobre la Renta de no Residentes y sobre el Patrimonio*) (the “**PIT Law**”), as well as those contained in articles 74 *et seq.* of Royal Decree 439/2007, of 30 March, which approves the Regulation on Personal Income Tax and modifies the Regulations on Pension Funds and Plans approved through Royal Decree 304/2004, of 20 February (*Real Decreto 439/2007, de 30 de marzo, por el que se aprueba el Reglamento del Impuesto sobre la Renta de las Personas Físicas y se modifica el Reglamento de Planes y Fondos de Pensiones, aprobado por Real Decreto 304/2004, de 20 de febrero*) (the “**PIT Regulations**”).
- Corporate Income Tax (“**CIT**”). Law 27/2014, of 27 November, of the Corporate Income Tax Law (*Ley 27/2014, de 27 de noviembre, del Impuesto sobre Sociedades*) (the “**CIT Law**”) as well as articles 60 *et seq.* of the Corporate Income Tax Regulations approved through Royal Decree 634/2015, of 10 July (*Reglamento del Impuesto sobre Sociedades aprobado por el Real Decreto 634/2015, de 10 de julio*) (the “**CIT Regulations**”).
- Non-Resident Income Tax (“**NRIT**”). Royal Legislative Decree 5/2004, of 5 March, which approves the recast text of the Non-residents Income Tax Law (*Real Decreto Legislativo 5/2004, de 5 de marzo, por el que se aprueba el texto refundido de la Ley del Impuesto sobre la Renta de no Residentes*) (the “**NRIT Law**”) and those contained in Royal Decree 1776/2004, of July 30, 2004 which approves the regulations in respect of Non-residents Income Tax (*Real Decreto 1776/2004, de 30 de julio por el que se aprueba el Reglamento del Impuesto sobre la Renta de no residentes*) (the “**NRIT Regulations**”).
- Wealth Tax (“**Wealth Tax**”). Law 19/1991, of 6 June, on the Wealth Tax (the “**Wealth Tax Law**”).
- Inheritance and Gift Tax (“**IGT**”). Law 29/1987, of 18 December, on the Inheritance and Gift Tax and its regulations contained in Royal Decree 1629/1991, of 8 November (the “**IGT Law**”).

All the above, without prejudice to any regional tax regimes approved by the Autonomous Regions which may be applicable, particularly those corresponding to the Historic Territories of the Basque Country and the Regional Community of Navarre, or any other regimes that could be applicable due to the particular circumstances of the investor.

Furthermore, those regulations included in the First Additional Provision of Law 10/2014, and Royal Decree 1065/2007 must also be taken into consideration.

The Notes will be represented in book-entry form and their admission to MARF will be requested, regarding that such circumstances are transcendent for tax purposes. Furthermore, the Notes, at the Issuance Date, will be considered as financial assets “*con rendimiento explícito*”.

In any case, given that this summary is not a thorough description of all the tax considerations, the Group recommends investors to consult with their own legal or tax advisors, who may render tailored advice in view of their specific circumstances. Additionally, investors and potential investors should take into consideration the changes in legislation or interpretation criteria’s that may take place in the future.

Investors that are individuals with tax residency in Spain

Personal Income Tax

Payments of both interest periodically received and the net income obtained as a result of the transfer, redemption, exchange or reimbursement of the Notes constitute a return on investment obtained from the transfer of own capital to third parties in accordance with the provisions of Section 25.2 of PIT Law and must be included in the PIT taxable savings base for the financial year when the interest are received or the sale, redemption or reimbursement takes place. PIT will be paid at the rate in force from time to time for taxable savings, which is currently at 19% up to EUR 6,000.00; 21% from EUR 6,000.01 up to EUR 50,000.00; 23% from EUR 50,000.01 up to EUR 200,000.00; and 26% from EUR 200,000.01 upwards.

The income obtained by means of the interest periodically received shall be determined by their gross amount, including the withholding on account of PIT that, if applicable, would have been applied.

In the event of transfer, redemption, exchange or reimbursement of the Notes, the income obtained shall be calculated by the difference between the redemption, reimbursement or transfer value (reduced by ancillary transfer expenses, provided that they are adequately justified) and the acquisition or subscription value of the Notes (increased by ancillary acquisition expenses). When calculating the net income, expenses related to the management and deposit of the Notes will be deductible, excluding those pertaining to discretionary or individual portfolio management.

Negative income derived from the transfer of the Notes, in the event that the Noteholder had acquired other homogeneous securities within the two months prior or subsequent to such transfer or exchange, shall be included in his or her PIT base as and when the remaining homogeneous securities are transferred.

Generally, income derived from the Notes will be subject to withholding tax on account of PIT at the current rate of 19%. Any withheld amounts may be credited against individuals' final PIT liability. In any event, the individual Noteholder may credit the withholding tax applied against his or her final PIT liability for the relevant tax year.

Wealth Tax

Individuals with tax residency in Spain will be subject to Wealth Tax which imposes a tax on their net wealth (i.e. property and rights regardless of the place where the assets are located or where the rights may be exercise) in excess of EUR 700,000 held on the last day of any year.

Spanish tax resident individuals whose net worth is above EUR 700,000 and who hold Notes on the last day of any year would therefore be subject to WT for such year at marginal rates varying between 0.2% and 3.5% of the average market value of the Notes during the last quarter of such year, as published by the Spanish Ministry of Revenues on an annual basis.

However, those rates may vary depending on the Autonomous Region of residency of the investor. As such, prospective Noteholders should consult their tax advisors.

Inheritance and Gift Tax

Individuals resident in Spain for tax purposes who acquire ownership or other rights over any Notes by inheritance, gift or legacy will be subject to the IGT in accordance with the applicable Spanish regional or state rules (subject to any regional tax exemptions being available to them). The applicable effective tax rates can range between 0% and 81.6% subject to any specific regional rules, depending on relevant factors (such as previous net wealth, family relationship among transferor and transferee or applicable tax laws approved by autonomous communities).

Investors that are entities with tax residency in Spain

Corporate Income Tax

Payments of both interest periodically received and the income derived from the transfer, redemption, exchange or reimbursement the Notes will be subject to CIT at the general flat tax rate of 25% in accordance with the rules established for such tax.

Such income will be exempt from withholding tax on account of CIT providing that the Notes (i) are registered by way of book-entries (*anotaciones en cuenta*); and (ii) are traded in a Spanish official secondary market of securities (such as AIAF) or MARF.

No withholding on account of CIT will be imposed on interest payments or income derived from the redemption or repayment of the Notes provided that certain requirements are met, including that the Iberclear Members that have the Notes registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, provides the Issuer, in a timely manner, with a duly executed and completed Payment Statement, as defined below. See "Information about the Notes in Connection with Payments."

In the event that any of these exemptions were not applicable, this income would be subject to Spanish withholding tax at the rate currently in force of 19%. Withheld amounts may be credited against entities' final CIT liability.

Wealth Tax

Legal entities are not subject to Wealth Tax.

Inheritance and Gift Tax

Legal entities are not subject to IGT. Thus, legal entities with tax residency in Spain which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to IGT and must include the market value of the Notes in their taxable income for CIT purposes.

Investors that are not tax resident in Spain

Non-residents Income Tax for investors not resident in Spain acting through a permanent establishment

If the Notes form part of the assets affected to a permanent establishment in Spain of a person or legal entity that is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Notes are, generally, the same as those set forth above for Spanish CIT taxpayers.

Ownership of the Notes by investors who are not resident in Spain for tax purposes will not in itself create the existence of a permanent establishment in Spain.

Non-residents Income Tax for investors not resident in Spain not acting through permanent establishment

Both interest payments periodically received and the income derived from the transfer, redemption or repayment of the Notes, obtained by individuals or entities who are not resident in Spain for tax purposes and who do not act, with respect to the Notes, through a permanent establishment in Spain, are exempt from NRIT and therefore no withholding on account of NRIT will be levied on such income provided certain requirements are met.

In order to be eligible for the exemption from NRIT, certain requirements must be met, including that, in respect of payments from the Notes carried out by the Issuer, the Iberclear Members that have the Notes registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, provide the Issuer, in a timely manner, with a duly executed and completed Payment Statement, as defined below, as set forth in article 44 of the regulations approved by Royal Decree 1065/2007. See "Information about the Notes in Connection with Payments."

If the Iberclear Members fail or for any reason are unable to deliver a duly executed and completed Payment Statement to the Issuer in a timely manner in respect of a payment of income under the Notes, the Issuer will withhold Spanish withholding tax at the then-applicable rate (the current rate is 19%) on such payment of income on the Notes.

Noteholders not resident in Spain for tax purposes and entitled to exemption from NRIT but where the Issuer does not timely receive the information about the Notes in accordance with the procedure described in detail under "Information about the Notes in Connection with Payments" would have to apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the NRIT Law.

Wealth Tax

Notwithstanding the provisions included in the double tax treaties entered into by Spain, non-Spanish tax resident individuals whose net worth related to property located, or rights that can be exercised, in Spain is above EUR 700,000 and who hold Notes on the last day of any year would be subject to Wealth Tax for such year at marginal rates varying between 0.2% and 3.5% of the average market value of the Notes during the last quarter of such year, as published by the Spanish Ministry of Revenues on an annual basis. However, non-Spanish individuals will be exempt from Wealth Tax in respect of Notes which income is exempt from NRIT.

Individuals that are not resident in Spain for tax purposes but who are resident in an European Union or European Economic Area Member State may apply the rules approved by the Autonomous Region where the assets and rights with more value (i) are located, (ii) can be exercised or (iii) must be fulfilled.

Non-Spanish resident legal entities are not subject to Wealth Tax.

Inheritance and Gift Tax

Non-Spanish tax resident individuals who acquire ownership or other rights over Notes by inheritance, gift or legacy, will be subject to IGT in accordance with the applicable Spanish regional and state rules, unless they reside in a country for tax purposes with which Spain has entered into a double tax treaty in relation to IGT. In such case, the provisions of the relevant double tax treaty will apply.

If the provisions of the foregoing paragraph do not apply, such individuals will be subject to IGT in accordance with Spanish legislation. As such, prospective investors should consult their tax advisors.

Notwithstanding the foregoing, if the deceased, the heir or the donee are residents of a Member State of the European Union or of the European Economic Area, depending on the specific case, the regulations approved by the corresponding Autonomous Region may be applicable, following specific rules. As such, prospective investors should consult their tax advisors. Likewise, in its judgments of February 19, March 21 and March 22, 2018, the Spanish Supreme Court, based on the European right to the free movement of capital, has declared that the application of the regional rules corresponding to the relevant Autonomous Region according to the law should be extended in some circumstances to deceased heirs or donees who are resident outside of the European Union or of the European Economic Area.

Non-Spanish resident legal entities which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to the IGT. Such acquisitions will be subject to NRIT (as described above), except as provided in any applicable double tax treaty entered into by Spain. In general, double tax treaties provide for the taxation of this type of income in the country of tax residence of the Noteholder.

Indirect taxation in the acquisition and transfer of the Notes

Whatever the nature and residence of the investors, the acquisition and transfer of the Notes will be exempt from indirect taxes in Spain, i.e., exempt from Transfer Tax and Stamp Duty, in accordance with the Consolidated Text of such tax promulgated by Royal Legislative Decree 1/1993, of 24 September, and exempt from Value Added Tax, in accordance with Law 37/1992, of 28 December, regulating such tax, and article 314 of the Securities Market Act.

Information about the Notes in Connection with Payments

As described in previous sections, to the extent that the conditions set forth in Law 10/2014 are met, income in respect of the Notes for the benefit of non-Spanish tax resident Noteholders, or for the benefit of Spanish CIT taxpayers, will not be subject to Spanish withholding tax, provided that the Iberclear Members that have the Notes registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, if applicable, provide the Issuer, in a timely manner, with a duly executed and completed statement (a **"Payment Statement"**), in accordance with section 4 of article 44 of the regulations approved by Royal Decree 1065/2007, containing the following information:

- Identification of the Notes.
- Total amount of the income paid by the Issuer.
- Amount of the income corresponding to individuals residents in Spain that are PIT taxpayers.
- Amount of the income that must be paid on a gross basis.

If the Iberclear Members fail or for any reason are unable to deliver a duly executed and completed Payment Statement to the Issuer in a timely manner in respect of a payment of income made by the Issuer under the Notes, such payment will be made net of Spanish withholding tax, at the current rate of 19%.

If this were to occur, affected Noteholders will receive a refund of the amount withheld, with no need for action on their part, if the Iberclear Members submit a duly executed and completed Payment Statement to the Issuer no later than the 10th calendar day of the month immediately following the relevant payment date. In addition, Noteholders may apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the NRIT Law.

7.11 PRESCRIPTION

Claims for principal and interests shall become void unless made within a period of five years (in the case of principal and interest) after the date on which the payment in question first becomes due.

7.12 SYNDICATE OF NOTEHOLDERS

Each issuance of Notes shall foresee the incorporation of a Syndicate of Noteholders.

Noteholders shall meet in accordance with certain regulations governing the Syndicate of Noteholders (the "**Regulation**"). The Regulations contain the rules governing the Syndicate of Noteholders and the rules governing its relationship with the Issuer.

Noteholders shall, by virtue of purchasing and/or holding Notes, be deemed to have agreed to: (i) the appointment of the relevant Commissioner; (ii) become a member of the Syndicate of Noteholders and (iii) the Regulation.

The Commissioner appointed by the Syndicate of Noteholders of the first issue will also act as Commissioner for any other future issues under the Program, unless stated otherwise. In any case, the Commissioner shall be recognizably experienced in law and/or economics.

The Issuer may, with the consent of the Commissioner, but without the consent of the Noteholders, amend the Regulation to correct a manifest or proven error or to make amendments of a formal, minor or technical nature or to comply with mandatory provisions of law.

In addition to the above, the Issuer and the Noteholders, the latter by means of a resolution of the Syndicate of Noteholders, may agree to any modification, whether material or not, of the Regulation and any waiver of any breach or proposed breach of the Regulation.

In accordance with the provisions of article 425 of the Spanish Companies Act, resolutions shall be approved by an absolute majority of the votes issued. By way of exception, amendments to the term or conditions for reimbursement of the nominal value, conversion or exchange, shall require the favorable vote of two thirds of the outstanding Notes. Resolutions adopted by the general meeting of Noteholders shall be binding on all Noteholders, including those not attending and those dissenting.

Any amendment, waiver or authorization in accordance with this section shall be binding on the Noteholders and shall be notified by the Issuer to the Noteholders as soon as possible.

The template text of the Regulation of the Syndicate of Noteholders to be incorporated under each relevant issue of Notes is as follows:

REGULATION OF THE SYNDICATE OF NOTEHOLDERS

TITLE I

CONSTITUTION, DENOMINATION, OBJECT, DOMICILE AND DURATION OF THE SYNDICATE OF NOTEHOLDERS

Article 1. Constitution.

A syndicate of the Noteholders (the "**Syndicate of Noteholders**" or the "**Syndicate**") comprising the "Issue

REGLAMENTO DEL SINDICATO DE BONISTAS

TÍTULO I

CONSTITUCIÓN, DENOMINACIÓN, OBJETO, DOMICILIO Y DURACIÓN DEL SINDICATO DE BONISTAS

Artículo 1.- Constitución.

Se constituye un sindicato de los Titulares de Bonos (el "**Sindicato de Bonistas**" o el "**Sindicato**") que integran la

Number [●]¹ of METROVACESA 2021 Senior Notes Program" is hereby formed, subject to the provisions of Chapter IV of Title XI of the Spanish Companies Act, once the Notes have been fully subscribed and paid-up.

This Syndicate shall be governed by this Regulation, by the Spanish Companies Act and by the applicable provisions of Metrovacesa's bylaws.

Article 2. Name.

The Syndicate of Noteholders shall be called "Syndicate of Noteholders of the Issue Number [●] of METROVACESA 2021 Senior Notes Program".

Article 3. Purpose.

This Syndicate is formed for the purpose of representing and protecting the lawful interests of the Noteholders of this issue (the "**Noteholders**").

Article 4. Duration. This Syndicate shall subsist as long as there are Notes issued under Issue Number [●] of METROVACESA 2021 Senior Notes Program in circulation and, once there are no more, until obligations with the Noteholders are fulfilled.

Article 5. Address. The address of the Syndicate shall be located at Calle Quintanavides 13, Parque Vía Norte, 28050, Madrid, Spain.

TITLE II SYNDICATE'S REGIME

Article 6. Management bodies of the Syndicate. The Management Bodies of the Syndicate are the "General Meeting of Noteholders" (the "**General Meeting**") and the Commissioner of the General Meeting of Noteholders (the "**Commissioner**").

Article 7. Legal nature. The General Meeting, duly convened and constituted, is the body of expression of the will of the Noteholders, subject to this Regulation, and its resolutions bind all the Noteholders in the manner established by the Laws.

"Emisión Número [●] de METROVACESA 2021 Programa de Bonos Senior", con sujeción a lo dispuesto en el Capítulo IV del Título XI de la Ley de Sociedades de Capital, una vez que se suscriban y desembolsen los Bonos.

Este Sindicato de Bonistas se regirá por el presente Reglamento, por la Ley de Sociedades de Capital y por los Estatutos Sociales del Emisor.

Artículo 2.- Denominación.

El Sindicato de Bonistas se denominará "Sindicato de Bonistas de la Emisión Número [●] de METROVACESA 2021 Programa de Bonos Senior".

Artículo 3.- Objeto.

El Sindicato de Bonistas tendrá por objeto la representación y defensa de los legítimos intereses y derechos de los Titulares de Bonos de esta emisión (los "**Bonistas**")

Artículo 4.- Duración. El Sindicato subsistirá mientras existan Bonos bajo la Emisión Número [●] de METROVACESA 2021 Programa de Bonos Senior en circulación y, terminado éste, hasta que queden cumplidas sus obligaciones con los Bonistas.

Artículo 5.- Domicilio. El domicilio del Sindicato se fija en Calle Quintanavides 13, Parque Vía Norte, 28050, Madrid, España.

TITULO II RÉGIMEN DEL SINDICATO

Artículo 6.- Órganos del Sindicato. Son órganos del Sindicato la "Asamblea General de Bonistas" (la "**Asamblea General**") y el Comisario de la Asamblea General de Bonistas ("**Comisario**").

Artículo 7.- Naturaleza jurídica. La Asamblea General, debidamente convocada y constituida, es el órgano de expresión de la voluntad de los Bonistas, con sujeción al presente Reglamento, y sus acuerdos vinculan a todos los Bonistas en la forma establecida por las Leyes.

¹ Include the corresponding number of the issue under this Program.

Article 8. General Meeting. The General Meeting shall agree upon the appointment of a Secretary for the purpose of certifying the resolutions arising therefrom. The Commissioner shall serve as Chairman of the Syndicate of Noteholders.

In any case, the Commissioner shall serve as the liaison between the Issuer and the Syndicate, and as such, it may attend with voice and without vote, to the deliberations of the General Meeting of the Issuer, inform the latter of the resolutions of the Syndicate and require from it the reports which, in its opinion or that of the General Meeting, are of its interest.

The General Meeting duly convened in accordance with the provisions set forth in this Regulation is empowered to agree upon the best defence of the lawful interests of the Noteholders; to dismiss and appoint the Commissioner or Chairman and Secretary; to exercise, when appropriate, the corresponding legal actions and to approve the expenses incurred in the defence of the common interests.

Article 9. Proceeding for convening General Meetings. The General Meeting shall be convened by the board of directors of Metrovacesa or by the Commissioner, whenever they may deem it convenient and by means ensuring acknowledge of receipt by the Noteholders.

Notwithstanding the foregoing, the Commissioner shall convene it when requested in writing by Noteholders representing at least one-twentieth of the entire outstanding amount of the Issue Number [•] of METROVACESA 2021 Senior Notes Program. In this case, the General Meeting shall be held within forty-five (45) days following the receipt by the Commissioner of a valid written notice for this purpose.

The General Meeting shall be announced at least fifteen (15) days before the date set for the meeting, by (i) a Relevant Event MARF Notice and a notice published in the webpage of the Issuer, (ii) a notice published in the Official Gazette of the Commercial Registry (BORME) or (iii) a notice to the Noteholders in accordance with the terms and conditions of the Notes.

The General Meeting may be convened to be held by telematic means that duly guarantee the identity of the subject, and the convening notice shall describe the terms, forms and ways of exercising the rights of the

Artículo 8.- Asamblea General. La Asamblea General acordará el nombramiento de un Secretario a efectos de certificar los acuerdos de la misma. El Comisario será el Presidente del Sindicato de Bonistas.

En todo caso, el Comisario será el órgano de relación entre el Emisor y el Sindicato, y como tal, podrá asistir con voz y sin voto, a las deliberaciones de la Asamblea General de la entidad emisora, informar a ésta de los acuerdos del Sindicato y requerir de la misma los informes que, a su juicio o al de la Asamblea General, interesen a éstos.

La Asamblea General, debidamente convocada de conformidad con lo previsto en este Reglamento, está facultada para acordar lo necesario a la mejor defensa de los legítimos intereses de los Bonistas; destituir y nombrar Comisario o Presidente y Secretario; ejercer, cuando proceda, las acciones judiciales correspondientes y aprobar los gastos ocasionados por la defensa de los intereses comunes.

Artículo 9.- Procedimiento para la convocatoria de la Asamblea General. La Asamblea General será convocada por el Consejo de Administración de Metrovacesa o por el Comisario, siempre que cualquiera de ellos lo estime conveniente, por medios que aseguren su conocimiento por los Bonistas.

Sin perjuicio de lo anterior, el Comisario deberá convocarla cuando lo soliciten por escrito, Bonistas que representen, al menos, la vigésima parte del importe total de la Emisión Número [•] de METROVACESA 2021 Programa de Bonos Senior que no esté amortizado. En este caso, la Asamblea General deberá convocarse para ser celebrada dentro de los cuarenta y cinco días siguientes a aquél en que el Comisario hubiere recibido solicitud válida al efecto.

La Convocatoria de la Asamblea General se hará con una antelación de, al menos, quince (15) días a la fecha fijada para su celebración, mediante (i) Hecho Relevante MARF y anuncio publicado en la página web del Emisor, (ii) anuncio que se publicará en el Boletín Oficial del Registro Mercantil (BORME) o (iii) notificación a los Bonistas de conformidad con las condiciones de los Bonos.

La Asamblea General podrá ser convocada para su celebración por medios telemáticos que garanticen debidamente la identidad del sujeto, y en la convocatoria se describirán los plazos, formas y modos de ejercicio de

Noteholders in order to allow for the proper conduct of the General Meeting.

Article 10. Right of attendance. Noteholders who have been so at least five (5) days prior to the date on which the meeting is scheduled, shall have the right to attend the meeting.

The Directors of the Issuer and the Paying Agent of the Issue shall have the right to attend even if they have not been requested to attend. The Commissioner must attend the general meeting even if it has not been requested to attend

Article 11. Right to be represented. All Noteholders of the Issue Number [●] METROVACESA 2021 Senior Notes Program having the right to attend the general meeting also have the right to be represented by another Noteholder. Furthermore, every Noteholder may, in case it cannot delegate its representation in another Noteholder, be represented by the Commissioner. In no event will they have the right to be represented by the Company's directors, even if they are Noteholders, in accordance with the provisions of article 424 *bis* of the Spanish Companies Act. Appointment of a proxy must be issued in writing for each individual meeting.

Article 12. Voting rights, quorum for attendance and adoption of resolutions. Each Note shall confer to the Noteholder a voting right proportional to the outstanding nominal value of the Note it holds.

Resolutions shall be approved by an absolute majority of the votes issued. As an exception, the amendment of the term or the reimbursement conditions of the nominal value of the Notes, conversion or exchange shall be approved by two-thirds of the outstanding Notes.

The General Meeting shall be deemed to have been convened and shall be validly constituted to deal with any matter within the competence of the Syndicate as a universal General Meeting, provided that all Noteholders attend or are duly represented in the meeting and those attending unanimously accept the general meeting to take place.

The resolutions adopted by the General Meeting of Noteholders shall be binding on all Noteholders, including those not attending and those dissenting.

los derechos de los Bonistas para permitir el adecuado desarrollo de la Asamblea General.

Artículo 10.- Derecho de asistencia. Tendrán derecho de asistencia a la Asamblea General los Bonistas que lo sean con cinco (5) días de antelación, al menos, a la fecha de celebración de la reunión.

Los Consejeros del Emisor y el Agente de la Emisión tendrán derecho de asistencia, aunque no hubieran sido convocados. El Comisario deberá asistir a la Asamblea General aunque no hubiera sido convocado.

Artículo 11.- Derecho de representación. Todo Bonista de la Emisión Número [●] de METROVACESA 2021 Programa de Bonos Senior que tenga derecho de asistencia a la Asamblea General podrá hacerse representar por medio de otro Bonista. Además, todo Bonista con derecho de asistencia podrá, en caso de no poder delegar su representación en otro Bonista, hacerse representar por el Comisario. En ningún caso podrán hacerse representar por los administradores de la Sociedad, aunque sean Bonistas, de acuerdo con lo previsto en el artículo 424 *bis* de la Ley de Sociedades de Capital. La representación deberá conferirse por escrito y con carácter especial para cada Asamblea General.

Artículo 12.- Derechos de voto, quórum de asistencia y de adopción de acuerdos. Cada Bono conferirá al Bonista un derecho de voto proporcional al valor nominal no amortizado de los Bonos de los que sea titular.

Los acuerdos se adoptarán por mayoría absoluta de los votos emitidos. Por excepción, las modificaciones del plazo o de las condiciones del reembolso del valor nominal, de la conversión o del canje requerirán el voto favorable de las dos terceras partes de los Bonos no amortizados.

La Asamblea General se entenderá convocada y quedará válidamente constituida para tratar cualquier asunto de la competencia del Sindicato como Asamblea General universal, siempre que estén presentes o debidamente representados la totalidad de los Bonistas y los asistentes acepten por unanimidad la celebración de la reunión.

Los acuerdos adoptados por la asamblea general de Bonistas vincularán a todos los Bonistas, incluso a los no asistentes y a los disidentes.

Article 13. Attendance list. Before addressing the agenda items, the Commissioner shall prepare the attendance list, stating the nature and representation of each of the Noteholders present and the outstanding amount under the Notes both directly owned and/or represented at the meeting.

Article 14. Power of the general meeting. The General Meeting may pass resolutions necessary to i) defend the lawful interests of Noteholders before the Issuer; ii) modify, in accordance with the Issuer, the terms and conditions of the Notes; iii) dismiss or appoint the Commissioner; iv) exercise, when appropriate, the corresponding legal claims and v) to approve the expenses incurred in the defence of the Noteholders' interests.

Article 15. Challenge of resolutions. The resolutions of the General Meeting may be challenged by the Noteholders in accordance with the provisions of article 427 of the Spanish Companies Act.

Article 16. Minutes of the general meeting. The minutes of the meeting shall be approved by the General Meeting, after the meeting has been held or, alternatively, within a period of fifteen (15) days by the Commissioner and at least one Noteholder appointed for such purpose by the General Meeting.

Article 16. Certificates of the general meeting. The certificates of the minutes of the resolutions of the General Meeting shall be issued by the Secretary appointed by the General Meeting or, in his absence, by the Commissioner.

Article 17. Individual exercise of claims. The Noteholders will only be entitled to individually exercise judicial or extra judicial claims if such claims do not contradict the resolutions previously adopted by the Syndicate, within its powers, and if compatible with the faculties conferred upon the Syndicate.

Article 18. Syndicate expenses. The normal expenses incurred to support the Syndicate shall be borne by the Issuer, and shall in no case exceed two percent (2%) of the annual interest accrued by the Notes.

TITLE III THE COMMISSIONER

Artículo 13.- Lista de asistencia. El Comisario formará, antes de entrar a discutir el orden del día, la lista de asistentes, expresando el carácter y representación de cada uno y el número de Bonos propios o ajenos con que concurren.

Artículo 14.- Facultades de la Asamblea General. La Asamblea General podrá acordar lo necesario para i) la mejor defensa de los legítimos intereses de los Bonistas frente a la Sociedad Emisora; ii) modificar, de acuerdo con la misma, los términos y condiciones de los Bonos; iii) destituir o nombrar al Comisario; iv) ejercer, cuando proceda, las acciones judiciales correspondientes y v) aprobar los gastos ocasionados por la defensa de los intereses de los Bonistas.

Artículo 15.- Impugnación de los acuerdos. Los acuerdos de la Asamblea General podrán ser impugnados por los Bonistas conforme a lo dispuesto en el artículo 427 de la Ley de Sociedades de Capital.

Artículo 16.- Actas de la Asamblea General. El acta de cada sesión podrá ser aprobada por la propia Asamblea General al finalizar la misma o, en su defecto, dentro de un plazo de quince (15) días a su finalización, por el Comisario y, al menos, un Bonista designado por la Asamblea General.

Artículo 16.- Certificaciones de la Asamblea General. Las Certificaciones de las Actas serán expedidas por el Secretario nombrado por la Asamblea General o, en su defecto, por el Comisario.

Artículo 17.- Ejercicio individual de acciones. Los Bonistas sólo podrán ejercitar individualmente las acciones judiciales o extrajudiciales que corresponda cuando no contradigan los acuerdos adoptados previamente por el Sindicato, dentro de su competencia, y sean compatibles con las facultades que al mismo se hubiesen conferido.

Artículo 18.- Gastos del Sindicato. Los gastos normales que ocasione el sostenimiento del Sindicato correrán a cargo del Emisor, no pudiendo exceder en ningún caso del dos por ciento (2%) de los intereses anuales devengados por los Bonos.

TÍTULO III EL COMISARIO

Article 19. Legal nature of the Commissioner. The Commissioner shall bear the legal representation of the Syndicate and shall be the body for liaison between the Syndicate and the Issuer.

Article 20. The Commissioner. The Issuer appoints Bondholders, S.L. as Commissioner. Notwithstanding the foregoing, the General Meeting shall remove the appointed Commissioner and appoint other person if it deems necessary.

The Commissioner shall exercise its position as long as it has not been removed by the General Meeting. The remuneration of the Commissioner shall be fixed by the Issuer.

The Commissioner, in addition to the powers conferred on him by the General Meeting, shall have the legal representation of the Syndicate and may exercise the actions incumbent on it and those it deems appropriate for the general and particular defence of the Noteholders.

Article 21. Faculties. The Commissioner shall have the following faculties:

- 1° To protect the common interest of the Noteholders.
- 2° To convene and act as chairman of the General Meeting.
- 3° To inform the Issuer of the resolutions passed by the Syndicate.
- 4° To control the payment of principal and the interest.
- 5° To carry out all those actions provided for under the terms and conditions of the Notes or which may be carried out by the Commissioner.
- 6° To implement the resolutions of the general meeting.
- 7° To exercise the claims that correspond to the Syndicate.
- 8° To accept, on behalf of the Noteholders, any guarantees, including any security, granted in their favour and sign any other documents, public or private, related to such guarantees that may be necessary.

Artículo 19.- Naturaleza jurídica del Comisario. El Comisario ostentará la representación legal del Sindicato y actuará como órgano de relación entre éste y el Emisor.

Artículo 20.- El Comisario. El Emisor designa a Bondholders, S.L. como Comisario, sin perjuicio de que la Asamblea pueda designar otra persona si lo estima oportuno.

El Comisario ejercerá su cargo en tanto no sea destituido por la Asamblea General. La retribución del Comisario será fijada por el Emisor.

El Comisario, además de las competencias que le atribuya la Asamblea General, tendrá la representación legal del Sindicato y podrá ejercitar las acciones que a éste correspondan y las que considere oportunas para la defensa general y particular de los Bonistas.

Artículo 21.- Facultades del Comisario. Serán facultades del Comisario:

- 1° Tutelar los intereses comunes de los Bonistas.
- 2° Convocar y presidir las Asambleas Generales.
- 3° Informar a la Sociedad Emisora de los acuerdos del Sindicato.
- 4° Vigilar el pago de los intereses y del principal.
- 5° Llevar a cabo todas las actuaciones que estén previstas realice o pueda llevar a cabo el Comisario de acuerdo con los términos y condiciones de los Bonos.
- 6° Ejecutar los acuerdos de la Asamblea General.
- 7° Ejercitar las acciones que correspondan al Sindicato.
- 8° Aceptar, en representación de los Bonistas, cualesquiera garantías, incluyendo garantías reales, otorgada a favor de los mismos y firmar cualesquiera otros documentos públicos o privados relacionados con dichas garantías que sean necesarios para su buen fin.

9° In general, the powers granted to the position by Law and the present Regulation.

9° En general, conferidas por ley y el presente Reglamento en virtud de su posición.

TITLE IV SPECIAL PROVISIONS

Article 22. Fungibility. [This Issue may be fungible with any other future notes issued of the same nature, or of expandable or continuous (*tap*) notes of the Issuer that provide for the fungibility with this or other issues. Noteholders of the notes issued in the issues that are fungible with this Issue will become members of this Syndicate of Noteholders.] / [This Issue may not be fungible with any other notes issued or new issues or issues of expandable or continuous (*tap*) notes of the Issuer.]²

Article 23. Forum. For any matter arising from this Regulation, the Noteholders, by the mere fact of being Noteholders, submit themselves exclusively, with express waiver of any other jurisdiction that may correspond to them, to the jurisdiction of the Courts and Tribunals of the city of Madrid.

Article 24. Referral. In all matters not provided for in this Regulation, the provisions of the Spanish Companies Act shall apply.

TÍTULO IV DISPOSICIONES ESPECIALES

Artículo 22.- Fungibilidad. [La presente Emisión de Bonos podrá ser fungible con cualesquiera otras nuevas emisiones de bonos de la misma naturaleza o de emisiones ampliables o continuas (*tap*) de bonos del Emisor que prevean su fungibilidad con esta u otras emisiones. Los titulares de los bonos que se emitan en las emisiones que fuesen fungibles con la presente Emisión se integrarán en el presente Sindicato de Bonistas.] / [La presente Emisión de Bonos no podrá ser fungible con cualesquiera otras emisiones de bonos o de nuevas emisiones o de emisiones ampliables o continuas (*tap*) de bonos del Emisor.]

Artículo 23.- Jurisdicción. Para cuantas cuestiones se deriven de este Reglamento, los Bonistas, por el mero hecho de serlo, se someten, de forma exclusiva, con renuncia expresa a cualquier otro fuero que pudiera corresponderles, a la jurisdicción de los Juzgados y Tribunales de la ciudad de Madrid.

Artículo 24.- Remisión. En todo lo no previsto en el presente Reglamento resultará de aplicación lo estipulado en la Ley de Sociedades de Capital.

7.13 FUNGIBILITY IN THE EVENT OF FURTHER ISSUES

The Issuer may from time to time, with regard to any Notes which have the status of direct, general, unconditional, unsubordinated and unsecured obligations, create and issue further notes having the same terms and conditions as the Notes issued under the previous Final Terms in all respects (or in all respects except for the first payments of interest) and also the same Syndicate of Noteholders and Commissioner, so that they are fungible with any relevant issue of Notes made under this Program with the same status, for the purposes of consolidation. Notes which have the status of direct, general, unconditional, unsubordinated and secured obligations secured by the relevant Security shall not be fungible with further issues.

Provided that it is so stated in the Final Terms and in the terms set forth above, the Notes may be considered fungible with the securities of future issues of the same nature, or of expandable or continuous issues (*tap*) of securities, these being fungible with each other as established in the Final Terms of each issue. For this purpose, the corresponding Final Terms shall state the list of previous issues with which the new issue is fungible. In the event of the Issuer's bankruptcy, where there are issues of Notes or fungibles with others, the holders of the Notes already issued will not have priority in rights over holders of the Notes issued subsequently.

² Include the second option when the issue is of Notes which have the status of direct, general, unconditional, unsubordinated and secured obligations secured by the relevant Security.

7.14 PLACEMENT ENTITY. PLACEMENT AND UNDERWRITING OF THE ISSUE

Regarding the Notes to be issued on MARF under this Program, Metrovacesa has initially appointed Banco de Sabadell, S.A., as the Placement Entity. Banco de Sabadell, S.A., and/or any other entity that should be appointed as Placement Entity by the Issuer at any time during this Program shall be jointly referred as the **"Placement Entities"**.

During the term of this Program, the Issuer can freely appoint other Placement Entities of the respective issues of Notes, all of which will be stated, as the case may be, in the Final Terms of each issue. In addition, the Issuer reserves the right at any time to vary or terminate the relation with any of the Placement Entities and to appoint other Placement Entities. Notice of any such change in shall promptly be communicated to MARF by means of the corresponding notice.

The Issuer and the Placement Entity have executed a placement agreement relating to the Program for the private placing of the Notes among (i) qualified investors as defined in the Prospectus Regulation; (ii) eligible counterparties, as defined in MiFID II; and article 207 of the Securities Market Act; and (iii) professional clients, as defined in the Prospectus Regulation, MiFID II and article 205 of the Securities Market, or any provision which may replace or supplement it in the future.

The amount, nominal interest rate, dates of issuance and disbursement, maturity date and the remaining terms and conditions of each issuance so placed by the Placement Entities shall be determined by agreement between the Issuer and the Placement Entities concerned in each specific issuance. The terms of such agreement will be confirmed once a document setting out the terms and conditions of the issue is sent by the Placement Entities to the Issuer and, if the terms and conditions are accepted by the Issuer, after the Issuer sends back such document to the relevant Placement Entity.

None of the Placement Entities have entered into any underwriting commitments under the Program.

7.15 PAYING AGENT AND DEPOSITARY ENTITIES

7.15.1 Paying agent

Banco de Sabadell shall act as paying agent (the **"Paying Agent"**). Acting under the paying agency agreement and in connection with the Notes, the Paying Agent acts solely as agent of the Issuer, and does not assume any obligations towards or relationship of agency or trust for or with any of the holders of the Notes. Notice of any change of the Paying Agent shall promptly be communicated to MARF by means of the corresponding notice.

The financial service of the debt in relation to each issue of Notes will be carried out by the Paying Agent. On each payment date and without the need for Noteholders to take any action in relation to the economic rights derived from their Notes, the Paying Agent will pay the corresponding amounts to the own or third party accounts, as appropriate, of the Iberclear Members.

The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor agent and additional or successor agents provided that so long as the Notes are listed on a multilateral trading facility, secondary market, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant multilateral trading facility or secondary market.

7.15.2 Depositary entities

Although Iberclear will be the entity entrusted with the book-keeping (*registro contable*) of the accounting records corresponding to the Notes, the Issuer has not designated a depository entity for the Notes. Each subscriber or acquirer of the Notes shall appoint, among Iberclear's participating entities, the entity which shall act as depository of the Notes.

Holders of the Notes who do not have, directly or indirectly through their custodians, a participating account with Iberclear may participate in the Notes through bridge accounts maintained by each of Euroclear Bank, SA/NV or Clearstream Banking, Société Anonyme, Luxembourg, as appropriate.

7.16 NOTICES

- (i) Notice to Noteholders: So long as the Notes are admitted (*incorporadas*) on the MARF, relevant notices to Noteholders required by MARF in accordance to the provisions of articles 227 and 228 of the Securities Market Act,

will be published in MARF's website <http://www.bmerf.es>. Any such notice will be deemed to have been given on the date of the first publication.

- (ii) Notice of a general meeting of the Syndicate of Noteholders: Notice of a general meeting of the Syndicate of Noteholders must be given in accordance with the Regulation.
- (iii) Notice to the Commissioner: Copies of any notice given to any Noteholder will be also given to the Commissioner of the Syndicate of Noteholders.

7.17 GOVERNING LAW AND JURISDICTION

The Notes are issued in accordance with the Spanish legislation applicable to the Issuer and to the Notes. More specifically, the Notes will be issued in accordance with the Spanish Companies Act, the Securities Market Act, and their respective implementing or concordant regulations.

The courts and tribunals of the city of Madrid have exclusive jurisdiction to settle any disputes arising from or in connection with the Notes (including disputes regarding any non-contractual obligation arising from or in connection with the Notes).

8. ADMISSION (INCORPORACIÓN)

8.1 APPLICATION FOR ADMISSION (INCORPORACIÓN) OF THE SECURITIES TO MARF. PUBLICATION OF THE ADMISSION (INCORPORACIÓN) OF THE ISSUES OF THE NOTES

The admission (*incorporación*) to trading of the securities described in the present Information Memorandum (*Documento Base Informativo de Incorporación*) will be requested to the multilateral trading facility known as the Alternative Fixed-Income Market (MARF). Such admission to trading shall take place within thirty (30) calendar days following the disbursement date and, in any case, during the period of validity of the Program. In the event of failure to meet such deadline, the reasons for the delay will be communicated to MARF and will be made public through a regulatory announcement (*hecho relevante MARF*).

MARF is structured as a multilateral trading facility (MTF) (*sistema multilateral de negociación (SMN)*), under the terms set out in RDL 21/2017.

The reasons that have led the Issuer to request the admission (*incorporación*) of this Program and the Notes to be issued under the Program on MARF are to raise proceeds to be destined to fund real estate projects to be developed by the Group in order to consolidate its growth. As such, the aim and purpose of the Notes issued under the Program shall be equivalent to that of a development loan (*préstamo promotor*).

This Information Memorandum (*Documento Base Informativo de Incorporación*) is required by Circular 2/2018.

Neither MARF, the CNMV nor the Placement Entity have approved or carried out any verification or testing regarding the content of the Information Memorandum or the audited financial statements of the Issuer required by Circular 2/2018. The intervention of MARF does not represent a statement or recognition of the full, comprehensible and consistent nature of the information set out in the documentation provided by the Issuer.

The Registered Advisor has verified that the content of this Information Memorandum is compliant with the information requirements established by MARF, and has reviewed that the information disclosed by the Issuer does not omit any relevant data or may mislead potential investors, as required under Circular 3/2013. However, it shall not be assumed that the Registered Advisor has carried out any checks on the accuracy of the information provided by the Issuer.

It is recommended that the investor fully and carefully reads the present Information Memorandum (*Documento Base Informativo de Incorporación*) prior to making any investment decision regarding the securities.

The Issuer hereby expressly declares that it is aware of the requirements and conditions necessary for the admission (*incorporación*), permanence and removal of the securities on MARF, according to current legislation and the requirements of its governing body, and expressly agrees to comply with them.

The Issuer hereby expressly declares that it is aware of the requirements for registration and settlement on Iberclear. The settlement of transactions will be performed through Iberclear.

The admission (*incorporación*) of the Notes will be reported on MARF's website <http://www.bmerf.es>.

8.2 COSTS FOR LEGAL, FINANCIAL AND AUDITING SERVICES AND OTHER SERVICES PROVIDED TO THE ISSUER IN RELATION TO THE EXECUTION OF THE PROGRAM

Costs in relation to the execution of the Program amount to an approximate total of EUR 35,000.

9. AUTHORIZATION

The establishment of the Program was authorized by the resolution of the Board of Directors of the Issuer passed on 20 May 2021.

The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorizations in connection with the Issue and performance of the Notes, at each time.

10. THIRD PARTY INFORMATION, STATEMENT BY EXPERTS AND DECLARATIONS OF INTEREST

Where information in this Information Memorandum (*Documento Base Informativo de Incorporación*) has been sourced from third parties, this information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third-party information is identified where used.

11. REFERENCES

Metrovacesa declares that, if necessary, the following documents (or copies thereof) can be inspected during the period of validity of the Information Memorandum (*Documento Base Informativo de Incorporación*) and of the Notes issued under it:

- (i) The articles of association of the Issuer are available in the Commercial Registry of Madrid.
- (ii) All reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Issuer's request, which are included or referred to in the Information Memorandum (*Documento Base Informativo de Incorporación*), at the registered office of the Issuer.

The historical consolidated financial information of the Issuer for each of the two financial years preceding the publication of the Information Memorandum (*Documento Base Informativo de Incorporación*) are available in the Commercial Registry of Madrid, at the CNMV's website (www.cnmv.es), the Issuer's corporate website (www.metrovacesa.com) and MARF's public website (www.bmerf.es).

In Madrid, 26 May 2021.

As the persons responsible for the Information Memorandum (*Documento Base Informativo de Incorporación*):

Mr. Jorge Pérez de Leza Eguiguren
Metrovacesa, S.A.

Mr. Borja Tejada Rendón-Luna
Metrovacesa, S.A.

ISSUER

Metrovacesa, S.A.
Calle Quintanavides, 13 Edificio 1, Planta 1
28050 Madrid

GLOBAL COORDINATOR AND PLACEMENT ENTITY

Banco de Sabadell, S.A.
Avenida Óscar Esplá, 37
03007 Alicante

REGISTERED ADVISOR (*ASESOR REGISTRADO*)

Banco de Sabadell, S.A.
Avenida Óscar Esplá, 37
03007 Alicante

PAYING AGENT

Banco de Sabadell, S.A.
Avenida Óscar Esplá, 37
03007 Alicante

COMMISSIONER

Bondholders, S.L.
Avenida de Francia 17, A, 1
46023, Valencia

LEGAL ADVISOR

Uría Menéndez Abogados, S.L.P.
Calle Príncipe de Vergara, 187
28002 Madrid

ANNEX I. FINAL TERMS TEMPLATE

METROVACESA, S.A. FINAL TERMS OF ISSUE NUMBER [●] OF METROVACESA 2021 SENIOR NOTES PROGRAM [TOTAL VOLUME OF THE ISSUE]

Issued under the Information Memorandum (*Documento Base Informativo de Incorporación*) registered with MARF on [●]

The [*denomination of the issue*] issued by Metrovacesa, S.A. ("**Metrovacesa**" or the "**Issuer**") by virtue of the delegation of authorities granted by the board of directors of Metrovacesa on 20 May 2021 (the "**Board Resolution**").

These final terms (the "**Final Terms**") supplement and should be read jointly with the Information Memorandum (*Documento Base Informativo de Incorporación*) (the "**Program**") registered with MARF on [●] and available on the MARF's webpage (www.bmerf.es).

These Final Terms include the information required by section Third of Circular 2/2018 of 4 December, issued by MARF regarding admission and delisting of securities on the Alternative Fixed-Income Market (*Circular 2/2018, de 4 de diciembre, sobre incorporación y exclusión de valores en el Mercado Alternativo de Renta Fija* or "**Circular 2/2018**").

The Notes issued under these Final Terms are within the maximum nominal amount of the Program.

In these Final Terms, defined terms appearing with their first initial capital letter shall have the meaning attributed to them in the Program, unless expressly stated otherwise.

DECLARATION OF LIABILITY

[Mr./Mrs.] [●] by virtue of the delegation of authorities granted by the board of directors on [●], in the name and on behalf of Metrovacesa assumes responsibility for the content of these Final Terms which complement the Program.

[Mr./Mrs.] [●], as representative of Metrovacesa hereby declares that, after acting with reasonable care (i) the information contained in these Final Terms is, to [his/her] best knowledge, in full accordance with the facts and contains no relevant omissions likely to affect its content; and (ii) the Notes issued under these Final Terms [*together with the total amount of Notes issued under the Program*] are within the maximum nominal amount (EUR 100,000,000) of the Program.

DESCRIPTION, CLASS AND CHARACTERISTICS OF THE ISSUED NOTES

“Issue number [•] of METROVACESA 2021 Senior Notes Program”

1. MAIN CHARACTERISTICS

Issuer	Metrovacesa, S.A.
Name of the issue	“Issue number [•] of METROVACESA 2021 Senior Notes Program” ISIN Code: [•] Fungible: [•] / [N/A]
Instrument:	Notes (bonds).
Currency	Euro (€)
Nominal and effective amount of the issue	Nominal amount: [•] Effective amount: [•]
Issue Price:	[•]
Nominal and effective amount of the Notes	Unitary total amount: EUR 100,000 Unitary effective amount: [•] Number of Notes: [•]
Issue date:	[•]
Disbursement date:	[•]
Interest rate:	[Fixed/Variable]. See specific information about the interest rate of the issue in section 2 of these Final Terms.
Maturity Date:	[•]
Final redemption system:	[•]
Redemption Price:	[•]
Main conditions:	[•]
Covenants	[•]
Early redemption options:	Call Option: [Yes/No] Put Option: [Yes/No]
Security	[•] / [N/A]
Status	[•]
Admission (<i>incorporación</i>) to listing of the Notes	MARF
Representation of the Notes	Account entries managed by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Bonos, S.A.U. (Iberclear) and participating entities. Transfer by book transfer without any restrictions on their transferability.
Specific use of funds	Raising funds to be destined to the development, among others, of Build to Rent (“ BtR ”) real estate projects to be developed by the Group in order to consolidate its growth and, specifically, through the development of real estate projects. As such, the aim and purpose of the Notes issued under

	the Program shall be equivalent to that of a development loan (<i>préstamo promotor</i>).
Taxation	Section 7.10 of the Program.
Governing Law and Jurisdiction	Spanish legislation (Spanish Companies Act, the Securities Market Act, and their respective implementing or concordant regulations) and courts and tribunals of the city of Madrid.
Potential subscribers	The Notes issued under this program shall only be addressed to (i) qualified investors as defined in Regulation (EU) 2017/1129 of the European Parliament and of the Council, of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the “ Prospectus Regulation ”); including (ii) eligible counterparties, as defined in Directive 2014/65/EU of the European Parliament and of the Council of May 15, 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (the “ MiFID II ”) and article 207 of the restated text of the Securities Market Act approved by Royal Legislative Decree 4/2015, of 23 October (<i>Texto refundido de la Ley del Mercado de Valores aprobado por Real Decreto Legislativo 4/2015, de 23 de octubre</i>) (“ Securities Market Act ”); and (iii) professional clients, as defined in the Prospectus Regulation, MiFID II and article 205 of the Securities Market, or any provision which may replace or supplement it in the future; national or foreign.

2. INTEREST RATE

[•]% [•] Fixed Rate / EURIBOR +/- [•]% [•] Floating Rate: [Floor / Cap] if applicable

Date of commencement of accrual of interest: [•]

Interest payment dates: [•]

Irregular period / amount: [•]

Base Calculation: [•]

Fixed interest rate / Variable interest rate

Day Count Fraction: [Actual/Actual / Actual/Actual ICMA basis unadjusted standard / Actual/360 ICMA]

Interest Determination Date: [•] [*only in case of Variable Interest Rate*]

Margin: [•]

Calculation Agent: [•]

Reference Banks: [•]

Relevant Financial Centre: [•] [*only in case of Variable Interest Rate*]

Adjustment on the basis of the rating of the Notes issue

[•] / [N/A]

3. REDEMPTION OF THE NOTES

Redemption amount: [•] %

Optional early redemption by the Issuer (Call Option): [Yes / No]

(i) Optional Redemption Date (Call): [•]

- (ii) Optional Redemption Amount (Call): [●]
 - (iii) Make-Whole amount: [Applicable/Not Applicable]
 - a) Reference Rate: [●]
 - b) Applicable Make-Whole Spread: if applicable, [●]
 - (iv) Notice Period (Call): 90 Business Days
- Optional early redemption by the Noteholder (Put Option): [Yes/No]
- (i) Optional Redemption Date (Put): [●]
 - (ii) Optional Redemption Amount (Put): 100% of principal amount, plus accrued and unpaid interest to the date of redemption.
 - (iii) Notice Period (Put): 120 Business Days

4. RATING

Issuer rating: [●] / [N/A]

Rating agency: [●] / [N/A]

Rating of the Notes: [●] / [N/A]

Rating agency: [●] / [N/A]

5. OPERATIONAL INFORMATION

Placement entity / entities: [●]

Global Coordinator: [●]

Paying Agent: [●]

Relevant calendar and procedure: TARGET2. If any of the relevant dates is not a Business Day, payment will be made on the next succeeding Business Day, without affecting the calculation of interests in both cases.

Subscription: [●]

6. ADDITIONAL INFORMATION

Additional representations and/or undertakings of the Issuer: [●]

Representation of the Noteholders / Commissioner: [●]

Placement method: [●]

Signing on behalf of the Issuer; [Mr./Ms.] [●], acting as [position], by virtue of the [type of empowerment and date of granting] and in the name and on behalf of the Issuer.

[●]

ANNEX II. 2020 AND 2019 CONSOLIDATED ANNUAL ACCOUNTS

The audited consolidated annual accounts of Metrovacesa as of and for each of the years ended 31 December 2020 and 2019 may be inspected at <https://metrovacesa.com/wp-content/uploads/2021/03/Cuentas-Anuales-Consolidadas-31.12.2020-Informe-Auditoria-ENG.pdf> and <https://metrovacesa.com/wp-content/uploads/2020/03/31-12-19-Consolidated-Annual-Accounts.pdf>, respectively.

This version of the Consolidated Annual Accounts and Consolidated Management Report is a free translation from the original, which is prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the Consolidated Annual Accounts takes precedence over this translation.

METROVACESA, S.A. AND SUBSIDIARIES

Consolidated annual accounts and consolidated management report for the year ended 31 December 2020



Balcón de Europa (Arganda del Rey - Madrid)



This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor's report on the consolidated annual accounts

To the shareholders of Metrovacesa, S.A.,

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Metrovacesa, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at December 31, 2020, and the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at December 31, 2020, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

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

Key audit matters

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

Key audit matters	How the matters were addressed in the audit
<p>Valuation of Inventories</p> <p>The Group has a portfolio of land, housing developments under construction and completed building developments throughout Spain, recognised under inventories, the value of which at 31 December 2020 amounts to €1,982,565 thousand and which make up approximately 68% of the Group's total assets.</p> <p>The Group values its inventories at the lower of cost, calculated as indicated in note 2.8b), and net realisable value, based on the fair value of inventories, recording, where warranted the relevant provision for impairment.</p> <p>The fair value of the Group's inventories is calculated based on the valuations performed by unrelated independent experts, in accordance with the Appraisal and Valuation Standards published by Royal Institution of Chartered Surveyors (RICS) of Great Britain and in accordance with the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC) (note 2.2).</p> <p>Notes 6.e and 9 of the consolidated annual accounts detail that third parties appraisers engaged by management have included a "material valuation of uncertainty" clause in their report, in accordance with the International Valuation Standards (RICS) as a result of the COVID-19 pandemic. Consequently, less certainty and a higher degree of caution should be attached to the valuation.</p> <p>Based on the above, at 31 December 2020 the Group has recognised net impairment in the consolidated income statement of €116,551 thousand under the heading "Changes in trade provisions", notes 9 and 16.</p> <p>The level of uncertainty in the assumptions used to calculate market value and the level of estimation existing in the valuation methods applied, mainly the residual method (dynamic), checked against comparables, mean that the valuation of inventories is considered a key audit matter.</p>	<p>We assessed the internal control procedures that the Group has in place in its inventory valuation processes.</p> <p>Additionally, we obtained the inventory valuation carried out by Management's independent experts, on which we performed the following procedures among others:</p> <ul style="list-style-type: none"> • Verification of the expert's competence, capacity and independence by obtaining confirmation and corroborating its professional standing in the market. • Verification of the reasonableness of the procedures and methodology used and that the valuations have been performed in accordance with RICS methodology. • Performing selective tests to corroborate that the most relevant technical data used in the valuation agree with the development characteristics of the assets valued. • Verification of the adequacy of the assumptions used, taking market conditions into account, checking comparables. <p>Additionally, we assessed the sufficiency and adequacy of the information disclosed in the consolidated annual accounts in this respect.</p> <p>As a result of the procedures performed, we consider that inventory valuation procedures performed by management of the Parent company, considering the uncertainty clause included in the valuation reports from the third parties appraisers as a result of the COVID-19 pandemic and that is detailed in notes 6.e and 9 of the consolidated annual accounts attached, are reasonable. We also consider the information disclosed in the consolidated annual accounts about this matter enough.</p>

Key audit matters	How the matters were addressed in the audit
<p>Valuation of Investment Property</p> <p>Investment properties make up 11% of the Group's assets. As described in note 2.8, the Group applies the fair value model in accordance with IAS 40 and has recognised a variation in the fair value of investment property amounting to €12,364 thousand in the 2020 consolidated income statement, as indicated in note 6.</p> <p>Total investment properties recognised in non-current assets on the consolidated balance sheet amount to €321,306 thousand at 31 December 2020.</p> <p>The Group recognises the value of investment property based on independent expert valuations. Valuations are performed in accordance with the Appraisal and Valuation Standards published by Royal Institution of Chartered Surveyors (RICS) of Great Britain and in accordance with the International Valuation Standards (IVS) published by the International Standards Valuation Committee (ISVC), whose methodology is described in notes 2.2 and 6 to the consolidated annual accounts.</p> <p>Notes 6.e and 9 of the consolidated annual accounts detail that third parties appraisers engaged by management have included a "material valuation of uncertainty" clause in their report, in accordance with the International Valuation Standards (RICS) as a result of the COVID-19 pandemic. Consequently, less certainty and a higher degree of caution should be attached to the valuation.</p> <p>The level of uncertainty in the assumptions used to calculate market value and the level of estimation existing in the valuation methods applied mean that the valuation of investment property is considered a key audit matter.</p>	<p>We assessed the internal control procedures that the Group has in place in its investment property valuation processes.</p> <p>Additionally, we obtained the valuation of property investments carried out by Management's independent experts, on which we performed the following procedures among others:</p> <ul style="list-style-type: none"> • Verification of the expert's competence, capacity and independence by obtaining confirmation and corroborating its professional standing in the market. • Verification of the reasonableness of the procedures and methodology used and that the valuations have been performed in accordance with RICS methodology. • Performing selective tests to corroborate that the most relevant technical data used in the valuation agree with the development characteristics of the assets valued. • Verification of the adequacy of the assumptions used, taking market conditions into account, checking comparables. <p>Additionally, we assessed the sufficiency and adequacy of the information disclosed in the consolidated annual accounts in this respect.</p> <p>As a result of the procedures performed, we consider that investment properties valuation procedures performed by management of the Parent company, considering the uncertainty clause included in the valuation reports from the third parties appraisers as a result of the COVID-19 pandemic and that is detailed in notes 6.e and 9 of the consolidated annual accounts attached, are reasonable. We also consider the information disclosed in the consolidated annual accounts about this matter enough.</p>

Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2020 financial year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility regarding the consolidated management report, in accordance with legislation governing the audit practice, is to:

- a) Verify only that certain information included in the Annual Corporate Governance Report, as referred to in the Auditing Act, has been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.
- b) Evaluate and report on the consistency between the rest of the information included in the consolidated management report and the consolidated annual accounts as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the consolidated management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the consolidated management report is consistent with that contained in the consolidated annual accounts for the 2020 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit committee for the consolidated annual accounts

The Parent company's directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent company's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the aforementioned directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent company's audit committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

Auditor's responsibilities for the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.



Metrovacesa, S.A. and subsidiaries

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company's directors.
- Conclude on the appropriateness of the Parent company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent company's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent company's audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Metrovacesa, S.A. and subsidiaries

From the matters communicated with the Parent company's audit committee, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Report to the Parent company's audit committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent company's audit committee dated 22 February 2021.

Appointment period

The General Ordinary Shareholders' Meeting held on 25 May 2020 appointed us as auditors of the Group for a period of one year, as from the year ended 31 December 2020.

Previously, we were appointed by resolution of the General Extraordinary Shareholders' Meeting for a period of three years and we have audited the accounts continuously since the year ended 31 December 2016.

Services provided

Non-audit services provided to the Group are detailed in note 22 to the consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by Gonzalo Sanjurjo Pose (18610)

February 22, 2021

METROVACESA, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (Expressed in thousand euro)

ASSETS	Note	<u>31/12/2020</u>	<u>31/12/2019</u>
Non-current assets			
Property plant and equipment and intangible assets		1,503	1,629
Investment property	6	321,306	334,090
Investments in associates	7	54,853	61,125
Receivables	8 & 10	11,106	95,675
Deferred tax assets	15	86,525	95,612
Total non-current assets		<u>475,293</u>	<u>588,131</u>
Current assets			
Inventories	9	1,982,565	1,902,343
Trade and other receivables	8 & 10	3,175	25,081
Other receivables from Public Administrations	10 & 15	17,116	5,003
Other financial assets	8 & 10	114,409	18,667
Cash and cash equivalents	11	334,039	139,698
Total current assets		<u>2,451,304</u>	<u>2,090,792</u>
Total assets		<u>2,926,597</u>	<u>2,678,923</u>

The accompanying Notes 1 to 22 form an integral part of these Consolidated Annual Accounts.

METROVACESA, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET (Expressed in thousand euro)

	Note	31/12/2020	31/12/2019
EQUITY	12		
Total equity attributable to the Company's shareholders			
Share capital		1,092,070	1,092,070
Share premium		1,328,323	1,328,323
Other reserves		(795)	(742)
Retained earnings		(247,009)	(84,028)
Reserves in companies consolidated using the equity method		(2,870)	(2,665)
Treasury shares		(2,696)	(2,801)
Other shareholder contributions		12,881	10,995
Other equity instruments		633	387
Value adjustments		(781)	(775)
Minority interests		-	79
Total equity		2,179,756	2,340,843
LIABILITIES			
Non-current liabilities			
Provisions	13	14,582	10,061
Financial debt	8 & 14	217,389	94,983
Trade and other payables	8 & 14	23,948	13,928
Deferred tax liabilities	15	6,478	9,481
Total non-current liabilities		262,397	128,453
Current liabilities			
Provisions	13	26,588	19,041
Financial debt	8 & 14	215,884	53,468
Trade and other payables	8 & 14	229,891	126,866
Payables to Public Administrations	15	12,081	10,252
Total current liabilities		484,444	209,627
Total liabilities		746,841	338,080
Total equity and liabilities		2,926,597	2,678,923

The accompanying Notes 1 to 22 form an integral part of these Consolidated Annual Accounts.

METROVACESA, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

CONTINUING OPERATIONS	Note	<u>31/12/2020</u>	<u>31/12/2019</u>
Sales	16	147,871	161,508
Cost of sales	16	(124,757)	(141,412)
Staff costs	16	(14,700)	(14,995)
Amortisation/Depreciation		(496)	(387)
External services		(17,408)	(18,936)
Variation in trade provisions	16	(122,129)	5,955
Changes in value of investment properties	6	(12,364)	6,983
Gains/(losses) on sale of investment properties		(41)	3,886
Other gains or losses		1	(6)
OPERATING RESULTS		<u>(144,025)</u>	<u>2,596</u>
Financial income		2,303	1,964
Financial expenses		(13,540)	(9,325)
Capitalised financial expenses		4,104	2,531
Results in entities carried under the equity method		(6,283)	(205)
FINANCIAL RESULTS		<u>(13,416)</u>	<u>(5,035)</u>
PROFIT /(LOSS) BEFORE TAX		<u>(157,441)</u>	<u>(2,439)</u>
Corporate income tax	15	(6,083)	(2,057)
PROFIT/(LOSS) FOR THE YEAR		<u>(163,524)</u>	<u>(4,496)</u>
Owners of the parent		<u>(163,524)</u>	<u>(4,494)</u>
Non-controlling interests		-	(2)
Basic earnings/(loss) per share (Euro)			
- Basic	4	<u>(1.0798)</u>	<u>(0.0297)</u>
- Diluted	4	<u>(1.0798)</u>	<u>(0.0297)</u>

The accompanying Notes 1 to 22 form an integral part of these Consolidated Annual Accounts.

METROVACESA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Expressed in thousand euro)

	<u>31/12/2020</u>	<u>31/12/2019</u>
Profit/(loss) for the year	(163,524)	(4,496)
Items that may be reclassified to results		
Cash flow hedges	(8)	(275)
Income tax on these items	2	69
Other comprehensive income for the year, net of tax	(6)	(206)
Total other comprehensive income for the year	(163,530)	(4,072)
Owners of the parent	(163,530)	(4,700)
Non-controlling interests	-	(2)

The accompanying Notes 1 to 22 form an integral part of these Consolidated Annual Accounts.

METROVACESA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019 (Expressed in thousand euro)

	Share capital	Share Premium	Other reserves	Retained earnings	Reserves in companies consolidated using the equity method	Treasury shares	Other shareholder contributions	Other equity instruments	Value adjustments	Minority interests	Total Equity
Balance at 1 January 2020	1,092,070	1,328,323	(742)	(84,028)	(2,665)	(2,801)	10,995	387	(775)	79	2,340,843
Total comprehensive income for the year	-	-	-	(163,524)	-	-	-	-	(6)	-	(163,530)
Net profit/(loss) for the year	-	-	-	(163,524)	-	-	-	-	(6)	-	(163,530)
Cash flow hedges	-	-	-	-	-	-	-	-	-	-	-
Transactions with owners in their capacity as such	-	-	(53)	-	-	105	1,886	246	-	-	2,184
Acquisition of treasury shares	-	-	(53)	-	-	105	-	246	-	-	298
Contributions of equity	-	-	-	-	-	-	1,886	-	-	-	1,886
Other movements	-	-	-	543	(205)	-	-	-	-	(79)	259
Movements equity-consolidated companies	-	-	-	-	(205)	-	-	-	-	-	(205)
Other	-	-	-	543	-	-	-	-	-	(79)	464
Balances at 31 December 2020	1,092,070	1,328,323	(795)	(247,009)	(2,870)	(2,696)	12,881	633	(781)	-	2,179,756

The accompanying Notes 1 to 22 form an integral part of these Consolidated Annual Accounts.

METROVACESA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019 (Expressed in thousand euro)

	Share capital	Share Premium	Other reserves	Retained earnings	Reserves in companies consolidated using the equity method	Treasury shares	Other shareholder contributions	Other equity instruments	Value adjustments	Minority interests	Total Equity
Balance at 1 January 2019	1,092,070	1,378,298	(546)	(79,523)	(2,675)	(3,732)	9,109	575	(569)	83	2,393,090
Total comprehensive income for the year	-	-	-	(4,494)	-	-	-	-	(206)	(2)	(4,702)
Net profit/(loss) for the year	-	-	-	(4,494)	-	-	-	-	-	(2)	(4,496)
Cash flow hedges	-	-	-	-	-	-	-	-	(206)	-	(206)
Transactions with owners in their capacity as such	-	(49,975)	(196)	-	-	931	1,886	(188)	-	-	(47,542)
Acquisition of treasury shares	-	-	(196)	-	-	931	-	-	-	-	735
Share premium distribution	-	(49,975)	-	-	-	-	-	(188)	-	-	(50,163)
Contributions of equity	-	-	-	-	-	-	1,886	-	-	-	1,886
Other movements	-	-	-	(11)	10	-	-	-	-	(2)	(3)
Movements equity-consolidated companies	-	-	-	(10)	10	-	-	-	-	-	-
Other	-	-	-	(1)	-	-	-	-	-	(2)	(3)
Balances at 31 December 2019	1,092,070	1,328,323	(742)	(84,028)	(2,665)	(2,801)	10,995	387	(775)	79	2,340,843

The accompanying Notes 1 to 22 form an integral part of these Consolidated Annual Accounts.

METROVACESA, S.A. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENTS AT 31 DECEMBER 2020 AND 31 DECEMBER 2019 (Expressed in thousand euro)

	Note	31/12/2020	31/12/2019
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/ (loss) for the year before tax		(157,441)	(2,439)
Adjustments to results:			
Fixed asset amortisation/ depreciation		496	387
Change in allowances and provisions	16	122,129	(5,955)
Changes in value of investment property	6	12,364	(6,983)
Profit/(loss) on fixed asset write-offs and disposals		41	(3,886)
Financial income		(2,303)	(1,964)
Capitalised expenses		(4,104)	(2,531)
Financial expenses		13,540	9,325
Other gains or losses		1	6
Adjusted results		(8,994)	(14,040)
Changes in working capital			
- Inventories	9	(195,086)	(49,822)
- Trade and other receivables		11,084	(10,940)
- Other current assets		(347)	(9,263)
- Accounts payable		121,921	67,006
Other cash flows from operating activities			
-Interest paid (-)		(7,450)	(7,963)
- Interest collected		417	77
- Income tax received (paid)		-	(3,097)
- Total net cash flows from operating activities		(78,455)	(28,042)
2. CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in:			
Intangible assets		(325)	(467)
Property, plant and equipment		(45)	(617)
Investment property		(1,308)	(1,432)
Loans to companies		(3,095)	-
Divestment from:			
Investment property		-	10,279
Other financial assets		(5,891)	-
Total net cash flows from investing activities		(10,664)	7,763
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts and payments on equity instruments:			
Issuance of equity instruments		-	440
Receipts and payments on financial liability instruments:			
Issue			
Issue of Debt with credit institutions		363,827	114,882
Other financial liabilities		19,400	-
Repayment and amortisation of:			
Repayment of syndicated loan facilities		(96,467)	(52,322)
Other financial liabilities		(3,300)	-
Share premium distribution		-	(49,974)
Total net cash flows from financing activities		283,460	13,026
INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS, NET	11	194,341	(7,253)
Cash and cash equivalents at beginning of the year		139,698	146,951
Cash and cash equivalents at end of the year		334,039	139,698

The accompanying Notes 1 to 22 form an integral part of these Consolidated Annual Accounts.

METROVACESA, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in Euro)

1. INTRODUCTION, BASIS OF PRESENTATION OF THE CONSOLIDATED ANNUAL ACCOUNTS AND OTHER INFORMATION

a) General information

Metrovacesa Suelo y Promoción, S.A. was incorporated on February 18, 2016 for an open-ended period as a result of the partial spin-off of Metrovacesa, S.A. (hereinafter, the former Metrovacesa).

At the General Meeting of Shareholders held on 11 January 2016, the partial spin-off of the former Metrovacesa. was approved, without its extinguishment, consisting of the spin-off of the assets and liabilities belonging to the land and real estate development business, forming an independent economic unit, in favour of the new company "Metrovacesa Suelo y Promoción, S.A" , which was partly owned by the shareholders of the former Metrovacesa in the same proportion they held at the time the spin-off was executed.

As a result of this spin-off, Metrovacesa Suelo y Promoción, S.A. and Subsidiaries formed a group that acquired in bloc and through universal succession, the assets and liabilities pertaining to the land and development business of the former Metrovacesa. As a result of this capital restructuring, the former Metrovacesa contributed assets amounting to €1,149,635 thousand and liabilities amounting to €109,780 thousand to the new company (see paragraph b).

At the parent company's General Shareholders' Meeting of 30 June 2017, the motion was approved to change its name to Metrovacesa, S.A., subject to the fulfilment of certain conditions precedent. The change was entered in the Madrid Mercantile Register on 29 November 2017.

Metrovacesa, S.A. (formerly Metrovacesa Suelo y Promoción, S.A.) is the parent company of the Metrovacesa Group (hereinafter the Group), whose subsidiaries have been detailed in Appendix 1.

Its current registered address is Quintanavides street, 13, Parque vía Norte, 28050, Madrid.

In accordance with Article 2 of the company by-laws, Metrovacesa as the parent company and its subsidiaries' corporate objects are as follows:

- To acquire or build all types of properties for construction or improvement for subsequent sale.
- To promote, develop and divide real estate into plots, in general.
- To acquire land, urban development, or any type of real right over real estate for sale. To take actions, either directly or through the subsidiaries, in relation to:
 - i. Real estate management for own benefit or in favour of third parties.
 - ii. Promotion and management of real estate associations.
- The performance of renovation, refurbishment or positioning work on complete buildings or part of them.
- The creation, formation and exploitation and development of all kinds of estates.
- Technical advice and the performance of studies and projects related to real estate activities, and in particular, the promotion and performance of the necessary technical development, legal and commercial actions to start up, build or in any other way exploit Residential areas, Car Parks, Residential facilities for seniors and students, hotels and any other type of community or social facilities.
- To participate, in the terms determined by the Board of Directors, in the capital of other companies whose corporate purpose is similar to that described above.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

b) Financial information relating to the assets and liabilities contributed to the Company at the time of its incorporation

The Company acquires the obligations of the former Metrovacesa which form part of the asset and liability spin-off. The Company therefore assumes the position of the former Metrovacesa in respect of the latter's relations, rights and obligations.

Ownership of the assets and liabilities spun off pertains to Metrovacesa, S.A. (formerly Metrovacesa Suelo y Promoción, S.A.), that is automatically authorised without interruption to carry out all kinds of acts, of disposals, control and encumbrances in respect of such assets and liabilities. The delivery of the assets and liabilities spun off was formalised on 18 February 2016 through the deed registering the capital increase through the shareholders' non-monetary contributions. However, as this operation was defined under common control with the contribution of a line of activity qualifying as a business, all transactions were recognised as from 1 January 2016 which is therefore the date taken into account for accounting purposes. In this case, the values contributed were the predecessor values at which the assets and liabilities were carried in the contributing party.

The assets and liabilities indicated in those deeds are as follows:

ASSETS	<u>18/02/2016</u>
Investments in group companies and associates	122,868
Inventories	775,819
Accounts receivable from group companies and associates	148,143
Other current financial assets	102,805
Total assets	1,149,635
LIABILITIES	
Accounts payable to group companies and associates	43,699
Other liabilities	66,081
Total liabilities	109,780
Net assets	1,039,855

c) Other relevant operations in 2020

• Long-term Incentive Plan

On 19 December 2017, the Extraordinary General Shareholders' Meeting approved the launch of an Incentive Plan targeting CEO and Executive Directors. This plan has two parts, the first one was a fixed amount and it was accrued when the parent company was listed (MIP) and the second part was a long-term incentive plan (LTIP).

The MIP cost was assumed by the main shareholders of the parent company. The amount agreed to be distributed was €1,150 thousand, which was registered in the income statement and 50% paid in cash during the first 3 months of year 2018 and the rest was paid in shares of the parent company, 25% of shares will be distributed after one year of the listing and 25% of shares will be distributed after the second year, considering that beneficiaries have to be employees. In February 2020, the parent company has distributed 12,279 shares among beneficiaries.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

The Company registered these contributions in the consolidated Equity and Staff expenses.

On 5 February of 2018, the main shareholders made an equity contribution of €1,150 thousand, in order to cover the MIP cost. The LTIP consists in a share distribution after a period of time and fulfilment is subject to performance goals (growth metrics 25%, efficient metrics 25% and value creation 50%) and beneficiaries have to be employees. The LTIP has three overlapping cycles with a length of 3 years each ~~one~~, that started when the company was listed and ends on 31 December 2022.

The maximum amount to be distributed among the beneficiaries along the life of the plan (assuming a 150% of fulfillment in performance metrics) is €9.1 million. Shares will be distributed to the beneficiaries at the end of each cycle. The first cycle started when the Company was listed and will end the 31 of December of 2020. This plan will be paid with "equity settle" shares.

The first LTIP cycle had an approved maximum amount of €3,040 thousand, of which €869 thousand is pending allocation to the beneficiaries. Fulfilment is subject to metrics referenced i) 50% to the Company's share price and ii) 50% to operating results. The vesting period ended on 31 December 2020. After reassessing the different metrics, no contributions have been distributed among beneficiaries.

The second LTIP cycle had an approved maximum amount of €1,520 thousand, of which €179 thousand is pending allocation to the beneficiaries. Fulfilment is subject to metrics referenced i) 50% to the Company's share price and ii) 50% to operating results. The vesting period ended on 31 December 2021.

The third LTIP cycle has an approved maximum amount of €1,548 thousand, of which €75 thousand is pending allocation among its beneficiaries. Fulfilment is subject to metrics referenced i) 50% to the evolution of the Company's share price, as well as in relation to the evolution of the share price of the competition, and ii) 50% to operating results. The vesting period ends on 31 December 2022.

During 2020, the parent company has recorded a provision of €337 thousand in the consolidated income statement to assume the cost of the LTIP.

Based on Company management's best estimates, the amount recognised in the consolidated annual accounts is €436 thousand, in the item "Other equity instruments".

- Sale of tertiary land

In March 2020, the Group's parent company signed a deed of sale of a plot located in Madrid for 47,676 thousand euros (an amount similar to in line with the market value of the land), having collected €15,378 thousand at the time of the deed, and €23,067 thousand was deferred to August 2020 and €9,231 thousand to the approval of a detailed study. As a guarantee of the payment, a resolutive condition was included in the deed. At August 2020, the buyer could not meet his payment obligations, so the procedures for the execution of the resolutive condition began, as well as an agreed exit. At 31 December 2020, the resolution condition had not been executed by the Property Registry, and the Company has been urged to request its execution through the courts.

The Administrators have reversed the sale of the plot and once again the land has been registered in the assets of the Parent Company.

- Shareholders contribution

At 31 December 2020, a receivable with main shareholders of €3,772 thousand has been registered (€1,886 thousand in the consolidated income statement), to afford the tax impact of the non-monetary contribution of Metrovacesa Promoción y Arrendamiento, S.A. shares.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

- Turnkey sale agreement

During September 2020, the parent Company signed a future purchase-sale contract with AEW for the delivery of two residential developments in Palma de Mallorca, with a total of 203 units: Sol de Llevant (115) and Terrasses de Llevant (88). Construction works will begin in 2021 and will be delivered in 2023.

- Metrovacesa Promoción y Arrendamiento's shares purchase plan

During 2020, the parent company continued with the share buyback program of its subsidiary Metrovacesa Promoción y Arrendamiento, S.A. At 31 December 2020, the parent company owns 100% of the shares of the subsidiary company.

- Equity Swap

On 2 November 2020, the parent company informed the market that in the context of its own share purchase plan that is being executed through an equity swap contract with Goldman Sachs International, it has exceeded the threshold of 1.0% of the company's share capital.

On 31 December 2020, Goldman Sachs had acquired 2,445,774 shares, representing 1.61% of the capital stock of the parent company. Likewise, the parent company only has exposure to the variation in the listed price of the shares acquired within the framework of the financial swap contract, which is why it has not recorded such shares in equity.

- Listing of securities (MARF)

On 19 October 2020, the parent company has incorporated into the Mercado Alternativo de Renta Fija (MARF) a program of securities with maturities of up to 24 months. This listing program will allow the company to access to new qualified investors to diversify its sources of financing and locate securities up to a maximum outstanding balance of €100 million. At 31 December 2020, the outstanding balance of the securities issued amounts to €16,100 thousand, maturing in 2021.

c) Other relevant operations in 2019

- Long-term Incentive Plan

On 19 December 2017, the Extraordinary General Shareholders' Meeting approved the launch of an Incentive Plan targeting CEO and Executive Directors. This plan has two parts, the first one was a fixed amount and it was accrued when the parent company was listed (MIP) and the second part was a long-term incentive plan (LTIP).

The MIP cost was assumed by the main shareholders of the parent company. The amount agreed to be distributed was €1,150 thousand, which was registered in the income statement and 50% paid in cash during the first 3 months of year 2018 and the rest will be paid in shares of the parent company (25% of shares will be distributed after one year of the listing and 25% of shares will be distributed after the second year, considering that beneficiaries have to be employees). On February 2019, the parent company had distributed 12,279 shares among beneficiaries.

These contributions were registered in the consolidated Equity and Staff expenses.

The LTIP consists in a share distribution after a certain period of time and fulfilment is subject to performance goals (growth metrics 25%, efficient metrics 25% and value creation 50%) and beneficiaries have to be employees. The LTIP has three overlapping cycles with a length of 3 years each one, that started when the company was listed and ends on 31 December 2022.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

The maximum amount to be distributed among the beneficiaries along the life of the plan (assuming a 150% of fulfilment in performance metrics) is € 9.1 million. Shares will be distributed to the beneficiaries at the end of each cycle. The first cycle started when the Company was listed and will end the 31 of December of 2020. This plan will be paid with "equity settle" shares.

The first LTIP cycle has an approved maximum amount of €3,040 thousand, of which €869 thousand is pending allocation to the beneficiaries. Fulfilment is subject to metrics referenced i) 50% to the Company's share price and ii) 50% to operating results. The vesting period ended on 31 December 2020.

The second LTIP cycle has an approved maximum amount of €1,520 thousand, of which €179 thousand is pending allocation to the beneficiaries. Fulfilment is subject to metrics referenced i) 50% to the Company's share price and ii) 50% to operating results. The vesting period ends on 31 December 2021.

In 2019, the parent company has registered an expense of €70 thousand in the consolidated income statement related to the cost of LTIP.

Based on Company management's best estimates, the amount recognised in the consolidated annual accounts was €100 thousand, in the item "Other equity instruments".

- Shareholders contribution

On 31 December 2019, a receivable with Main Shareholders of €3,772 thousand was registered (€1,886 thousand in the consolidated income statement), to afford the tax impact of the non-monetary contribution of Metrovacesa Promoción y Arrendamiento, S.A. shares.

- Sale of land to related company

On 4 June 2019, the Group sold some plots located in Las Tablas (Madrid) to associate Company Las Tablas Propco I, S.L.U., according to the shareholders agreement which states the terms and conditions of a project to jointly promote an office building. The price was €30,086 thousand.

Metrovacesa Promoción y Arrendamiento, S.A., as the indirect holder of 24% of the shares of Las Tablas Propco, S.L.U. made the necessary contributions to Monteburgos Holding Spain, S.L., (sole shareholder). The shareholder contributions amounted to €2,342 thousand at 31 December 2019 (€209 thousand in 2018).

- Purchase of land via payment in kind (exchange)

At 30 December 2019, the parent Company acquired some plots to significant shareholders. The price has been €12,892 thousand. The price has been paid with some properties.

e) Consolidation perimeter changes

During 2020, the parent company continued with the share buyback program of its subsidiary Metrovacesa Promoción y Arrendamiento, S.A. At 31 December 2020, the parent company owns 100% of the shares of the subsidiary company.

On 9 of December of 2020, the improper merger by absorption of the companies Metrovacesa Promoción y Arrendamiento, S.A. (Absorbing Company) and Global Carihuela Patrimonio No Estratégico, S.L. (Absorbed Company) was registered in the Mercantile Registry. The effects of this merger have been carried back to the 1 of January of 2020.

On the 20 of December of 2019, 100% of shares of Metrovacesa Comercial (named Global Ferida, S.L.) was acquired. The price has been €3,600 thousand.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

On the 29 of February of 2019 the subsidiary company "Avenida das Inmobiliarias Novas, S.L." was liquidated, arising a total of €6 thousand euros of losses.

The consolidation perimeter at 31 December 2020 and 31 December 2019 is detailed in Appendix I to these consolidated annual accounts.

2. BASIS OF PRESENTATION OF CONSOLIDATED ANNUAL ACCOUNTS

The consolidated annual accounts at 31 December 2020, which have been obtained from the accounting records of the parent company and the rest of the companies integrated in the Group at 31 December 2020, have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Committee (IFRIC) adopted by the European Union (referred to as IFRS-EU), in accordance with Regulation (EC) No 1606/2002 of the European Parliament and Council and subsequent amendments.

The preparation of these consolidated annual accounts under IFRS-EU requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. Note 2.2 discloses the areas that require a higher level of judgement or entail greater complexity, and the areas where the assumptions and estimates are significant for the consolidated annual accounts.

These consolidated annual accounts were formally prepared and authorised by issue by the Board of Directors on 22 February 2021.

The figures set out in these consolidated annual accounts are expressed in thousand euro ("€"), unless indicated otherwise.

2.1 Entry into effect of new accounting standards

The following mandatory standards and interpretations, already adopted by the European Union, took effect in 2020. Where applicable, the Group has used them in the preparation of the accompanying information as of 31 December 2020.

2.1.1 New standards, amendments and interpretations mandatory in the year

The Group has applied the following standards and amendments for the first time in the year commencing 1 January 2020:

Mandatory standards, amendments and interpretation for years starting 1 January 2020:

- **IAS 1 (Amendment) and IAS 8 (Amendment) "Definition of materiality (or relative importance)"**
These amendments clarify the definition of "material", introducing, in addition to the omitted or inaccurate items that may influence the decisions of users, the concept of "obscure" information. These amendments make IFRS more consistent but are not expected to have a significant impact on the preparation of the financial statements.

The modifications will apply to annual exercises beginning on 1 January 2020.

- **IFRS 9 (Amendment), IFRS 7 (Amendment) and IAS 39 (Amendment) "Reform of reference interest rates"**
These amendments provide certain exemptions in relation to the benchmark interest rate reform (IBOR). The exemptions are related to hedge accounting and have the effect that IBOR reform generally should not cause hedge accounting to cease. However, any hedging ineffectiveness should continue to be recorded in the income statement.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

The modifications will apply to annual exercises beginning on 1 January 2020.

- **IFRS 3 (Amendment) "Definition of a business"**: These amendments will assist entities to determine whether they have acquired a business or a group of assets. The amended definition emphasises that the output of a business is to provide goods or services to customers whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors or others. In addition to modifying the wording of the definition, additional guidance has been provided. To be considered a business, an acquisition would have to include an input and process that together significantly contribute to the ability of creating products. The new guidance provides a framework for evaluating when both elements are present (even for companies in an early stage that have not generated products). To be a business in the absence of the ability to generate outputs, it will now be necessary to have organised workforce.

These amendments will apply to business combinations whose acquisition date is on or after the beginning of the first annual reporting period starting on or after 1 January 2020 and to asset acquisitions that occur from the start of that first year.

- **Amendments to references to the Conceptual Framework in IFRS:**
The IASB has issued a revised conceptual framework that will be used in the development of accounting standards. Although no changes are made to any of the accounting standards in force, entities that rely on the conceptual framework to determine their accounting policies for transactions, events or conditions that are not covered by the accounting standards issued will have to apply the conceptual framework revised after 1 January 2020
- **IFRS 16 (Amendment) "Rent reductions related to COVID-19"**
The IASB has published an amendment to IFRS 16 "Leases" that provides an optional practical exemption to lessees when assessing whether a COVID-19 related rental concession is a lease amendment. Tenants may choose to account for such rental concessions in the same way as they would if they were not amendments to the lease. In many cases, this will result in accounting for the concession as variable lease payments in the period (s) in which the event or condition that triggers the reduced payment occurs. The amendment does not provide the same facility to lessors, who have to apply the current requirements of IFRS 16 and consider whether or not there has been an amendment of the corresponding lease.

For the purposes of IFRS-EU, the amendments must be applied retrospectively and are applicable no later than 1 June 2020 for fiscal years beginning on 1 January 2020.

None of the above modifications entails significant impacts derived from their application in the Group's consolidated annual accounts.

Standards issued but not in force

The Group intends to adopt the standards, interpretations and amendments to the standards issued by the IASB that are not mandatory in the European Union at the date of these consolidated annual accounts, when they come into effect, if they are applicable.

- **IFRS 4 (Amendment) "Extension of the temporary exemption from the application of IFRS 9"**
In accordance with the postponement of the effective date of IFRS 17 "Insurance contracts", the amendment changes the expiration date for the temporary exemption in IFRS 4 "Insurance contracts" regarding the application of IFRS 9 "Financial instruments", requiring entities to apply IFRS 9 for annual periods beginning on or after 1 January 2023, rather than on or after 1 January 2021.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

- **IFRS 9 (Amendment), IAS 39 (Amendment), IFRS 7 (Amendment), IFRS 4 (Amendment) and IFRS 16 (Amendment) “Reform of reference interest rates: Phase 2”**

The IASB has undertaken a two-phase project to consider which exemptions, if any, to provide for the purposes of the benchmark interest rate reform (“the IBORs”). The Phase 1 amendments, issued in September 2019, provided temporary exemptions from the application of specific hedge accounting requirements to relationships affected by uncertainties arising as a result of the IBOR reform (“the Phase 1 exemptions 1”). The Phase 2 amendments address issues arising from the implementation of the reforms, including the replacement of a benchmark rate with an alternative one.

The modifications will apply to annual exercises beginning on 1 January 2021, although early application is allowed.

2.1.2 Mandatory standards, amendments and interpretation to existing standards that cannot be adopted in advance or that have not been adopted by the European Union

At the date of these consolidated annual accounts, the IASB and the IFRS Interpretations Committee had published the standards, modifications and interpretations detailed below, which are pending adoption by the European Union.

- **IFRS 10 (Amendment) and IAS 28 (Amendment) “Sale or contribution of assets between an investor and its associates or joint ventures”.**

These amendments clarify the accounting treatment of asset sales and contributions between an investor and its associates and joint ventures, which will depend on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a “business”. The investor will recognize the entire gain or loss when the non-monetary assets constitute a “business”. If the assets do not meet the definition of a business, the investor recognizes the gain or loss to the extent of the interests of other investors. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture.

Originally, these amendments to IFRS 10 and IAS 28 were prospective and effective for annual periods beginning on or after January 1, 2016. However, at the end of 2015, the IASB took the decision to postpone the date of validity of the same (without setting a new specific date), since it is planning a broader review that may result in the simplification of the accounting of these transactions and other aspects of accounting for associates and joint ventures.

- **IFRS 17 “Insurance contracts”**

On May 2017, the IASB completed its long-term project to develop an accounting standard on insurance contracts and published IFRS 17, “Insurance contracts”. IFRS 17 replaces IFRS 4 “Insurance contracts”, which currently allows a wide variety of accounting practices. IFRS 17 will fundamentally change the accounting for all entities that issue insurance contracts and investment contracts with discretionary participation features.

The standard will apply for annual periods beginning on 1 January 2021, allowing its early application if IFRS 15, “Ordinary income from contracts with customers” and IFRS 9, “Financial instruments” are also applied. IFRS 17 is pending approval by the European Union.

- **IFRS 17 (Amendment) “Amendments of IFRS 17”**

In response to some of the concerns and challenges raised in relation to the application of IFRS 17, the IASB has developed specific amendments and clarifications intended to facilitate the implementation of the new standard, although the amendments do not change the fundamental principles of the standard. Additionally, the mandatory entry into force of IFRS 17 has been delayed to annual periods beginning on or after 1 January 2023. The amendment to IFRS 17 is pending approval by the European Union.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

- **IAS 1 (Amendments) “Classification of liabilities as current or non-current”**

These amendments clarify that liabilities are classified as current or non-current, depending on the rights that exist at the end of the reporting period. The classification is not affected by the entity's expectations or events after the year-end date (for example, the receipt of a resignation or a breach of the agreement). The amendment also clarifies what IAS 1 means when it refers to the "settlement" of a liability. The effective date of these amendments is 1 January 2022, although early adoption is permitted.

However, in July 2020 there was an amendment to change the effective date of the modification to 1 January 2023. These modifications are pending approval by the European Union.

- **IAS 16 (Amendments) “Property, plant and equipment - Income obtained before intended use”**

It is prohibited to deduct from the cost of an item of property, plant and equipment any income obtained from the sale of items produced while the entity is preparing the asset for its intended use. The income from the sale of such samples, together with the production costs, is now recognized as profit or loss. The amendment also clarifies that an entity is testing whether the asset is working properly when evaluating the technical and physical performance of the asset. The financial performance of the asset is not relevant to this evaluation. Therefore, an asset might be able to operate as intended by management and be subject to depreciation before it has reached the level of operating performance expected by management. The effective date of these amendments is January 1, 2022. Said modification is pending approval by the European Union.

- **IAS 37 (Amendments) “Onerous contracts - Cost of fulfilling a contract”**

These amendments explain that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract and an allocation of other costs that are directly related to the fulfillment of the contracts. It also clarifies that before making a separate provision for an onerous contract, the entity will recognize any impairment loss that has occurred on the assets used to fulfill the contract, rather than on the assets dedicated to that contract. The effective date of these amendments is the 1 of January 2022. The modification is pending approval by the European Union.

- **IFRS 3 (Amendment) “Reference to the Conceptual Framework”**

IFRS 3 has been updated to refer to the 2018 Conceptual Framework to determine what constitutes an asset or a liability in a business combination (previously referred to the 2001 CM). In addition, a new exception has been added in IFRS 3 for contingent liabilities and liabilities. The effective date of these modifications is the 1 January of 2022. The modification is pending approval by the European Union.

Annual Improvements to IFRS Cycle 2018 – 2020

The amendments affect IFRS 1, IFRS 9, IFRS 16 and IAS 41 and will apply to the years starting on or after 1 January 2022. The main amendments relate to:

- IFRS 1 “First-time adoption of IFRS”: IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. This amendment allows entities that have taken this exemption to also measure accumulated translation differences using the amounts accounted for by the parent, based on the date of transition of the latter to IFRS.
- IFRS 9 “Financial instruments”: IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. This amendment allows entities that have taken this exemption to also measure accumulated translation differences using the amounts accounted for by the parent, based on the date of transition of the latter to IFRS.
- IFRS 16 “Leases”: Illustrative Example 13 accompanying IFRS 16 has been modified to eliminate the illustration of lessor payments in relation to lease improvements, thus eliminating any possible confusion about the treatment of lease incentives.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

- IAS 41 "Farming": This amendment eliminates the requirement to exclude cash flows for taxes when measuring fair value under IAS 41.

The annual improvements are pending approval by the European Union.

At the date, the Group evaluates periodically the possible impact of these standards and the Group has concluded that these impacts will not be significant.

There are not any other standards which will be effective yet and that could have a material impact in the current or future years.

2.2 Critical estimates and judgements

In the accompanying consolidated annual accounts, the management of the parent company and consolidated entities has occasionally used estimates to quantify some assets, liabilities, income, expenses and commitments. These estimates are made using the best information available and refer to:

- Calculation of provisions

The Group makes estimates and judgements, based on the information obtained from independent experts and its own experience in light of historical information, for all provisions such as:

- Provisions for financial assets (Note 10)
- Provision for liabilities and charges (Note 13)

- Estimation of fair value of real estate assets

The market value of inventories was obtained from the valuations carried out by independent experts at 31 December 2020. These valuations are carried out using the methods established by Royal Institution of Chartered Surveyors" (RICS), as detailed in Notes 2.8a and 2.8b for investment properties (Note 6) and inventories (Note 9), respectively.

For assets and liabilities measured at fair value, the Group has applied the hierarchy defined in IFRS 13 in their classification on the basis of the inputs used in their measurement and observable market data.

In accordance with the new IFRS 13 standard, the hierarchical level used to classify all assets or liabilities (Level 1, Level 2 or Level 3) is determined depending on the relevant inputs used in the lowest fair value measurement. If the inputs used to measure the fair value of an asset or liability can be classified within the different levels, the fair value measurement is classified in full in the same fair value hierarchical level as the lowest level input which may be significant for the value measurement.

- Level 1: Listed prices (unadjusted) in active markets for identical assets or liabilities that the entity can access on the measurement date.
- Level 2: Distinguished data of listed prices included in Level 1 that are observable for assets or liabilities, directly or indirectly through measurement techniques which use observable market data.
- Level 3: Non observable inputs for assets and liabilities.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

- Classification of real estate assets

The Group analyses individually the classification of its real estate assets and regards those assets which will be developed and promoted or sold in the ordinary course of business as inventories and those assets held to obtain rental income or land for currently undetermined future use as investment property. The Group manages its asset portfolio in accordance with the five-year business plans approved by the Board of Directors. Additionally, the policies for reclassification between headings described in Notes 2.8a and b. are applied.

- Recoverability of deferred tax assets

The recoverability of deferred tax assets is evaluated at the time they are generated and subsequently at each balance sheet date, in accordance with the development of the Group's profits projected in its business plan. Specifically, in assessing the recoverability of deferred tax assets, the synergies deriving from the tax consolidation have been taken into account together with estimated future tax profits based on the Group's business plan. That business plan is based on the assumptions relating to the growth in income and the related increase in margins for the next 5 years, mainly driven by the development of the Group's land portfolio, excluding those assets owned by companies carried under the equity method (approximately 75% of land is residential and 25% commercial), with a valuation at 31 December 2020 of €2,565,328 thousand (€2,588,195 thousand in 2019), and the sale of plots. The administrators and directors assess the recoverability of the deferred tax assets considering projections for the next 10 years. At the date of preparation of the accounts, the Group has a stock of land with capacity for more than approximately 35,500 homes and sales are expected to rise annually, notably as from 2021. Invoicing is expected to amount to between €500 million and €850 million.

Additionally, the Group has properties under lease whose valuation amounts to €42,050 thousand as at 31 December 2020 (€44,000 thousand in 2019).

Although the aforementioned criteria are based on rational appreciations and elements of objective analysis, events that may take place in the future may make it necessary to adjust these estimates (upwards or downwards) in coming reporting periods or years. Changes in accounting estimates, if required, would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the consolidated income statements for the periods or years concerned.

2.3 Comparability

The information contained in these consolidated annual accounts for 2019 is presented solely for comparison with the information for the year ended 31 December 2020.

The information at 31 December 2020 was prepared using the same accounting policies as those used at 31 December 2019.

Despite the changes in the consolidation scope as a result of the corporate transactions described in Note 1.d, there are no significant impacts on the consolidated income statement that could affect the comparability of the information included.

2.4 Correction of errors

There are no significant corrections of errors in the consolidated annual accounts at 31 December 2020.

2.5 Seasonality of the Group's transactions

Given the activities carried out by the companies of the Group, its transactions are not significantly cyclical or seasonal in nature. Therefore, there are no specific disclosures in these notes to the consolidated annual accounts at 31 December 2020 in this regard.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

2.6 Materiality

When determining which information from the different captions of the annual accounts should be itemised, the Group has considered the materiality of such information in relation to the consolidated annual accounts.

2.7 Functional currency

The euro is the presentation currency of the consolidated annual accounts as this is the functional currency of the environment in which the Group operates.

2.8 Accounting policies

In preparing the Group's consolidated annual accounts for the year ended 31 December 2020, the following accounting principles and measurement standards have been applied:

a. *Investment property*

Property held to obtain long-term rental income or capital gains or both and which is not occupied by Group companies is classified as investment property. Investment property includes office buildings, logistics warehouses and other freehold property. Investment property also includes property under construction or to be developed for future use as investment property.

Investment property is initially carried at cost, including related transaction costs and financing costs, if applicable. Following initial recognition, investment property is carried at fair value.

The fair value of investment property reflects, inter alia, rental income and other assumptions that market players would take into account on valuing the property under current market conditions.

Subsequent expenses are capitalised at the asset's carrying amount only when it is probable that the future economic benefits associated with the expense will flow to the Group and the cost of the asset may be reliably measured. Other repair and upkeep expenses are recognised in the income statement when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is written off.

If the valuation obtained for a property held for rent is net of all payments which are expected to be made, any liabilities recognised separately on the balance sheet in respect of leases are again added to arrive at the carrying amount of the investment property for accounting purposes.

Changes in fair value are recognised in the consolidated income statement while the fair value is calculated as described in Note 6. Investment properties are derecognised when sold.

When the Group carries a property at fair value on a transaction under arm's length conditions, the carrying amount immediately prior to the sale is adjusted to the transaction price and the adjustment is recognised in the income statement within the gain net of the adjustment to the fair value of the investment property.

If an investment property is converted into owner occupied property, it is reclassified to property, plant and equipment. Fair value at the reclassification date is taken as cost for subsequent accounting purposes.

If a property occupied by its owners becomes an investment property, due to a change of use, the resulting difference between the carrying amount and fair value of that asset on the transfer date is treated in the same way as a restatement according to IAS 16. Any resulting increase in the carrying amount of property is recognised in the income statement insofar as it reverses a previous impairment loss. Any remaining increase is recognised in other comprehensive income, directly increasing equity in the revaluation reserve. Any resulting fall in the carrying amount of the property is initially recognised in other comprehensive income against any previously recognised restatement reserve, with the remaining decrease recognised in the income statement.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

When there is a change in the use of an investment property, evidenced by the start of development work on the property for subsequent sale, the property is transferred to inventories. The attributable cost of the property for subsequent recognition as inventories is its fair value at the date on which its use changes. Additionally, a transfer will take place between inventories and investment property when there is a change in the use of the asset evidenced by the start of a contract for its rent. When the Group decides to sell an asset classified as investment property without subsequent real estate development, it continues to classify it as an investment property until it is sold. Considering the definition of investment property in accordance with IAS 40, the Group has classified land held for currently unspecified future use as investment property.

- Exchange

Whenever an item of property, plant and equipment, an intangible asset or an investment property is acquired by means of an exchange which is commercial in nature, it is measured at the fair value of the asset delivered, plus any monetary consideration handed over, unless there is better evidence of the value of the asset received and up to the limit of the latter. The Company considers that an exchange is commercial in nature when the structure of the cash flows of the asset received differs from the structure of the cash flows of the asset handed over or the present value of the after-tax cash flows of the activities affected by the swap are modified. Further, either of the above differences must be material with respect to the fair value of the assets exchanged.

If the exchange is not deemed commercial in nature or the fair value of the transaction assets cannot be determined, the asset received is measured at the carrying amount of the asset handed over, including any monetary consideration, up to the limit of the fair value of the asset received if lower and provided that it is available.

b. Inventories

This heading on the consolidated balance sheet includes the assets that the consolidated companies:

1. Hold for sale in the ordinary course of business,
2. Have under production, construction or development for such purpose or
3. Expect to consume in production or the provision of services.

The Group considers that its inventories do not meet the requirements of IAS 40 to be considered investment property. Consequently, land and other property held for sale once included in a development are regarded as inventories together with land for development and / or sale in the ordinary course of business.

Land and lots are valued at the lower of acquisition price, increased by the cost of any development work, acquisition related expenses (transfer tax, registry expenses etc) and the financial expenses incurred over the period in which the development work is carried out, and realisable value.

Costs incurred in property developments or part of such developments, construction of which has not finished at the year end, are considered work in progress. These costs include those relating to the land, development and construction, the capitalisation of the financial expense incurred during the construction period and other attributable direct and indirect costs. Selling expenses are charged to the consolidated income statement in the period incurred.

Financial expenses capitalised at 31 December 2020 amount to €4,104 thousand (€2,531 thousand at 31 December 2019) and are recognised in the consolidated income statement as a decrease in financial results relating to expenses associated with property developments in progress.

It is Group policy to transfer those developments or parts thereof for which construction work is complete from "Construction work in progress" to "Finished structures".

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

Short-cycle inventories are those for which the forecast development and promotion date does not exceed 36 months.

The cost of work in progress and finished work is written down to market value and where warranted, the relevant provision for depreciation is established. Conversely, if fair value is higher than the net cost value, the cost value is maintained.

The market value of the Group's inventories at 31 December 2020 is calculated based on the valuations performed by independent experts not related to the Group, namely, "Savills Consultores Inmobiliarios" and "CBRE Group". Valuations are performed in accordance with the Appraisal and Valuation Standards published by Royal Institution of Chartered Surveyors (RICS) of Great Britain and in accordance with the International Valuation Standards (IVS) published by the International Standards Valuation Committee.

In order to calculate fair value, the main method used is the residual method (dynamic) for all inventories of land and work in progress and finished products. This method consists of estimating the value of finished products, using the discounted cash flow method, and this value is reduced by development costs which include urbanisation and construction costs, fees, rates etc and the developer's profit in order to arrive at the estimated residual value.

Income and costs are distributed over time according to the development and sales periods estimated by the valuer. The discount rate used is the rate that represents the annual average return on the project, excluding borrowings, that would be obtained by an average developer on a development with the characteristics of the one analysed. The discount rate is calculated by adding the risk premium to the risk free rate (calculated by assessing the risk of the development taking into account the type of real estate asset to be built, its location, liquidity, completion timeline and the volume of investment necessary).

Key values are therefore selling prices and the internal rate of return. In accordance with applicable legislation, Management has performed sensitivity analyses (Note 9), taking into account as key assumptions selling prices and internal rates of return where the time variable is implicitly included.

Given the uncertain nature of any information based on future expectations, differences could arise between projected results taken into account for the purposes of these estimates of the recoverable value of inventories and real results, which could lead to changes in them (upward or downward) in coming years. As described in Note 2.2, any changes would in any event be made prospectively.

At 31 December 2020, within the framework of the preparation of its business plan and based on the strategy agreed by the Directors, the Group carried out a detailed study of its assets and prepared an individual business plan for each, based on the specific analysis of their real situation, and adapting marketing timelines and prices to their specific features using conservative premises, giving rise to additional provisions. The results obtained are within ranges accepted in the sector for possible variations in the valuations made by third parties taken as a reference in previous periods.

As mentioned above, the entire land portfolio was valued by two independent experts and that value has been taken as a reference when assessing the accounting impairment to be recognised.

The valuations were performed through an individualised analysis of each asset taking into account the building specifications envisaged which in turn determine the contract costs and the range of related selling prices. Similarly, the average forecast periods for planning, management and urban development have been considered together with the average construction periods for each development based on building type and density.

Lastly, the discount rate associated with each project has been calculated. The rates vary on the basis of the development status of the asset (land on which development has not started, under construction, under presale arrangements etc), generally between 10% for land classified as for development and 20% for land under management before taxes.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

There are also other parameters that are fixed in each of the valuations performed, specifically the following:

- Presales prior to the start of development construction work have not been taken into account.
- It has been estimated that 80% to 100% of sales (presales - off plan) will be carried out during the construction of the developments while other sales will be completed generally within a maximum of between 12 to 20 months of completion.
- Increases in selling prices with respect to current market prices have not been considered.
- It is estimated that between the time needed to draw up the project and obtain the building permit and deliver the project and complete the marketing and sale of the units, 30 to 36 months may elapse.

In one area the valuers have taken a special circumstance into account for the valuation. Because of development issues, the area general plan was cancelled by the relevant territory authority. A special assumption has been made that a new general plan is approved the content and development of which are similar to that cancelled. Management considers that this assumption is reasonable based on the fact that the cancellation derives from formal and not material defects and based on the estimated timeframe. Inventories valued under this assumption total €38,430 thousand (€38,429 thousands in 2019). For this area where the key assumption is that construction will start, a sensitivity analysis was performed, assuming a delay of 12 months with respect to the assumption adopted. This delay would lead to a reduction in the present value by approximately 15% with an additional impairment of €7,571 thousand (€6,147 thousand in 2019) recorded under the heading "Changes in trade provisions" in the consolidated income statement.

Management carries out a review of the valuation models and verifies the reasonableness of the ratios such as land as a percentage of finished products, profit over production cost or the profit obtained on sales.

All resulting fair value estimates for inventories are included in Level 3.

c. Financial instruments

- Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable collections that are not quoted on an active market. They are included in current assets, unless they mature in more than 12 months after the consolidated balance sheet date, in which case the item is recognised under non-current assets. Loans and receivables are included in "Trade and other receivables" in the consolidated balance sheet.

Financial assets are initially carried at fair value, including transaction costs which are directly attributable, and are subsequently measured at amortised cost. Accrued interest is recognised at the effective interest rate, which is the discount rate that brings the instrument's carrying amount into line with all estimated cash flows to maturity. Trade receivables falling due in less than one year are carried at their face value at both initial recognition and subsequent measurement, provided that the effect of not discounting flows is not significant.

At the year end at least, the necessary value adjustments are made for impairment when there is factual evidence that not all amounts due will be collected.

Impairment losses are recognised at the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the effective interest rate prevailing at the date of initial recognition. Value adjustments, and reversals, where applicable, are recognised in the income statement.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits at credit institutions and other short-term highly liquid investments with an original maturity of three months or less.

Financial liabilities - Borrowings and payables

This category includes trade and non-trade payables. Borrowings are classed as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months as from the balance sheet date.

They are initially recognised at fair value, adjusted for directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest method. The effective interest rate is the discount rate that brings the carrying amount of the instrument in line with the expected flow of forecast future payments to maturity of the liability.

Nonetheless, trade payables falling due in less than one year without a contractual interest rate are carried at their face value at both initial recognition and subsequent measurement, provided that the effect of not discounting flows is not significant.

Financial debts

Financial debts are initially recognised at fair value, less any transaction costs incurred. They are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings at amortised cost.

d. Advance payments from customers

Advance payments from customers: The amounts received from customers on account of future sales of land and / or buildings in cash and commercial bills are, until the sale is recognised in the above terms, are recognised as advances received under the heading "Advance payments from customers" under liabilities.

e. Provisions

The Group's consolidated annual accounts include all significant provisions for which the probability of the obligation requiring settlement is estimated to be more likely than not. Contingent liabilities are not recognised in the consolidated annual accounts, although information thereon is disclosed, in accordance with IAS 37.

The provisions (which are quantified taking into account the best information available concerning the consequences of the event from which they derive and are re-estimated at each accounting close) are used to cover the specific obligations for which they were originally recognised and reversed in full or in part when such obligations cease to exist or decrease.

On-going litigations and/or claims

At 31 December 2020 there were certain ongoing litigations and claims against the consolidated companies arising in the ordinary course of their operations. The Group's legal advisers and Directors consider that the provisions recognised are sufficient and that the outcome of these procedures and claims will not have an additional material effect on the consolidated annual accounts for the years in which they are settled.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

Provisions for warranties

Provisions for warranty costs, particularly after -sales expenses, other costs and the ten-year warranty which real estate companies are required to provide under Spanish legislation are recognised on the date of sale of the relevant products, according to the best estimate of the necessary expense to settle the Group's probable liability.

f. Corporate income tax

General scheme

The income tax expense is recognised in the consolidated income statement, except when it results from a transaction the result of which is recognised directly in equity, in which case the related income tax is also recognised in equity.

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

Deferred tax assets and liabilities relate to those taxes which are expected to be recoverable or payable calculated on differences between the carrying amounts of assets and liabilities in the annual accounts and the corresponding tax bases used in the calculation of tax profits. They are recognised using the liability method on the consolidated balance sheet and quantified by applying the tax rate at which they are expected to be recovered or settled to the temporary difference or credit in question.

Deferred tax assets or liabilities are recognised on temporary differences deriving from investments in subsidiaries and associates and investments in joint ventures except when the Group is able to control the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Nonetheless:

- i. Deferred tax assets are only recognised if it is considered likely that the consolidated entities will have sufficient tax gains in the future against which to apply them.
- ii. In no event are deferred taxes arising on goodwill deriving from an acquisition recognised.

At each accounting close, deferred tax assets and liabilities are analysed to ensure that they remain valid and any necessary adjustments are made accordingly.

In 2017 the parent company's General Shareholders' Meeting passed a motion to apply the tax consolidation scheme governed by Chapter VII, Title VII of Legislative Royal Decree 4/2004, in accordance with article 70 of the Corporate Income Tax Law for the tax period beginning on 1 January 2017 and for subsequent tax periods, as, together with its subsidiaries, it meets the pertinent requirements envisaged in the Law for its application.

The tax consolidation group is formed by the parent company and all subsidiaries, whether public or private limited companies, resident in Spanish territory and in which the parent has a direct or indirect interest of at least 75% of capital (see appendix I).

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

For the year starting 1 January 2018 the tax group of Metrovacesa Promoción y Arrendamiento has been extinguished and the companies that formed it have become part of the tax consolidation group of Metrovacesa, S.A.

g. *Income and expenses*

Income and expenses are recognised on an accruals basis.

Specifically, revenues are calculated at the fair value of the consideration received or to be received and represent the amounts receivable for the goods delivered and services rendered in the ordinary course of business, less discounts, VAT and other sales taxes.

The Group recognises revenue when the amount involved may be reliably assessed and it is probable that future economic benefits will flow to the Group companies. A reliable calculation of the amount of revenue is not deemed possible until all sale-related contingencies have been settled.

Sale of real estate developments and land

The Group companies recognise sales of real estate developments and land and related costs when the significant risks and rewards of ownership of the assets are transferred to the buyer, irrespective of the legal transfer of ownership, which usually takes place on the date the sales deed is executed.

Rentals

Rental income is recognised on an accrual basis while profits in respect of incentives and initial rental contract costs are distributed on a straight-line basis.

Interest Income

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

Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

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

h. *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of property developments or investment property are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending investment in qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred

i. *Share capital*

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

j.

The Company's share capital is represented by ordinary shares.

The costs of issuing new shares or options are recognised directly in equity as a reduction in reserves.

In the event that the Group's parent acquires treasury shares, the compensation paid including any incremental cost that is directly attributable, is deducted from equity until the shares are redeemed, issued again or otherwise disposed of. When treasury shares are subsequently sold or reissued, any amount received is taken to equity net of directly attributable incremental costs.

k. Consolidation

Subsidiaries

Subsidiaries are all those entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed or entitled to obtain variable income as a result of its involvement in the investee and has the capacity to use its power over it to influence such income. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method to account for business combinations. The consideration paid for the acquisition of a subsidiary consists of the fair value of the assets transferred, the liabilities incurred with the former owners of the acquiree and the equity shares issued by the Group. The consideration transferred includes the fair value of any asset or liability that originates from an agreement for contingent consideration. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair value at the acquisition date. For each business combination, the Group may opt to recognise any non-controlling interest in the acquiree at fair value or at the proportional part of the non-controlling interest of the recognised amount of the acquiree's net identifiable assets.

Related costs are expensed in the year in which they are incurred.

If the business combination is achieved in stages, the carrying value on the acquisition date of the acquirer's previously held equity interest in the acquiree is re-measured at fair value at the acquisition date. Any gain or loss arising on this subsequent measurement is recognised in profit or loss for the year.

Any contingent compensation to be transferred by the Group is recognised at fair value on the date of acquisition. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or a liability are recognised in accordance with IAS 39 in profit or loss. Contingent consideration which is classified as equity is not remeasured and its subsequent settlement is recognised in equity.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Amounts presented by the subsidiaries have been adjusted where necessary to adapt them to the Group's accounting policies.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying an ownership interest of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or reduced to recognise the investor's interest in the results of the investee following the acquisition date. The Group's investment in associates includes goodwill identified on acquisition.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group's interest in subsequent losses or gains on the acquisition of Associates are recognised in the consolidated income statement and its share in movements subsequent to the acquisition in other comprehensive results is recognised in other comprehensive results by making the relevant adjustment to the carrying value of the investment. When the Group's shares of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has assumed legal or implicit commitments or made payments on behalf of the associate.

At each reporting date, the Group determines if there is any objective evidence that the investment in the associate is impaired. If impairment is detected, the Group calculates the amount of the impairment loss as the difference between the recoverable amount of the associate and its carrying amount and recognises the amount under "the share in profit/(loss) in associates" in the income statement.

Gains or losses on upstream and downstream transactions between the Group and its associates are recognised in the Group's consolidated annual accounts only to the extent that they relate to investments of other investors in the associates that are not related to the investor. Unrealised losses are eliminated unless the transaction provides evidence of impairment of the asset transferred. The accounting policies applied by the associates have been modified when necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and gains arising on investments in associates are recognised in the consolidated income statement.

Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Investments in joint arrangements under IFRS 11 are classified as joint operations or joint ventures, depending on the contractual rights and obligations or each investor. The Group has assessed the nature of its joint arrangements and determined that they may all be classified as joint ventures.

Joint ventures are accounted for using the equity method like Associates. Unrealised gains on transactions between the Group and its joint ventures are eliminated on the basis of the Group's interest in them. Unrealised losses are also eliminated unless the transaction provides evidence of a loss due to impairment of the asset transferred. The accounting policies of joint ventures have been changed where necessary to ensure consistency with policies adopted by the Group. The Group's joint ventures at 31 December 2020 are detailed in appendix I of these notes.

Joint operations are consolidated using the proportionate method of consolidation. The Group combines its share of the assets, liabilities, revenues, expenses and cash flows of these entities on a line-by-line basis, together with the items in its own accounts that are similar in nature. The Group recognises its share of the profit or loss derived from the sale of Group assets to jointly controlled entities in its consolidated annual accounts in the proportion corresponding to other members. The Group does not recognise its share of the profits or losses of a jointly controlled entity derived from the purchase by the Group of assets from the jointly controlled entity until the assets are sold to an independent third party. A loss is recognised immediately on a transaction if there is evidence of a reduction in the net realisable value of current assets or an impairment loss. At 31 December 2020 the Group has no joint operations.

Appendix I to these notes to the consolidated annual accounts sets out the identifying details of the equity method consolidated joint ventures.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

l. Related-party transactions

Related-party transactions are measured as per the principles described above.

The prices of related-party operations are adequately supported. The parent company's Directors therefore consider that there are no risks that may give rise to significant tax liabilities.

m. Consolidated cash flow statement

The following expressions are used with the following meaning in the consolidated cash flow statement:

- Cash flows are the incoming and outgoing cash and cash equivalents.
- Operating activities: activities which make up the Company's primary source of revenues and other activities that may not be classified as investing or financing activities.
- Investing activities are activities involving the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities are those which cause changes in the size and composition of the company's equity and the company's borrowings.

For the purposes of preparing the consolidated cash flow statement, "cash and cash equivalents" are considered to be the cash on hand and in banks and highly liquid short term investments which are readily convertible into certain cash amounts and are exposed to a negligible risk of change in value.

"Other adjustments to results" relating to "cash flows from operating activities" mainly include the impact of customer advances, in the form of prior year receipts, for land and developments, delivered in the current period.

n. Leases

When the Group is the lessee – Operating lease

Leases in which the lessor retains a significant part of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

When the Group is the lessor – Operating lease

Assets leased to third parties under operating lease contracts are carried on the consolidated balance sheet according to their nature. Lease income is recognised on a straight-line basis over the lease term.

o. Current assets and liabilities with a maturity of more than 12 months (long and short cycle)

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

p.

The Group has opted to present current assets and liabilities according to the company's ordinary operating cycle, considering those inventories that will be managed within the next 36 months as short cycle and those for the following 24 months as long cycle.

	Thousand euro	
	2020	2019
Long cycle inventories	662,100	527,362
Short cycle inventories	1,318,386	1,336,461
Total long and short cycle inventories	1,980,486	1,893,823

The Group considers that no current liabilities may be considered long cycle with a maturity of more than 12 months.

q. Financial derivatives and hedge accounting

Financial derivatives are measured at fair value at both initial recognition and subsequent measurement. The method used to recognise the resulting gain or loss depends on whether the derivative has been designated as a hedging instrument, and if so, the nature of the hedge.

Hedging instruments are measured and recognised by nature to the extent that they are not or cease to be effective hedges.

In the case of derivatives that do not qualify for hedge accounting, gains or losses in their fair value are immediately recognised in the consolidated income statement.

The Group designates derivative contracts as hedges of a specific interest rate risk associated with a recognised liability (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessments, at both inception and on an on-going basis, of whether the derivatives used in hedging transactions are highly efficient to offset changes in cash flows from the items hedged.

The total fair value of hedging derivatives is classified as a non-current asset or liability if the time remaining to maturity of the hedged item is more than 12 months from the reporting date and as a current asset or liability if the time remaining to maturity of the hedged item is less than 12 months of that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recognised in other consolidated comprehensive income. The profit or loss relating to the ineffective part is recognised immediately in the consolidated income statement under "Financial results".

The amounts accumulated in equity are taken to the consolidated income statement in the periods in which the hedged item affects results. Gains or losses on the effective part of interest rate swaps covering loans at variable rates are recognised in the income statement under "Profit/(loss)".

When the hedging instrument matures or is sold or when the requirements for the application of hedge accounting cease to be met, the gains or losses accumulated in equity to that date will remain in equity and will be recognised when the forecast transaction is finally recognised in the income statement. When the forecast transaction is expected not to take place, the profit or loss accumulated in equity is taken immediately to the consolidated income statement under "financial results".

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

3. RISK EXPOSURE

The Group manages capital to ensure that the Group companies are able to continue as profitable businesses while maintaining the return for shareholders through the optimum debt/ equity balance.

In 2020 the Group's overall strategy was marked by prudence, the focus being on managing the generation of cash by retaining its recurring business.

The Group's capital structure comprises debt, cash and equivalents and shareholders' funds, which include capital, reserves and retained earnings.

The Finance Department, that is responsible for financial risk management, reviews the capital structure and the ratio of net debt (defined as bank borrowings less available cash and less other financial assets/ liabilities) to gross asset value (GAV). In this respect, the Group's long-term forecast is not to exceed 25% debt as measured by this ratio. At 31 December 2020 the ratio is -7.95% (-2.87% in 2019).

Net financial debt (thousand euro):	31/12/2020	31/12/2019
(+) Bank borrowings (*)	(419,784)	152,424
(+) Listing of securities (MARF) (**)	(16,100)	-
(-) Available cash (Note 11)	203,898	(72,328)
(-) Other financial assets	3,545	(2,488)
	(228,441)	77,608
Market value of assets (GAV) (***)	2,565,328	2,588,195

(*) Net amount of advance payments made at the time of arranging corporate financing amounting to €2,611 thousand at 31 December 2020 (€3,973 thousand at 31 December 2019).

(**) The debt for MARF listing of securities notes is included as it is considered comparable to bank debt.

(***) Does not include the market value of the assets owned by equity method companies and that have a market value of €113,979 thousand at 31 December 2020 and €117,426 thousand at 31 December 2019.

On 31 December 2019, the parent company has signed an "Equity Swap" agreement with Goldman Sachs International, the limit amount is €50 million and the maturity is 27 months.

Consequently, the parent company has ended the liquidity agreement for treasury stock management with Banco Sabadell, S.A.

The Group basically differentiates between two types of financial risk:

- Liquidity risk:

This relates to the Group's possible inability to cover the payments it has already committed to make and/or commitments deriving from new investments.

- Market risk:

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

•

1. Interest rate risks: this relates to the potential impact of an increase in interest rates on financial expenses in the consolidated income statement.
2. Credit risk: this relates to the impact of the non-payment of receivables on the consolidated income statement.
3. Exchange rate risk: this relates to the impact of variations in the exchange rate on the consolidated income statement.

Set out below are the control systems in place to mitigate these risks:

Liquidity risk

The Group determines its cash needs using two basic tools:

1. Cash budgets with a 12 month timeline, with a monthly breakdown, updated monthly, prepared based on each area's cash budgets.
2. Cash budgets with a 30 day timeline, with a daily breakdown, updated daily, prepared based on payment commitments included in the Financial Reporting System.

These tools enable treasury needs to be identified in terms of amount and time, while planning for new financing needs.

The Group's liquidity policy consists of arranging committed credit facilities and temporary investments for an amount sufficient to cover forecast needs for a period based on the situation and expectations of debt and capital markets.

The Group's available cash position at 31 December 2020 amounts to €203,898 thousand (€72,328 thousand in 2019) (Note 11).

The Group has committed financing not used at 31 December 2020 amounting to €394,706 thousand, (Note 14) (€563,418 thousand at 31 December 2019).

On 1 December 2017 the Company signed a syndicated loan amounting to €275,000 thousand, in order to finance, among other things, its development investments envisaged in the business plan, and operating expenses. This financing will also be used to repay the Group's financial debts with short-term maturities. The terms of the agreement are based on market standards and will enable the Company to deliver on its investment plan in the next few years. The financing is set to mature at 5 years and will bear interest at EURIBOR plus a market spread.

In light of the review of the 12 month cash budget and the sensitivity analyses performed by the Group, it may be concluded that in the following year the parent company will be able to reasonably finance its operations, even in the event of harder conditions on the property and lending markets.

Market Risk

Interest rate risk

Interest rate fluctuations affect the fair value of assets and liabilities that accrue interest at a fixed rate and future flows of assets and liabilities linked to a floating interest rate. The risk resulting from shifts in interest rates is managed by arranging derivatives, the aim of which is to cover the Group's exposure to such risks.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

At 31 December 2019 the Group arranged derivatives (stable) such as the corporate loan for a nominal amount of €91,000 thousand and €55,000 thousand, with the same maturity as the associated loan and a strike of 0.75% and 0.00% respectively.

The Company's Directors consider that a variation in the EURIBOR to which the bank debt is currently referenced would not have a significant impact on the consolidated income statement.

Credit risk

A large proportion of trade and other balances receivable relates to operations with Spanish public entities, with whom the Group considers the credit risk to be limited.

The Group does not have a significant credit risk with third parties deriving from its real estate activities since it collects practically all sales when the deed is executed, either when the buyer is subrogated to the developer's loan in the part pertaining to him or under other arrangements, depending on the buyer's choice. The credit risk deriving from the deferral of payment on sales of land or finished structures is mitigated by obtaining guarantees from the buyer or establishing conditions subsequent in the event of non-payment, giving rise to reparation with respect to ownership of the asset sold and the collection of an indemnity.

Foreign exchange risk

At 31 December 2020 and 31 December 2019, the Group has no exposure to the foreign exchange risk.

Other risks - Covid-19

On the 11th March 2020 the World Health Organization declared the outbreak of the Novel Coronavirus COVID-19, as a pandemic, due to its rapid spread and being impacted in more than 150 countries. Thus, the business operating performance has been limited by the measures required by the Government in order to its eradication, specially upon state of alarm was declared, which started on 14 March 2020.

As a result of the measures adopted by the declaration of the state of alarm, Metrovacesa closed its offices in mid-March, focusing its commercial activity on the conversion of housing reserves in its sales portfolio into private sales contracts, as well as promoting home sales through channels.

Regarding the execution of the works, they continued normally except for a stoppage imposed by the described circumstances that only lasted for 8 business days.

The consequences of COVID-19 have been evaluated and do not require an adjustment in the consolidated financial statements. However, the market value of the assets owned by the group have been affected as a result of the forecast of lengthening of marketing periods, as well as obtaining public administration permits.

Considering the complexity of the markets due to their globalization and the absence, for the moment, of an effective medical treatment against the virus, it is premature, at the date of signing of these consolidated financial statements, to make an estimate reliable of the possible impacts, although, as far as it is possible to know, there have been no consequences that could be considered significant (except the decrease in the value of assets), since these will depend, to a large extent, on the evolution and extension of the pandemic in the coming months, as well as the reaction and adaptation capacity of all the economic agents impacted, therefore it is not possible to make a reliable estimate. In any case, the Directors consider that the possible impact that this aspect might have for the Group could be mitigated, with the different contractual mechanisms available in each case. Lastly, it should be noted that the Group's Directors and Management are constantly monitoring the evolution of the situation, in order to face with guarantees the possible impacts, both financial and non-financial, that may occur.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

4. EARNINGS/(LOSS) PER SHARE

a) Basic earnings/(loss) per share

Basic earnings or loss per share are calculated by dividing the net results attributed to the Group (after tax and minority interests) by the average weighted number of shares during that year.

	31/12/2020	31/12/2019
Profit/(loss) for the year	(163,524)	(4,496)
Weighted average number of shares outstanding (thousand shares)	151,445	151,371
Basic earnings/(loss) per share (euro)	(1,0798)	(0,0297)

The General Meeting of Metrovacesa of 19 December 2017 passed the motion to carry out a "counter-split" such that the 6,825,435,539 shares into which the parent's share capital was divided were grouped and cancelled at a rate of one new share for every 45 former shares. As a result, share capital currently consists of 151,676,341 newly issued shares and the unit per value of the shares has increased from €0.16 to €7.20000001476829, share capital remaining unchanged at €1,092,069,657.44. This agreement was executed on 11 January 2018.

b) Diluted earnings/(loss) per share

Diluted earnings or loss per share are calculated in a similar manner to basic earnings or loss per share. However, the weighted average number of shares is adjusted to take into account the potentially dilutive effect of share options, warrants and convertible debt in effect at the end of each reporting period.

During the period 1 January to 31 December 2020 and 2019 diluted earnings and loss per share of the Group agree with basic earnings and loss per share.

5. SEGMENT REPORTING

a) Segmentation criteria

The Company structures information by segment based on the Group's different lines of business.

The lines of business which are described below have been established based on the Group's organisational structure in place at 31 December 2020 and taking into account the nature of the products (residential, commercial and other) and the customers involved.

The Group's operations mainly focus on the development and sale of residential property on land classified as suitable for development (results are included in "Residential property development"). These are distinguished from profit or loss generated by the line of business not considered strategic such as commercial land promotion, the results of which are recognised under "Commercial property development".

Income and expenses which cannot be specifically assigned to any operational line or which result from decisions affecting the Group overall - including, expenses relating to activities affecting several lines of business- are allocated to a Corporate unit / other to which reconciling items will also be assigned and which will be included in Other.

When carrying out its operations in Spain, the Group does not regard geography as a segment for reporting purposes.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

b) Basis and methodology of business segment reporting

Segment reporting is based on the monthly reports prepared by Group management which are generated by the same IT application used to obtain all the Group's accounting data (SAP). It is reviewed by the management committee (comprising representatives of Management and the Board of Directors through the CEO) in order to take decisions on the assignment of resources and assess performance. Segment revenue relates to revenue directly attributable to the segment. A segment's revenue includes sales resulting from promotions and developments of land and the profit / loss on sales of land made in the ordinary course of business. It does not include gains on the sale of investment property.

Segment expenses are the amounts arising from operating activities and directly attributable to the segment (such as costs to sell, external services and changes in trade provisions).

The information used by the management committee to take decisions includes the consolidated income statement (before tax).

Segment assets and liabilities are those directly related to the segment's exploitation, together with those assets and liabilities which may be directly allocated in accordance with the aforementioned distribution criteria. Nonetheless, Public administrations - payables and Cash and equivalents, are assigned to the line Corporate unit /Other, irrespective of their origin. The liabilities assigned to the segment do not include income tax payable.

	31/12/2020			
	Residential	Commercial	Other	Total
Non-current assets	293,445	180,344	1,504	475,293
Current assets	1,766,274	332,228	352,802	2,451,304
Non-current liabilities	(43,700)	(1,782)	(216,915)	(262,397)
Current liabilities	(463,903)	(7,986)	(12,555)	(484,444)
Net assets	1,552,116	502,804	124,835	2,179,756

	31/12/2019			
	Residential	Commercial	Other	Total
Non-current assets	398,171	179,324	10,636	588,131
Current assets	1,593,838	352,158	144,796	2,090,792
Non-current liabilities	(33,225)	(245)	(94,983)	(128,453)
Current liabilities	(160,161)	(39,215)	(10,252)	(209,628)
Net assets	1,798,623	492,022	50,197	2,340,843

There were no significant additions during 2020 and 2019.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

Thousand euro	31/12/2020			
	Residential	Commercial	Other	Total
CONTINUING OPERATIONS				
Sales	145,677	415	1,779	147,871
- Sales of developments	129,864	415	-	130,279
- Sales of land	15,813	-	-	15,813
- Other and services rendered	-	-	1,779	1,779
Cost to sell	(123,142)	(529)	(1,086)	(124,757)
Staff costs	(8,345)	(1,366)	(4,989)	(14,700)
Amortisation/Depreciation	-	-	(496)	(496)
External services	(3,544)	(34)	(13,830)	(17,408)
Variation in trade provisions				
- Change in inventory provision	(95,420)	(21,130)	-	(116,550)
- Other	(5,680)	101	-	(5,579)
Changes in value of investment properties	(8,064)	(4,300)	-	(12,364)
Gains/(losses) on sale of investment properties	(41)	-	-	(41)
Other gains or losses	-	-	(1)	(1)
OPERATING RESULTS	(98,559)	(26,843)	(18,623)	(144,025)
Financial income	-	-	2,303	2,303
Financial expenses	-	-	(9,436)	(9,436)
Results in entities carried under the equity method	-	-	(6,283)	(6,283)
FINANCIAL RESULTS	-	-	(13,416)	(13,416)
PROFIT /(LOSS) BEFORE TAX	(98,559)	(26,843)	(32,039)	(157,441)

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

Thousand euro	31/12/2019			
	Residential	Commercial	Other	Total
CONTINUING OPERATIONS				
Sales	80,656	79,584	1,268	161,508
- Sales of developments	63,182	-	-	63,182
- Sales of land	17,042	79,584	-	96,626
- Other and services rendered	432	-	1,268	1,700
Cost to sell	(68,761)	(72,518)	(133)	(141,412)
Staff costs	(8,997)	(1,499)	(4,499)	(14,995)
Amortisation/Depreciation	-	-	(387)	(387)
External services	(10,236)	-	(8,700)	(18,936)
Variation in trade provisions	(1,559)	(3,843)	11,357	5,955
- Change in inventory provision	(1,559)	(3,843)	-	(5,402)
- Reversal of loans with related parties	-	-	12,040	12,040
- Reversal of receivables	-	-	-	-
Other	-	-	(683)	(683)
Changes in value of investment properties	1,090	5,893	-	6,983
Gains/(losses) on sale of investment properties	(3)	3,889	-	3,886
Other gains or losses	-	-	(6)	(6)
OPERATING RESULTS	(7,810)	11,506	(1,100)	2,596
Financial income	-	-	1,964	1,964
Financial expenses	-	-	(6,794)	(6,794)
Results in entities carried under the equity method	-	-	(205)	(205)
FINANCIAL RESULTS	-	-	(5,035)	(5,035)
PROFIT /(LOSS) BEFORE TAX	(7,810)	11,506	(6,135)	(2,439)

Other information

During 2020 and 2019 there were no transactions between the Group's different segments.

No customer accounts for 10% of the Group's revenues.

6. INVESTMENT PROPERTIES

Set out below is an analysis of and movements in the accounts recorded under investment properties:

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

	Thousand euro
Balance at 1 January 2020	334,090
Additions	1,280
Derecognised owing to sales	(13)
Transfers to inventories.	(1,687)
Gain /(loss) net of fair value adjustments	(12,364)
Balance at 31 December 2020	321,306

	Thousand euro
Balance at 1 January 2019	340,092
Additions	1,432
Derecognised owing to sales	(6,159)
Transfers to inventories.	(8,258)
Gain /(loss) net of fair value adjustments	6,983
Balance at 31 December 2019	334,090

Investment property currently comprises land for development for subsequent lease by third parties and rental assets acquired. In addition, investment properties include land for future unspecified use at the contribution date, the understanding being that it will be held to obtain long-term capital gains and not for sale in the ordinary course of business.

Additions at 31 December 2020 and 2019 relate to sundry expenses capitalised.

Of total investment properties, 36.8% (35.7% in 2019) relates to the same real estate asset consisting of land located in Madrid, the carrying amount of which sums up to €118,274 thousand at 31 December 2020 (€119,245 thousand at 31 December 2019). In accordance with the independent expert valuations obtained, the value of that asset has been adjusted to fair value.

Of total assets recognised as investment property, 84% relates to "fully permitted" land while the remainder of the portfolio is in situations where some development formality is pending. The Directors, however, do not consider this matter a risk since all development plans and formalities are well advanced and "fully permitted" status is expected to be achieved in the following years.

The valuations carried out by independent experts regarding the Group's investment properties and inventories (Note 9) have included, among others, the following key assumptions:

Sell Price (€/m ²)	Realtor's Margin	Implicit Internal Rate of Return	Exit Yields
1,125 – 8,250	4.2% - 56.3%	6.0% - 20.3%	5% - 10%

Transfers relate to the reclassification of land for development and subsequent sale to inventories.

As indicated in accounting and measurement standard 2.8a the value of investment property has been adjusted to fair value in accordance with the valuations carried out by the independent expert.

a) Income and expenses on investment properties

At 31 December 2020 the Group has recognised a total of €346 thousand in lease income (€432 thousand in 2019) and related expenses of €955 thousand (€804 thousand in 2019).

b) Insurance

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

c)

It is Group policy to arrange insurance where deemed necessary to cover possible risks to investment property.

At 31 December 2020 and 31 December 2019, the coverage provided by the insurance arranged is considered to be sufficient.

d) Charges and guarantees

The Group has no usufructs, attachments or similar with respect to investment property.

e) Obligations

At 31 December 2020 and 31 December 2019, the Group has no contractual commitments for the acquisition, construction or development of investment properties or in relation to repairs, maintenance or insurance.

f) Measurement and sensitivity. Sensitivity analysis

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a "Global Pandemic" on the 11th March 2020. In this context, the third party valuers of the Group have included a material valuation uncertainty as set out in VPS3 and VPGA10 of the RICS Valuation - Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation. However, the valuation includes an estimate of the potential impact that this situation could have on net income, growth expectations and discounts for each investment property.

The Group has had its assets valued at 31 December 2020 and 31 December 2019. Therefore, the market value at which investment properties are carried at those dates is calculated based on the valuations performed by independent valuers not related to the Group (Note 2.8a). The market value of the Group's investment properties amounts to €321,306 thousand and €334,090 thousand, respectively.

As indicated in Accounting and Measurement standard 2.8a, the value of investment properties has been adjusted to fair value in accordance with independent expert valuations.

The valuations of such real estate assets were carried out under the market value assumption. The market value is calculated based on the valuations performed by independent experts not related to the Group, namely, Savills Consultores Inmobiliarios and CBRE Group. Valuations are performed in accordance with the Appraisal and Valuation Standards published by Royal Institution of Chartered Surveyors (RICS) of Great Britain and in accordance with the International Valuation Standards (IVS) published by the International Standards Valuation Committee.

Market value is defined as the estimated amount at which it should be possible to exchange an asset at the valuation date, between a prudent willing knowledgeable seller and buyer not acting under duress, following a reasonable marketing period.

The valuation methodology adopted by the independent valuer to determine the fair value of land classified as investment property has been the residual method (dynamic), using the same methodology as that described in Note 2.8b. For leased assets and land for commercial use, the methodology applied has been the discounted cash flow method, in addition to the comparison method for verification, in order to determine final value.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

In order to determine the value of a property through the discounted cash flow method (DCF), building expenses, contract rents and market rents for an empty surface area have been estimated. For tertiary land classified as investment property, the income that could be obtained following development has been estimated. Costs associated with empty spaces, costs of re-leasing and the future sale of the property at an exit yield are also taken into account. Expenses, rent and the future sales value are discounted through a discount rate (IRR). Under this method the market value of a property can be calculated through a market survey in order to obtain a series of comparables. A comparable is understood to be a property that is the same type of building, with the same use, and is located in the general or immediate vicinity of the property being valued. If there are no exact comparables, those sites in other locations which are similar in terms of socio-economic level, access to transport, level of services and facilities etc. are used. Comparables should be primarily based on recent transactions involving similar properties to that subject to valuation. In these cases, the pertinent discounts are applied to the offer prices of the selected comparables based on the source of marketing, experience and knowledge of the local market. The prices of these comparables are standardised taking into account their characteristics (location, surface area, quality, age, state of repair etc). They are subsequently weighted and subjectivity is eliminated.

All resulting fair value estimates for investment properties are included in Level 3.

The key assumptions identified in the measurement of leased real estate assets and commercial land are the discount rates and exit yields, using a sensitivity of +/-100 basis points, taking as a starting point the different short and medium-term economic scenarios envisaged.

Assuming that other variables remain constant, the effect of the variation of -100 basis points on the discount rate used to carry out the valuation of leased assets and commercial land would amount to €129,236 thousand (€129,900 thousand at 31 December 2019), that would entail an increase in value of €10,962 thousand (€10,745 thousand at 31 December 2019) in terms of the asset's market value while a variation of +100 basis points, would result in a decrease of €10,146 thousand (€9,845 thousand at 31 December 2019). The effect of the variation of +/- 25 basis points on the exit yield would have an impact on the value of the portfolio of commercial land and leased properties of a decrease of €13,290 thousand and an increase of €14,673 thousand respectively. The effect of the variation of +/- 50 basis points on the exit yield would have an impact on the value of the portfolio of commercial land and leased properties of a decrease of €24,484 thousand and an increase of €29,040 thousand respectively.

49% of the portfolio of investment properties relates to residential land, as stated in Note 2.8b). The key assumptions in the valuations of residential land are discount rates and selling prices. Variations in such assumptions entail changes in the portfolio's value of:

Assumptions	Internal rate of return		Selling prices					
	1%	-1%	1%	5%	10%	-1%	-5%	-10%
Changes in value of investment properties	(24,710)	25,038	2,525	12,749	25,449	(2,674)	(13,466)	(26,124)

7. INVESTMENTS IN OTHER COMPANIES

a. Material subsidiaries

The group's principal subsidiaries at 31 December 2020 and 31 December 2019 are indicated in appendix I. Unless otherwise indicated, their share capital consists only of ordinary shares held directly by the Group and the ownership percentage is equivalent to the Group's voting rights.

The country of incorporation is also the main place of business.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

b. Investments in associates and joint ventures

The gross movement in 2020 and 2019 in this heading of the accompanying consolidated balance sheet is as follows:

	Thousand euro	
	31/12/2020	31/12/2019
Gross opening balance	61,125	58,990
Share in results for the year	(6,283)	(205)
Other changes (c)	11	2,340
Changes in consolidation scope (a)	-	-
Gross closing balance	54,853	61,125

Net interests in associates break down as follows:

	Thousand euro	
	31/12/2020	31/12/2019
Urbanizadora Valdepolo I, S.A. (b)	-	-
Urbanizadora Valdepolo II, S.A. (b)	-	-
Urbanizadora Valdepolo III, S.A. (b)	-	-
Urbanizadora Valdepolo IV, S.A. (b)	-	-
Front Maritim del Besós, S.L.	52,262	58,664
Monteburgos Holding Spain, S.L.	2,591	2,461
Total	54,853	61,125

- a) Interests in the companies "Urbanizadora Valdepolo I", "Urbanizadora Valdepolo II", "Urbanizadora Valdepolo III" and "Urbanizadora Valdepolo IV", classified as joint ventures in accordance with Accounting and Measurement Standard 2.j), include accumulated losses of €9,698 thousand (€9,704 thousand in 2019). As may be observed in accompanying appendix II to these notes, the Valdepolo companies record negative equity and in the current circumstances, the shareholders would not recoup their investment.
- b) Metrovacesa Promoción y Arrendamiento, S.A., as the indirect holder of 24% of the shares of Las Tablas Propco, S.L.U. made the necessary contributions to Monteburgos Holding Spain, S.L., (sole shareholder). The shareholder contributions amount to €3,095 thousand at 31 December 2020 (€2,551 thousand at 31 December 2019).

Appendix II sets out summarized financial information on each associate with non-controlling interests, which are material for the group. The amounts reported for each associate are before intercompany eliminations.

8. FINANCIAL ASSETS AND LIABILITIES

Analysis by category

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

	Thousand euro	
	Long-term financial assets	
	Loans & Other	
	31/12/2020	31/12/2019
Loans and receivables (Note 10)	11,042	95,665
Derivatives	64	10
Available-for-sale financial assets	-	-
	11,106	95,675

	Thousand euro	
	Short-term financial assets	
	Loans & Other	
	31/12/2020	31/12/2019
Loans and receivables (Note 10)*	105,657	35,999
Cash and equivalents (Note 11)	334,039	139,968
	439,696	175,967
Total financial assets	450,802	271,642

(*) Excluding prepayments and accrued income amounting to €11,927 thousand (€7,479 thousand in 2019).

	Thousand euro	
	Long-term financial liabilities and other	
	31/12/2020	31/12/2019
Creditors and payables* (Note 14)	241,337	108,910
	241,337	108,910

	Thousand euro	
	short-term financial liabilities and other	
	Loans and other	
	31/12/2020	31/12/2019
Creditors and payables (Note 14)	290,925	106,443
	290,925	106,443
Total financial liabilities	532,262	215,353

(*) Excluding €154,850 thousand and €73,891 thousand of current pre-payments in 2020 and 2019 respectively, and current income tax of €10,081 thousand (€10,252 thousand in 2019).

b) Analysis by maturity:

Financial instruments having fixed or determinable maturities classified are shown below by year of maturity as at 31 December 2020 (excluding cash and equivalents):

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

	31 December 2020 (Thousand euro)					
	Financial assets					
	2021	2022	2023	2024	Subsequent years	Total
Investments in group companies and associates (note 19):						
- Loans to companies	88,000	3,704	-	-	-	91,704
- Other financial assets	4,240	-	-	-	-	4,240
Financial investments						
- Loans to companies	4,429	-	-	-	-	4,429
- Other financial assets	5,813	-	-	-	7,338	13,151
Trade and other receivables:						
- Trade receivables for sales and services rendered	2,841	-	-	-	-	2,841
- Trade receivables from associated and related companies (Note 19)	86	-	-	-	-	86
- Sundry receivables	248	-	-	-	-	248
Derivatives	-	-	64	-	-	64
	105,657	3,704	64	-	7,338	116,763

	31 December 2019 (Thousand euro)					
	Financial assets					
	2020	2021	2022	2023	Subsequent years	Total
Investments in group companies and associates:						
-Loans to companies	13	88,254	-	-	-	88,267
- Other financial assets	3,772	-	-	-	-	3,772
Financial investments						
-Loans to companies	14	-	-	-	-	14
- Other financial assets	7,119	-	-	-	7,411	14,530
Trade and other receivables:						
- Trade receivables for sales and services rendered	24,761	-	-	-	-	24,761
- Sundry receivables	320	-	-	-	-	320
Derivatives	-	-	-	10	-	10
	35,999	88,254	-	10	7,411	131,674

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

	31 December 2020					
	(Thousand euro)					
	Financial liabilities					
	2021	2022	2023	2024	Subsequent years	Total
Payables						
-Bank loans (*)	105,885	139,129	-	-	-	245,014
- Other financial liabilities	16,620	-	-	-	161	16,781
Payables to associates and related parties						
-Bank loans (*)	93,898	78,260	-	-	-	172,158
Trade and other payables:						
- Trade payables	71,003		-	-	23,787	94,790
- Personnel (**)	3,519		-	-	-	3,519
	290,925	217,389	-	-	23,948	532,262

(*) €178,773 thousand of loans to developers are registered in the current liabilities because they are directly related to operating cycle. On the contrary, the maturity varies from 30 to 32 months. The Group will pay these loans when the financed inventories are delivered, that it is expected to be in the next 24-36 months.

(**) As reported in the Annual Remuneration Report, the chairman of the group has the right to compensation in the event of termination of office for any reason amounting to 500 thousand euros. This amount is provisioned under the heading "Personnel" on the balance sheet.

	31 December 2019					
	(Thousand euro)					
	Financial liabilities					
	2020	2021	2022	2023	Subsequent years	Total
Payables						
-Bank loans (*)	30,466	-	60,429		-	90,895
- Other financial liabilities	41	-	-	-	168	209
Payables to associates and related parties						
-Bank loans (*)	23,002	-	34,554	-	-	57,556
Trade and other payables:						
- Trade payables	49,540	-	-	-	13,760	63,300
- Personnel	3,394	-	-	-	-	3,394
	106,443	-	94,983	-	13,928	215,354

(*) €48,823 thousand of loans to developers are registered in the current liabilities because they are directly related to operating cycle. On the contrary, the maturity varies from 30 to 32 months. The Group will pay these loans when the financed inventories are delivered, that it is expected to be in the next 24-36 months.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

(**) As reported in the Annual Remuneration Report, the chairman of the group has the right to compensation in the event of termination of office for any reason amounting to 500 thousand euros. This amount is provisioned under the heading "Personnel" on the balance sheet.

9. INVENTORIES

The detail of this heading at 31 December 2020 and 31 December 2019 is as follows:

	Thousand euro	
	2020	2019
Land	1,483,838	1,512,101
Construction work in progress	816,167	627,754
Finished structures	134,378	100,916
Advance payments to suppliers	2,079	6,354
Other	398	106
Impairment losses on land	(386,124)	(296,637)
Impairment losses construction work in progress	(56,415)	(37,011)
Impairment losses on finished structures	(11,756)	(11,240)
	1,982,565	1,902,343

At 31 December 2020 and 31 December 2019 finished structure inventories of the Group companies mainly relate to land for residential developments to be used as homes and second homes together with related constructions, where appropriate, such as parking spaces and commercial premises. Of total assets recognised as inventories, 84% relates to "fully permitted" land while the remainder of the portfolio is in situations where some development formality is pending. The Directors, however, do not consider this matter a risk since all development plans and formalities are well advanced and "fully permitted" status is expected to be achieved in the following years.

At 31 December 2020 and 31 December 2019, the Group has capitalised interest on inventories amounting to €4,104 thousand and €2,531 thousand, respectively.

At 31 December 2020 and 31 December 2019 there are assets in inventories for a gross cost totalling €532,657 thousand and €227,010 thousand, respectively, which have been pledged to secure mortgage loans, whether open to subrogation or not, linked to certain developments and land. The balance at 31 December 2020 and 31 December 2019 amounts to €178,773 thousand and €48,823 thousand, respectively.

Commitments for sales of developments entered into with customers at 31 December 2020 and 31 December 2019 amount to €744,433 thousand and €596,537 thousand, respectively, of which €154,850 thousand and €73,891 thousand, respectively, have given rise to collections and bills receivable, recognised under Customer advances under current liabilities at 31 December 2020 and 31 December 2019.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

Practically all presales are subject to late-delivery indemnity clauses as they are formalised through contracts having similar characteristics. These late-delivery indemnity clauses consist mostly of interest at the legal rate on the amounts handed over during the period between the envisaged delivery date and the effective delivery date. The Group does not expect this to have an impact largely because the delivery date envisaged in contracts allows for a safety margin of a certain number of months with respect to the forecast delivery date. Therefore and drawing on historical experience in the last few years, the Group considers that this will not have any impact on these consolidated annual accounts. Similarly, presales generally include indemnities in favour of the Group in the event of cancellation by customers although no amount is recognised until it is collected.

At 31 December 2020 and 31 December 2019 there are no firm commitments for the purchase of land.

The market value of the Group's land, developments in progress and finished structures at 31 December 2020, calculated based on the valuations performed by independent experts (Note 2.8b), in accordance with the Appraisal and Valuation Standards published by Royal Institution of Chartered Surveyors (RICS) of Great Britain and in accordance with the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC), amounts to €2,224,022 thousand (€2,254,153 thousand at December 2019).

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a "Global Pandemic" on the 11th March 2020. In this context, the third party valuers of the Group have included a material valuation uncertainty as set out in VPS3 and VPGA10 of the RICS Valuation - Global Standards.

Consequently, less certainty – and a higher degree of caution – should be attached to the valuation.

In general, the market value of the assets in the group's inventories at 31 December 2020 and 31 December 2019 presents capital gains although the valuation of certain assets reflects losses with respect to their acquisition cost. In this respect and as a result of the above, the Group has recognised net provisions for impairment amounting to € thousand in the period 1 January to 31 December 2020 (€4,769 thousand in the same period in 2019) that is recognised in "Change in trade provisions" on the accompanying consolidated income statement.

The valuations carried out by independent experts regarding investments properties (Note 6) and inventories of the Group have included, among others, the following assumptions:

Selling price (€/m ²)	Realtor's Margin	Implicit Internal Rate of Return	Exit Yields
1,125 – 8,250	4.2% - 56.3%	6.0% - 20.3%	5% - 10%

17% of the inventory portfolio relates to commercial land, valued as set out in Note 6, identifying as key assumptions the discount rates and exit yields, the impact on the value of this land portfolio and its effect on the consolidated income statement being as follows:

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

Assumptions	Internal Rate Return		of Exit Yield			
	1%	-1%	0.25%	0.5%	-0.25%	-0.5%
Changes in valuations of inventories	(28,802)	31,026	(26,856)	(46,087)	20,641	45,743
Impact on accumulated Impairment	(15,371)	15,058	(6,134)	(17,114)	7,654	7,654

Additionally, in compliance with the regulations, the Management has carried out sensitivity analyses for the portfolio of residential land, considering as key assumptions the selling prices and the internal rates of return rates where the variable time is implicitly included. In the case of internal rates of return, a sensitivity of +/- 100 basis points has been established. On the other hand, for selling prices, sensitivities of +/- 100, 500 and 1,000 basis points have been estimated.

Assumptions	Internal Rate of Return		Selling prices					
	1%	-1%	1%	5%	10%	-1%	-5%	-10%
Changes in market value of inventories	(94.667)	67.084	45.346	224.913	448.961	(46.512)	(233.477)	(457.741)
Impact on accumulated Impairment	(39.799)	36.242	16.281	65.302	113.002	(18.115)	(102.702)	(216.617)

In any event, the situation of the housing market in 2020 could trigger differences between the market value of the Group's inventories and their actual realisable value, which will be treated prospectively.

a) Impairment provision

Movements in this provision in 2020 and 2019 are as follows:

	Land and plots	Construction work in progress	Constructed buildings	Total
Carrying amount at beginning of 2019	(296,637)	(37,011)	(11,240)	(344,888)
Charged/(credited) to the income statement:				
- additional provisions recognised (Note 16.c)	(95,384)	(23,060)	(2,348)	(120,792)
- amounts not used reversed (Note 16.c)	2,212	950	1,080	4,242
Other movements				
- Transfers	441	1,084	(1,525)	-
- Application due to sales	3,245	1,621	2,277	7,143
Carrying amount at year end 2019	(386,123)	(56,416)	(11,756)	(454,295)

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

	Land and plots	Construction work in progress	Constructed buildings	Total
Carrying amount at beginning of 2019	(318,378)	(24,315)	(13,466)	(356,159)
Charged/(credited) to the income statement:				
- additional provisions recognised (Note 16.c)	(16,660)	(5,747)	(951)	(23,358)
- amounts not used reversed (Note 16.c)	8,631	6,019	3,941	18,591
Other movements				
- Transfers	19,910	(17,237)	(2,673)	-
- Application due to sales	8,960	4,269	1,909	15,138
- Other applications	900	-	-	900
Carrying amount at year end 2019	(296,637)	(37,011)	(11,240)	(344,888)

10. LOANS AND RECEIVABLES

Loans and receivables include the following:

	Thousand euro	
	31/12/2020	31/12/2019
Non Current:		
Loans to associates (Note 19)	3,704	88,254
- Loans to associates (a)	3,704	90,609
- Provisions for credit impairment (a)	-	(2,355)
Financial investments	7,338	7,411
- Other financial assets	7,338	7,411
	11,042	95,665

Derivatives amounting €64 thousand and €10 thousand at 31 December 2020 and 2019, respectively, has been excluded

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

	Thousand euro	
	31/12/2020	31/12/2019
Current:		
Investments in associates and related companies		
- Loans to associates (a)	88,000	13
- Other financial assets	4,240	3,772
Financial investments		
-Loans to companies	4,429	14
- Other financial assets	5,813	7,119
Trade and other receivables:		
-Trade receivables, bills receivable (b)	6,330	28,328
- Provision for impairment of trade receivables	(3,489)	(3,556)
- Trade receivables with associates and related companies (Note 19)	86	-
- Sundry receivables	248	319
- Other receivables from public administrations (Note 15)	17,116	5,003
	122,773	41,002
Total non current and current	133,815	136,667

Prepayments and accrued income amounting €11,927 thousand and €7,749 thousand at 31 December 2020 and 2019, respectively, has been excluded

- a) The heading "Loans to associates" includes a loan granted by the parent company to the investees "Urbanizadora Valdepolo I to IV, S.L" for an overall amount of €90,000 thousand. That loan that is set to mature in 2021 was granted on 13 May 2011 to provide these investees with a long-term capital structure in keeping with their business plan. These loans accrue interest at a fixed rate of 5% provided that available cash in those companies is more than zero. No interest accrued in 2020 or 2019.

This credit is provisioned at €2 million, reflecting a net balance of 88,000 thousand euros. During the 2020 financial year, said balance has been reclassified from non-current assets to current assets on the Group's consolidated balance sheet.

After the aforementioned reclassification, the outstanding balance at 31 December 2020, amounting to €3,704 thousand, corresponds entirely to the contributions related to the associated company "Las Tablas Propco I, S.L." within the framework of the credit line agreement granted by its partners.

Impairment adjustment

No value adjustments were recognised by the Group in 2020 and 2019.

Other information

At 31 December 2020 and 31 December 2019 there are no assignments of customer loans to banks.

Ageing analysis

The ageing analysis of Trade receivables for sales and services rendered net of bad debt provisions is as follows:

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

	31/12/2020	31/12/2019
Up to 3 months	2,493	15,748
Between 3 and 6 months	434	9,014
More than 6 months	-	-
	2,927	24,762

Impairment adjustment

Movements in the bad debt provision during the year were as follows:

	31/12/2020	31/12/2019
Opening balance	(3,566)	(3,566)
Transfer	-	-
Reversal	77	-
Closing balance	(3,489)	(3,566)

11. CASH AND CASH EQUIVALENTS

Cash and equivalents include the Group's cash and banks. The carrying amount of these assets is close to their fair value.

	Thousand euro	
	31/12/2019	31/12/2019
Cash on hand	4	2
Current accounts	334,035	139,696
	334,039	139,698

At 31 December 2020 there are restrictions on availability amounting to €130,141 thousand (€67,370 thousand at 31 December 2019) that relate to amounts received in connection with developments that are deposited in special accounts, separate from any other kind of funds held by the Group and that may only be used in matters related to the building of those developments.

12. SHARE CAPITAL AND RESERVES

As mentioned in Note 1, Metrovacesa, S.A. is the Group's parent company. It results from the decision of the shareholders' of the former Metrovacesa to restructure the Group and its business and the agreement to carry out the partial split of the former Metrovacesa under which another two new groups were incorporated, Metrovacesa S.A. (formerly Metrovacesa Suelo y Promoción, S.A.), retaining the real estate development business, and creating a new company, whose properties constitute an independent economic unit.

a) Capital and share premium

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

b)

As a result of the operations detailed in Note 1 to the consolidated annual accounts, the share capital of the parent, Metrovacesa, S.A. consists of 151,676,341 bearer shares, with a par value of €7,20000001476829 each, fully subscribed and paid in at 31 December 2020 and 2019. These shares carry equal voting and dividend rights. Share capital at 31 December 2020 amounts to €1,092,070 thousand (€1,092,070 thousand at 31 December 2019).

At 31 December 2020 and 2019 the share premium results from the following:

- Difference between the share capital of Metrovacesa, S.A. (€492,045 thousand) and the value attributed to the assets and liabilities spun off according to the relevant public document (€1,039,855 thousand), detailed in Note 1.c1, taking into account several adjustments of (€6,733) thousand, which amounts to €541,077 thousand.
- Difference between the subscribed share capital of Metrovacesa, S.A. (€464,198 thousand) and the value attributed to the assets contributed on the non-monetary capital increase (€1,097,324 thousand), detailed in Note 1.c1, which amounts to €633,126 thousand.
- Difference between the subscribed share capital of Metrovacesa, S.A. (€36 thousand) and the total value of the contribution on the monetary capital increase (€84 thousand), detailed in Note 1.c2, which amounts to €48 thousand.
- Difference between the subscribed share capital of Metrovacesa, S.A. (€135,737 thousand), and the value attributed to the shares of Metrovacesa Promoción y Arrendamiento S.A. contributed according to the relevant public document (€316,728 thousand), adjusted for latent gains on the assets of the Metrovacesa Promoción y Arrendamiento Group detailed in Note 1.c3 amounting to €22,972 thousand.
- Difference between the subscribed share capital of Metrovacesa, S.A. (€53 thousand) and the total value of the contribution on the monetary capital increase (€137 thousand), detailed in Note 1.d, which amounts to €84 thousand.
- Share premium distribution amounting to €49,974 thousand on May 2019, according to shareholder agreement dated 29 April 2019.

At 31 December 2020 the share premium amounted to €1,328,323 thousand (€1,328,323 thousand at 2019).

The share premium account is unrestricted.

The shareholders with a significant direct or indirect interest in the share capital of Metrovacesa S.A., of more than 3% of the share capital at 31 December 2020 and 31 December 2019 are as follows:

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

	31 December 2019			
	Shares			% Capital
	Direct	Indirect	Total	
Banco Santander Group	48,443,127	26,426,709	74,869,836	49.36%
Banco Bilbao Vizcaya Argentaria Group	14,321,573	17,301,265	31,622,838	20.85%
Inversora de Carso, S.A. de C.V.	-	8,333,897	8,333,897	5.49%
Quasar Investment, S.a.r.l (*)	217,389	5,773,159	5,990,548	3.95%
Helikon Investments	4,966,158	-	4,966,158	3.27%
Julius Baer Group, Ltd	-	4,447,617	4,447,617	2.93%
Treasury shares	228,420	-	228,420	0.15%
Directors	156,756	-	156,756	0.10%
Other shareholders (stock exchange)	21,060,271	-	21,060,271	13.90%
Total	89,393,694	62,282,647	151,676,341	100.00%

	31 December 2019			
	Shares			% Capital
	Direct	Indirect	Total	
Banco Santander Group	48,443,127	26,426,709	74,869,836	49.36%
Banco Bilbao Vizcaya Argentaria Group	14,321,573	17,301,265	31,622,838	20.85%
Schroders, PLC	-	7,441,468	7,441,468	4.01%
Julius Baer Group, Ltd	-	8,559,937	8,559,937	5.64%
Quasar Investment, S.a.r.l (*)	217,389	5,773,159	5,990,548	3.95%
Treasury shares	240,847	-	240,847	0.16%
Directors	145,816	-	145,816	0.10%
Other shareholders (stock exchange)	22,775,051	-	22,775,051	15.01%
Total	86,143,803	65,502,538	151,646,341	100%

(*) Banco Santander has an indirect interest of 49% in Quasar Investment, S.a.r.l.

c) Retained earnings and other reserves

The most significant variations in the consolidated statement of changes in equity at 31 December 2020 and 31 December 2019, apart from the distribution of the parent company's losses, are as follows:

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

	Reserves in consolidated companies (a)	Profit/(loss) for the year attributable to the Parent company (b)	Retained earnings (a) + (b)	Retained earnings	Reserves in equity method companies
Balance at 31 December 2020	(83,485)	(163,524)	(247,009)	(2,870)	-
Balance at 31 December 2019	(79,533)	(4,494)	(84,028)	(2,665)	79

13. PROVISIONS

a) Non-current provisions

Details at 31 December 2020 and at 31 December 2019 are as follows:

	Thousand euro	
	31/12/2020	31/12/2019
Provisions for risks		
Litigation and other provisions	14,582	10,061
	14,582	10,061

Litigations and other provisions relate to the following:

a1) Judicial claims amounting to €8,100 thousand (€6,316 thousand in 2019).

Although the amount could seem significant, these claims are immaterial on a standalone basis. In this respect, the Group provides for probable litigation risks in accordance with the assessment performed by its legal department, mainly, with respect to claims for latent defects in completed developments.

The Directors of several group companies consider that the provisions established are adequate to cover the probable risks that could result from the outcome of the litigations underway and that if the risks that emerge exceed the provision, any additional liabilities should not significantly affect the Group's consolidated annual accounts.

Movements in non-current provisions in 2020 and in 2019 are as follows:

	Litigation and other provisions	Total
Carrying amount at the beginning of 2020	10,061	10,061
Charged/(credited) to the income statement:		
- additional provisions recognised	7,063	7,063
- amounts not used reversed	(1,484)	(1,484)
Movements with no impact on results		
- amounts used during the year	(1,058)	(1,058)
Carrying amount at 31 December 2020	14,582	14,582

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

	Litigation and other provisions	Total
Carrying amount at the beginning of 2019	10,122	10,122
Charged/(credited) to the income statement:		
- additional provisions recognised (Note 16c)	823	823
- amounts not used reversed	(139)	(139)
Movements with no impact on results		
- amounts used during the year	(745)	(745)
Carrying amount at 31 December 2019	10,061	10,061

b) Current provisions

Details at 31 December 2020 and 31 December 2019 are as follows:

	Thousand euro	
	31/12/2020	31/12/2019
Current provisions	26,588	19,041
	26,588	19,041

This heading records the provisions established to cover contractor settlement costs and warranty costs, after sales service costs and other construction costs not yet incurred and committed under agreements. They are recognised at the date of sale of the relevant products, according to the best estimate of the expense calculated by the parent's Directors and for the necessary amount to settle the Group's liabilities.

The movement in non-current provisions in 2020 and 2019 is as follows:

	Completion work and other	Total
Carrying amount at the beginning of 2020	19,041	19,041
Charged/(credited) to the income statement:		
- Additional provisions / (reversals) recognised	7,547	7,547
Movements with no impact on results		
Carrying amount at 31 December 2020	26,588	26,588

	Completion work and other	Total
Carrying amount at the beginning of 2019	13,815	13,815
Charged/(credited) to the income statement:		
- Additional provisions / (reversals) recognised	5,226	5,226
Movements with no impact on results		
Carrying amount at 31 December 2019	19,041	19,041

14. OTHER CURRENT AND NON-CURRENT LIABILITIES

Trade and other payables mainly include the following:

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

	Thousand euro	
	31/12/2020	31/12/2019
Non Current:		
Payables		
- Bank borrowings	139,129	60,429
- Other financial liabilities	161	167
Payables to associates and related companies (note 19)		
- Bank borrowings	78,260	34,554
Trade and other payables:		
- Trade payables	23,787	13,761
	241,337	108,911

	Thousand euro	
	31/12/2020	31/12/2019
Current:		
Payables		
- Bank borrowings	105,885	30,466
- Other financial liabilities (b)	16,620	41
Payables to associates and related companies (note 19)		
- Bank loans and overdrafts (a)	93,898	23,002
Trade and other payables:		
- Trade payables	71,003	49,540
- Employees (*)	3,519	3,394
- Other payables to the Public Administrations (Note 15)	12,081	10,252
- Customer advances	154,850	73,891
	457,856	190,586

The Directors consider that the carrying amount of trade payables approximates fair value.

a) Bank borrowings

A1) Syndicated loan 2020

On 1 December 2017, the Group arranged a syndicated loan amounting to €275,000 thousand, in order to finance, among other things, repayment of the 2017 syndicated loan, capex in developments, projects, operating expenses and taxes.

The financing matures at 5 years and bears interest at a variable rate according to Euribor 3M plus a market spread for the amounts used and not used. The origination fee amounts to 1.75%.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

During 2020 and 2019, €135,000 thousand and €50,000 thousand has been used, respectively, and €13,956 thousand and €24,499 thousand has been paid, respectively.

Interest accrued at 31 December 2020 amounts to €6,866 thousand (€5,153 thousand in 2019). Additionally, amortized cost in 2018 amounts to €1,362 thousand (€1,362 thousand in 2019). Outstanding amount of €2,611 thousand is pending to be amortized (€3,973 thousand in 2019).

The following financial ratios should be accomplished by the Group:

- LTV ratio:

The obligated parties should at all times ensure throughout the term of the Agreement that the LTV ratio is not more than (a) 25%.

- Guarantee Coverage Ratio:

The obligated parties undertake to hold unencumbered assets representing at least 22% of LTV.

At 31 December 2020 all ratios are considered to have been complied with.

a2) Other bank loans and overdrafts

On 2020, the Group has signed bank loans related to real estate projects that are in construction and amount €315,032 thousand (€258,991 thousand in 2019), at the date €215,884 thousand has been used (€48,823 thousand in 2019).

a) Information on the average supplier payment period Additional Provision 3

	Days	
	2020	2019
Average supplier payment period	40	43
Ratio operations paid	40	29
Ratio operations pending payment	38	72

	Thousand euro	
	2020	2019
Total payments made	216,043	168,460
Total payments pending	50,443	27,540

b) Other financial liabilities

This heading includes €16,100 thousand related to the MARF listing securities detailed in Note 1 of these consolidated annual accounts.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

15. PUBLIC ADMINISTRATIONS AND TAX SITUATION

The main debtor and creditor balances with the Public Administrations at 31 December 2020 and 31 December 2019 are as follows:

	Thousand euro			
	31 December 2020			
	Tax assets		Tax liabilities	
	Non-current	Current	Non-current	Current
VAT/IGIC	-	7,080	-	(11,440)
Deferred tax assets	86,525	-	-	-
Personal income tax payable	-	23	-	(395)
Social Security bodies	-	-	-	(246)
Corporate income tax	-	-	-	-
Deferred tax liability	-	-	(6,478)	-
- Other public authorities	-	10,013	-	-
	86,525	17,116	(6,478)	(12,081)

	Thousand euro			
	31 December 2019			
	Tax assets		Tax liabilities	
	Non-current	Current	Non-current	Current
VAT/IGIC	-	4,978	-	(9,635)
Deferred tax assets	95,612	-	-	-
Personal income tax payable	-	-	-	(384)
Social Security bodies	-	-	-	(233)
Corporate income tax	-	-	-	-
Deferred tax liability	-	-	(9,481)	-
- Other public authorities	-	25	-	-
	95,612	5,003	(9,481)	(10,252)

Deferred tax assets and liabilities

At each accounting close, deferred tax assets and liabilities recognised are reviewed to ensure that they remain valid and any necessary adjustments are made accordingly.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

	31/12/2020	31/12/2019
Deferred tax assets	86,525	95,612
Deferred tax liabilities	(6,478)	(9,481)
	80.047	86,131

The movements during the year in deferred tax assets and liabilities, excluding the offsetting of balances with the same tax authorities, are as follows:

	Tax losses	Temporary differences	Total
At 1 January 2020	42,559	53,053	95,612
(Charged) / credited to income statement – items generated in the year	-	(8,368)	(8,368)
(charged) / credited to income statement due to prior year regularisation	-	(719)	(719)
At 31 December 2020	42,559	43,966	86,525

	Tax losses	Temporary differences	Total
At 1 January 2019	42,561	54,387	96,948
(Charged) / credited to income statement – items generated in the year	-	776	776
(charged) / credited to income statement due to prior year regularisation	(2)	(1,715)	(1,717)
Other movements with not impact in the income statement	-	(395)	(395)
At 31 December 2019	42,559	53,052	95,612

Movements of the year mainly correspond to 11.6 and 20 articles of the Corporate Income Tax Act and the non-deductibility of some financial expenses.

	Asset Revaluation	Total
At 1 January 2020	9,481	9,481
(Charged) / credited to income statement – items generated in the year	(3,003)	(3,003)
At 31 December 2020	6,478	6,478

	Asset Revaluation	Total
At 1 January 2019	8,503	8,503
(Charged) / credited to income statement – items generated in the year	1,390	1,390
(charged) / credited to income statement items generated in previous years	(412)	(412)
At 31 December 2019	9,481	9,481

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

In accordance with the Corporate Income Tax Law, tax losses are offset when the related tax returns are filed irrespective of the fact that they may be verified by the corresponding tax authorities. At 31 December 2020 the Group recognises the following tax loss carryforwards for offset against future profits:

	Recognised	Not recognised
2007 and previous	70	-
2008	20	-
2009	80,099	-
2010	65,134	-
2011	24,911	12,452
2012	-	21,391
2019	-	4,984
2020	-	142,119
	170,234	180,946

Additionally, as of 31 December 2020 new tax losses amounts to €141,119 thousand (€4,984 thousand in 2019) has been arise. This tax losses have not been recognized in the consolidated annual accounts.

Additionally, temporary differences of €2,977 thousand have not been recorded in the balance sheet.

The Group has prepared a business plan including future assumptions that enable it to conclude that the Group's tax credits will be fully recovered.

Income tax expense

Accrued tax on results for the year is calculated based on the tax rate that would be applicable to total forecast results for the year.

The (expense)/income tax expense at 31 December 2020 and 2019 is as follows:

	31/12/2020	31/12/2019
Income tax expense		
<i>Current tax:</i>		
Current income tax for the year	-	-
Ajustes al impuesto corriente de ejercicios anteriores	-	275
Total current tax (expense)/income	-	275
<i>Deferred income tax</i>		
(Decrease)/ increase in deferred tax assets	(9,086)	(942)
Decrease)/ (increase) in deferred tax liabilities	3,003	(1,390)
Application of tax losses	-	-
Total deferred tax (expense)/income	(6,083)	(2,332)
Total tax (expense)/income	(6,083)	(2,057)

The reconciliation of the corporate income tax expense to tax payable in 2020 and 2019 is as follows:

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

	31/12/2020	31/12/2019
Profit / (loss) on activities before tax expense	(157,441)	(2,439)
Tax at rate of 25%	-	-
Tax effect of amounts not deductible (taxable) on the calculation of tax profits		
Permanent differences	-	275
Temporary differences	(6,083)	(2,332)
Recognition of tax credits not recognised previously	-	-
Application of tax credits	-	-
Tax losses not recognised previously now recovered to reduce current tax expense	-	-
Income tax (expense)/income	(6,083)	(2,057)

The main temporary differences have been detailed previously in this note.

In accordance with current legislation, tax assessments may not be considered definitive until the returns filed have been inspected by the tax authorities or inspection is time-barred after four years.

Tax inspections

In 2020, the Group received a communication from the Tax Authority for the initiation of verification and investigation actions on Corporation Tax for the period between 2016 and 2017 and the Value Added Tax for fiscal year 2017 from the parent company of the Group (Metrovacesa, S.A.) and the following group companies: Fuencarral Agrupanorte, S.L., Promociones Vallebramen, S.L. and Metrovacesa Inmuebles y Promociones, S.L. As of the date of preparation of these consolidated annual accounts, the required information has been submitted to the Tax Administration without having received new communications in this regard.

The parent company's Directors do not expect any significant additional liabilities to accrue in the event of an inspection.

16. INCOME AND EXPENSE

a) Revenue

Revenues from the Company's ordinary activities may be analysed as follows:

	31/12/2019	31/12/2018
Sale of inventories	146,092	159,808
Services provided	1,433	1,268
Lease income	346	432
	147,871	161,508

All sales during the year were made in Spain.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

c) Cost of sales

	31/12/2020	31/12/2019
Change in inventories and related costs	(123,670)	(140,044)
Services provided	(122)	(132)
Costs related to leases	(965)	(1,236)
	(124,757)	(141,412)

d) Staff costs

	31/12/2020	31/12/2019
Wages, salaries and similar	(11,402)	(11,920)
Staff welfare expenses:		
Social Security payable by the Company	(2,461)	(2,136)
Contributions and transfers to pension schemes	(273)	(220)
Other social welfare expenses	(564)	(719)
	(14,700)	(14,995)

The average number of employees by category is as follows:

	2020		
	Men	Women	Total
Executives	13	6	19
Supervisors and technicians	61	30	91
Administration and sales staff	31	45	76
Skilled workers and junior staff	4	-	4
	109	81	190

	2019		
	Men	Women	Total
Executives	13	6	19
Supervisors and technicians	53	28	81
Administration and sales staff	28	35	63
Skilled workers and junior staff	4	-	4
	98	69	167

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

The average number of employees at 31 December 2020 and 31 December 2019 is as follows:

	2020		
	Men	Women	Total
Executives	13	5	18
Supervisors and technicians	61	29	90
Administration and sales staff	33	50	83
Skilled workers and junior staff	4	0	4
	111	84	195

	2019		
	Men	Women	Total
Executives	13	6	19
Supervisors and technicians	58	30	88
Administration and sales staff	32	46	78
Skilled workers and junior staff	4	-	4
	107	82	189

e) Changes in trade provisions

	31/12/2020	31/12/2019
-Reversal of provisions for liabilities and charges (Note 13)	1,484	139
-Appropriation to the provision for liabilities and charges (Note 13)	(7,063)	(823)
-Appropriation to the provision for inventories (Note 9)	(120,792)	(23,359)
-Reversal provision for inventories (Note 9)	4,242	18,590
-Reversal of provision for long-term loans with associates (Note 10)	-	12,040
- Other	(1)	(632)
	(122,130)	5,955

17. GUARANTEES GIVEN TO THIRD PARTIES AND OTHER CONTINGENCIES

As of 31 December 2020 and 31 December 2019, the Group has the following guarantees with respect to third parties:

	Thousand euro	
	31/12/2020	31/12/2019
Amounts delivered on account by customers	128,421	70,462
Outstanding liabilities on land and developments	32,346	13,152
Total	160,767	83,614

The heading "Amounts delivered on account by customers" mainly includes guarantees securing delivery, on account of housing purchased by customers.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

The Group companies' Directors do not expect any additional liabilities to accrue in respect of the aforementioned guarantees.

18. COMMITMENTS

a) Operating lease commitments (when the company is the lessee)

The amount incurred by the Group in 2020 in respect of leases and common expenses for buildings and other facilities connected with its activities totals €648 thousand (€586 thousand in 2019).

Lease arrangements relate to the office premises rented by the Group's branch offices. The contract for the Madrid office premises located in Quintanavides 13, Madrid, matures in April 2021 and may be renewed upon maturity under market terms and conditions.

Total minimum future rental payments for irrevocable operating leases are as follows:

	Thousand euro	
	2019	2018
Less than one year	184	184
One to five years	100	97
More than five years	-	-
	284	281

19. RELATED-PARTY TRANSACTIONS

In addition to the subsidiaries, associates and jointly controlled companies, related Group companies include the Company's key management personnel (members of its Board of Directors and executives and close relatives) and entities over which key management personnel may exercise significant influence or control.

The related-party transactions carried out by the Group during 2020 and 2019, differentiating between significant shareholders, Board members and other related parties, are set out below. All related-party transactions are carried out under market conditions and all benefits in kind have been recognised.

	Thousand euro			
	31 December 2020			
	Significant shareholders	Directors and Executives	Persons, Companies, Group Entities	Total
<u>ASSETS</u>				
Non-current				
Loans granted	-	-	3,704	3,704
Current				
Loans granted	-	-	88,000	88,000
Other financial assets	-	-	4,240	4,240
Trade receivables with related parties	100,259	-	86	86
Cash equivalents	-	-	-	100,259

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

	Thousand euro			
	31 December 2020			
	Significant shareholders	Directors and Executives	Persons, Companies, Group Entities	Total
<u>LIABILITIES</u>				
Non-current				
Bank borrowings	34,554	-	-	34,554
Current				
Bank borrowings	23,002	-	-	23,002

	Thousand euro			
	31 December 2019			
	Significant shareholders	Directors and Executives	Persons, Companies, Group Entities	Total
<u>ASSETS</u>				
Non-current				
Loans granted	-	-	88,254	88,254
Current				
Loans granted	-	-	13	13
Other financial assets (a)	-	-	3,772	3,772
Cash equivalents	76,608	-	-	76,608

	Thousand euro			
	31 December 2019			
	Significant shareholders	Directors and Executives	Persons, Companies, Group Entities	Total
<u>LIABILITIES</u>				
Non-current				
Bank borrowings	34,554	-	-	34,554
Other financial liabilities	-	-	-	-
Current				
Bank borrowings	23,002	-	-	23,002
Other debts	-	-	-	-

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

	Thousand euro			
	31 December 2020			
	Significant shareholders	Directors and Executives	Persons, Companies, Group Entities	Total
Expenses:				
Commissions and bank interest	(9,687)	-	-	(9,687)
Other expenses	(130)	-	-	(130)
Income:				
Shareholder contributions	1,886	-	-	1,886
Loan interest	-	-	417	417
Other income	-	-	760	760

	Thousand euro			
	31 December 2019			
	Significant shareholders	Directors and Executives	Persons, Companies, Group Entities	Total
Expenses:				
Commissions and bank interest	(9,693)	-	-	(9,693)
Purchase of assets (a)	(12,892)	-	-	(12,892)
Other expenses	-	-	-	-
Income:				
Shareholder contributions	1,886	-	-	1,886
Sale of assets (a)	12,892	-	-	12,892
Loan interest	-	-	5	5
Other income	-	-	412	412

a) Purchase of land via payment in kind (exchange):

At 30 December 2019, the parent Company acquired some plots to significant shareholders. The price was €12,892 thousand. The price was paid with some properties.

20. LEGAL INFORMATION ON THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

a) Remuneration and other benefits paid to the Company's Board of Directors and Senior Management

The most significant salary and benefit information for 2020 and 2019 is summarised below:

	Thousand euro	
	31/12/2020	31/12/2019
Members of the Board of Directors		
Remuneration item		
Fixed and variable remuneration	944	1,418
Benefits in kind	34	36
Gifts per bylaws	1,148	1,159
Other benefits - Board of Directors		
Life insurance premiums	12	18
Pension funds and plans	63	63
Executives:		
Total remuneration accrued by senior management (*)	1,947	2,145

(*) Figures do not include Pension Plan or Life Insurance.

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

As mentioned in Note 1.c.4, certain members of the Board of Directors and some members of senior management are entitled to an incentive plan based on shares and cash remuneration. The amount accrued by the members of the board of Directors totals €136 thousand (€25 thousand in 2019) while the members of senior management have accrued €197 thousand (€32 thousand in 2019).

b) Situations of conflict of interest of directors

As part of the duty to avoid conflicts with the Company's interests, during the year the directors that have held positions on the Board of Directors have fulfilled the obligations set forth in article 228 of the Spanish Companies Act. Additionally, they and parties related to them have not come under the provisions concerning conflicts of interest set out in article 229 of this Act, except where the pertinent authorisation was obtained.

It is common policy for Board members to abstain during the meetings of the Board of Directors or executive committees in connection with operations and/or agreements which could give rise to conflicts of interest in the terms recorded in the minutes for 2019. In any event, this has no effect with respect to article 229 concerning situations of conflicts of interest.

21. EVENTS AFTER THE END OF THE REPORTING PERIOD

• Majority shareholders

The shareholders that hold significant interests in the capital of Metrovacesa, S.A., both direct and indirect, of more than 3% of share capital at the date of preparation of these accounts, are as follows:

	31 December 2019			
	Shares			% Capital
	Direct	Indirect	Total	
Banco Santander Group	48,443,127	26,426,709	74,869,836	49.36%
Banco Bilbao Vizcaya Argentaria Group	14,321,573	17,301,265	31,622,838	20.85%
Inversora de Carso, S.A. de C.V.	-	8,333,897	8,333,897	5.49%
Quasar Investment, S.a.r.l.*	217,389	5,773,159	5,990,548	3.95%
Helikon Investments	4,966,158	-	4,966,158	3.27%
Julius Baer Group, Ltd	-	4,447,617	4,447,617	2.93%
Treasury shares	228,420	-	228,420	0.15%
Directors	156,756	-	156,756	0.10%
Other shareholders (stock exchange)	21,060,271	-	21,060,271	13.90%
Total	89,393,694	62,282,647	151,676,341	100.00%

• Financing and loans signed

Until the date of these consolidated annual account are signed, the parent company has signed hypothecary loans amount to €73,668 thousand to finance real estate project that currently are in phase of construction, €42,148 thousand corresponds to group and associates' loans.

• Listing securities (MARF)

Up to the date of formulation of these annual accounts, the parent company has issued securities for an amount of 21,600 thousand euros and has proceeded to repay €10,100 thousand.

• Formulation in ESEF format

**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Expressed in Euro)**

•

The annual accounts that we have formulated have not been prepared or presented in a European Single Electronic Format (ESEF) in accordance with the content of Delegated Regulation (EU) 2019/815 by which Directive 2004/109 / EC of the European Parliament is completed. and of the Board with regard to the regulatory technical standards relating to the specification of a single electronic format for the presentation of information, having adopted the option to postpone the use of this format contained in the Release made public by the "Instituto de Contabilidad y Auditoría de Cuentas (ICAC)" at 12 February 2021, which is based on the agreement to modify the aforementioned Directive by the European Parliament and the Council, reached in December 2020, to allow listed entities to postpone of the obligation to prepare and publish their annual financial reports in accordance with the ESEF for a period of one year.

22. AUDITORS' FEES

In 2020 and 2019 the fees relating to audit services rendered by the auditors of the Group's consolidated annual accounts (PricewaterhouseCoopers Auditores S.L.) or companies related thereto through control, common ownership or management, and the fees for services invoiced by auditors of the separate annual accounts of the companies included in the consolidation scope and by related entities as a result of a relationship of control, common ownership or management, were as follows:

	2019	2019
Audit services	143	133
Other authentication services	44	44
Total audit and related services	187	177
Total other income	-	-
Total professional services	187	177

No fees have accrued at 31 December 2020 or at 31 December 2019 for work performed by other companies of the PwC network.

METROVACESA, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in Euro)

APPENDIX I

SUBSIDIARIES

Name	Registered office	Activity	Net interest in holder				Group company holder
			2020 (%)	2019 (%)	31.12.2020 (thousand euro)	31.12.2019 (thousand euro)	
Promociones Vallebramen, S.L.	Spain	Real estate promotion and development	100%	100%	13,000	-	Metrovacesa, S.A.
Fuencarral Agrupanorte, S.L. (formerly ALQ.13)	Spain	Real estate promotion and development	100%	100%	100,691	100,691	Metrovacesa, S.A.
Metrovacesa Inmuebles y Promociones, SL	Spain	Real estate promotion and development	100%	100%	22,091	24,454	Metrovacesa, S.A.
Metrovacesa Promoción y Arrendamiento. S.A.	Spain	Real estate promotion and development	100%	99.99%	339,957	339,854	Metrovacesa, S.A.
Metrovacesa Comercial, S.L	Spain	Real estate promotion and development	100%	100%	38	104	Metrovacesa, S.A.
Desarrollo de Infraestructuras de Castilla, S.A.	Spain	Real estate promotion and development	100%	100%	441	96	Metrovacesa Promoción y Arrendamiento. S.A.
Vailen Management, S.L	Spain	Real estate promotion and development	100%	100%	166	95	Metrovacesa Promoción y Arrendamiento. S.A.
Global Carihuela Patrimonio No Estratégico, S.L.	Spain	Real estate promotion and development	-	100%	-	16,230	Metrovacesa Promoción y Arrendamiento. S.A.

ASSOCIATES (*) AND JOINT VENTURES (**)

Name	Registered office	Activity	Net interest in holder				Group company holder
			2020 (%)	2019 (%)	31/12/2019 (thousand euro)	31/12/2018 (thousand euro)	
Urbanizadora Valdepolo I, S.A. (*)	Spain	Real estate promotion and development	50%	50%	-	-	Metrovacesa, S.A.
Urbanizadora Valdepolo II, S.A. (*)	Spain	Real estate promotion and development	50%	50%	-	-	Metrovacesa, S.A.
Urbanizadora Valdepolo III, S.A. (*)	Spain	Real estate promotion and development	50%	50%	-	-	Metrovacesa, S.A.
Urbanizadora Valdepolo IV, S.A. (*)	Spain	Real estate promotion and development	50%	50%	-	-	Metrovacesa, S.A.
Monteburgos Holding Spain, S.L.	Spain	Real estate promotion and development	24%	24%	2,561	2,551	Metrovacesa Promoción y Arrendamiento, S.A.
Front Maritim del Besos, S.L. (*)	Spain	Real estate promotion and development	39%	39%	52,262	58,776	Metrovacesa S.A.

INDIRECT INTERESTS:

Nombre	Domicilio social	Actividad	% Participación Individual	Sociedad titular	% Participación Grupo MVC
Las Tablas Propco I, S.L. (**)	España	Promoción y Desarrollo inmobiliario	100%	Monteburgos Holding Spain, S.L.	24%

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Euro)

APPENDIX II

	Urbanizadora Valdepolo I, S.A. (*)	Urbanizadora Valdepolo II, S.A. (*)	Urbanizadora Valdepolo III, S.A. (*)	Urbanizadora Valdepolo IV, S.A. (*)	Monteburgos Holding Spain, S.L. (*) (a)	Front Maritim del Besos, S.L. (*)
Condensed financial information at 31/12/2020						
Current assets	23,164	23,155	23,146	23,158	2,142	135,853
Current liabilities	(24,754)	(24,754)	(24,755)	(24,754)	(7,556)	(564)
Net current assets	(1,590)	(1,599)	(1,609)	(1,596)	(5,414)	135,289
Non-current assets	827	829	829	829	67,544	-
Non-current liabilities	-	-	-	-	(51,286)	-
Net non-current assets	827	829	829	829	16,258	-
Total net assets	(763)	(770)	(780)	(767)	10,844	135,289
Revenue	5	5	5	5	-	-
Profit/Loss for the year	(4)	(4)	(4)	(4)	(486)	(16,592)

	Urbanizadora Valdepolo I, S.A. (*)	Urbanizadora Valdepolo II, S.A. (*)	Urbanizadora Valdepolo III, S.A. (*)	Urbanizadora Valdepolo IV, S.A. (*)	Monteburgos Holding Spain, S.L. (*) (a)	Front Maritim del Besos, S.L. (*)
Condensed financial information at 31/12/2019						
Current assets	23,173	23,147	23,136	23,149	646	151,895
Current liabilities	(17)	-	-	-	(11,586)	(33)
Net current assets	23,156	23,147	23,136	23,149	(10,940)	151,862
Non-current assets	829	831	831	831	42,983	-
Non-current liabilities	(24,750)	(24,750)	(24,750)	(24,750)	(21,777)	-
Net non-current assets	(23,921)	(23,919)	(23,919)	(23,919)	21,206	-
Total net assets	(765)	(772)	(770)	(770)	10,266	151,862
Revenue	5	5	5	5	-	-
Profit/Loss for the year	(4)	(3)	(4)	(4)	(392)	(270)

(a) Consolidated financial statements of Monteburgos Holding Spain, S.L. and Las Tablas Propco I, S.L. are included.

(*) The financial information included in this annex has not been audited.

(**) Liquidated company.

**Consolidated Management Report for year
Ended 31 December 2020**



Residencial Ópera (Sagunto-Valencia)

1. Significant aspects

Significant operations in the period 1 January 2020 to 31 December 2020.

- Sales and margin

During the year ended 31 December 2020 sales amounted to €147,871 thousand mainly because of the contribution to revenues of sales of property developments and land (€130,279 thousand and €15,813 thousand respectively). During the year ended 31 December 2019 sales amounted to €161,508 thousand mainly because of the contribution to revenues of sales of property developments and land (€63,182 thousand and €96,626 thousand respectively). In addition, land amounting to EUR 10,279 thousand was transferred and recognised under "Investment Property".

During the year ended 31 December 2020 the company's gross margin, prior to the reversal of impairment associated with deliveries understood as the difference between the amount of inventory sales totalling €130,279 thousand and the related cost amounting to €107,464 thousand, totalled €22,815 thousand. During the year ended 31 December 2019 the company's gross margin, prior to the reversal of impairment associated with deliveries understood as the difference between the amount of inventory sales totalling €159,808 thousand and the related cost amounting to €140,044 thousand, totalled €19,764 thousand.

- Structural costs

Structural costs amount to €32,108 thousand and include staff costs amounting to €14,700 thousand for the year ended 31 December 2020. At 31 December 2019 structural costs amount to €33,931 thousand and include staff costs amounting to €14,995 thousand.

- Results for the period

Accumulated losses at 31 December 2020 and 2019 amounted to €163,524 thousand and €4,496 thousand, respectively.

- Covid-19

On the 11 of March of 2020, the World Health Organization declared the Coronavirus COVID-19 outbreak a pandemic, due to its rapid spread throughout the world, having affected more than 150 countries. Thus, the operational evolution of the business has been limited by the necessary measures adopted by the Government aimed at its eradication, especially after the declaration of the state of alarm that came into effect at 14 March 2020.

As a result of the measures adopted by the declaration of the state of alarm, Metrovacesa closed its sales offices in mid-March, focusing its commercial activity on converting existing housing reservations in its sales portfolio into private sale contracts, as well as in promoting the sale of homes through channels.

Regarding the execution of the works, these continued normally, except for a stoppage imposed by the circumstances described, which only lasted for 8 business days.

The consequences derived from COVID-19 have been evaluated and do not require an adjustment in the consolidated annual accounts. However, the market value of the assets owned by the group has been affected as a result of the anticipated lengthening of marketing periods, as well as obtaining permits from the public administration.

Taking into consideration the complexity of the markets due to their globalization and the absence, for the moment, of an effective medical treatment against the virus accessible to the entire population in the short term, it is premature, at the date of formulation of these annual accounts, to make a reliable estimate of the possible impacts, although, as far as we can know, there have been no consequences that could be considered significant (except the decrease in the value of the assets), since these will depend, to a large extent, of the evolution and extension of the pandemic in the coming months, as well as of the capacity of reaction and adaptation of all the affected economic agents, for which it is not possible to make a reliable estimate. Lastly, it should be noted that the Group's Administrators and Management are constantly supervising the evolution of the situation, in order to confront with guarantees the eventual impacts, both financial and non-financial, that may occur.

- Relevant transactions in the year

Relevant operations for the period from 1 January 2020 to 31 December 2020:

Long-term Incentive Plan

On 19 December 2017, the Extraordinary General Shareholders' Meeting approved the launch of an Incentive Plan targeting CEO and Executive Directors. This plan has two parts, the first one was a fixed amount and it was accrued when the parent company was listed (MIP) and the second part was a long-term incentive plan (LTIP).

The MIP cost was assumed by the main shareholders of the parent company. The amount agreed to be distributed was €1,150 thousand, which was registered in the income statement and 50% paid in cash during the first 3 months of year 2018 and the rest will be paid in shares of the parent company (25% of shares will be distributed after one year of the listing and 25% of shares will be distributed after the second year, considering that beneficiaries has to be employees). In February 2019, the parent company has distributed 12,279 shares among beneficiaries.

These contributions were registered in the consolidated Equity and Staff expenses.

The 5 of February of 2018, the main shareholders made an equity contribution of €1,150 thousand, in order to cover the MIP cost.

The LTIP consists in a share distribution after a period of time and fulfilment is subject to performance goals (growth metrics 25%, efficient metrics 25% and value creation 50%) and beneficiaries has to be employees. The LTIP has three overlapping cycles with a length of 3 years each one, that started when the company was listed and ends on 31 December 2022.

The maximum amount to be distributed among the beneficiaries along the life of the plan (assuming a 150% of fulfillment in performance metrics) is €9.1 million. Shares will be distributed to the beneficiaries at the end of each cycle. The first cycle started when the Company was listed and will end the 31 of December of 2020. This plan will be paid with "equity settle" shares.

The first LTIP cycle has an approved maximum amount of €3,040 thousand, of which €869 thousand is pending allocation to the beneficiaries. Fulfilment is subject to metrics referenced i) 50% to the Company's share price and ii) 50% to operating results. The vesting period ends on 31 December 2020.

The second LTIP cycle has an approved maximum amount of €1,520 thousand, of which €179 thousand is pending allocation to the beneficiaries. Fulfilment is subject to metrics referenced i) 50% to the Company's share price and ii) 50% to operating results. The vesting period ends on 31 December 2021.

The third LTIP cycle has an approved maximum amount of €1,548 thousand, of which €75 thousand is pending allocation among its beneficiaries. Fulfilment is subject to metrics referenced i) 50% to the evolution of the Company's share price, as well as in relation to the evolution of the share price of the competition, and ii) 50% to operating results. The vesting period ends on 31 December 2022.

During 2020, the parent company recorded a provision of €337 thousand in the consolidated income statement to assume the cost of the LTIP.

Based on Company management's best estimates, the amount recognised in the consolidated annual accounts is €436 thousand, in the item "Other equity instruments".

- Sale of tertiary land

In March 2020, the parent company signed a deed of sale of a plot located in Madrid for 47,676 thousand euros (an amount similar to the market value of the land), having collected €15,378 thousand at the time of the deed, and €23,067 thousand was deferred to August 2020 and €9,231 thousand to the approval of a detailed study. As a guarantee of the payment, a resolute condition was included in the deed. As of August 2020, the buyer could not meet its payment obligations, so the procedures for the execution of the resolute condition began, as well as an agreed exit. At 31 December 2020, the resolution condition has not been executed by the Property Registry, and the parent company has been urged to request its execution through the courts.

The Administrators have reversed the sale of the plot and once again the land has been registered in the assets of the parent company.

- Shareholders contribution

At 31 December 2020, a receivable with main shareholders of €3,772 thousand has been registered (€1,886 thousand in the consolidated income statement), to afford the tax impact of the non-monetary contribution of Metrovacesa Promoción y Arrendamiento, S.A. shares.

- Turnkey sale agreement

During September 2020, the parent company signed a future purchase-sale contract with AEW for the delivery of two residential developments in Palma de Mallorca, with a total of 203 units: Sol de Llevant (115) and Terrasses de Llevant (88). Construction works will begin in 2021, with delivery in 2023.

- Metrovacesa Promoción y Arrendamiento's shares purchase

During 2020, the parent company continued with the share buyback program of its subsidiary Metrovacesa Promoción y Arrendamiento, S.A. At 31 December 2020, the parent company owns 100% of the shares of the subsidiary company.

- Equity Swap

At 2 November 2020, the parent company informed the market that in the context of its own share purchase plan that is being executed through an equity swap contract with Goldman Sachs International, it has exceeded the threshold of 1.0% of the company's share capital.

At 31 December 2020, Goldman Sachs had acquired 2,445,774 shares, representing 1.61% of the capital stock of the parent company. Likewise, the parent company only has exposure to the variation in the listed price of the shares acquired within the framework of the financial swap contract, which is why it has not recorded such shares in equity.

- Listing of securities (MARF)

At 19 October 2020, the parent company has incorporated into the Mercado Alternativo de Renta Fija (MARF) a program of securities with maturities of up to 24 months. This listing program will allow the parent company to access to new qualified investors to diversify its sources of financing and locate securities up to a maximum outstanding balance of €100 million. At 31 December 2020, the outstanding balance of the securities issued amounts to €16,100 thousand, maturing in 2021.

2. Economic perspectives

In 2020, the Spanish economy experienced the largest correction in its history and GDP fell by -11.0% as a result of the effects associated with the pandemic. However, the evolution has clearly been differential by semester. After starting the year with a mild deceleration process, home confinement and the suspension of all non-essential activities associated with Covid-19 meant an unprecedented economic stoppage. The economic paralysis affected both the real and financial economies through common transmission channels and, starting from trade, tourism and dependence on international supply chains, it branched out to all sectors of activity, acting as a shock of both supply and demand. Faced with this, throughout the second half of the year the Spanish economy witnessed the progressive recovery of the activity associated with the different periods of de-escalation. The increase in infections in the final part of the year failed to counteract the improvement in confidence and the good evolution of the financial markets related to the start of the vaccination process. From the point of view of risks, some of the main ones associated with the international environment have disappeared by 2021: both the changing of the guard in the US and the negotiation of Brexit reduce negative biases. In any case, there are still uncertainties and the short-term bias is to the downside, but as the current year passes and the vaccination process progresses, upward risks will take over. Among the short-term downside risks, disease control is the main one, and there is the possibility of first and second speed recoveries according to the evolution of vaccination by region. In addition, other risks stand out, such as the possible mutations of the virus and the new wave of infections, the rate of distribution and application of vaccines, the deterioration of corporate balance sheets in the public and private sector, the rivalry between China and the United States and global protests.

The outlook for 2021 suggests that this will be the year of economic recovery, although this is consistent with the existence of potholes associated with vaccination rates. Thus, the recovery is being slower than previously expected at the beginning of this year. In any case, in 2021 the economy could show a turning point and accelerate the growth rate, especially in the second half of the year thanks to the progress in the vaccination process, the implementation of new fiscal and monetary measures and the high unused production capacity.

For its part, the construction sector initially experienced the largest drop in activity and employment of all sectors in 2020: 2 percentage points more in relation to its weight in the economy. However, the recovery started earlier thanks to its declaration as an essential sector, which allowed the complete stoppage of activity to last only a fortnight. In aggregate terms, the evolution of employment in the construction sector continues to be better than that of the aggregate, placing the number of affiliates at 2019 levels, compared to the 2018 level of the affiliation group. This implies that the loss of employment in the sector associated with Covid-19 could be estimated in jobs equivalent to one year, half that in the sectoral aggregate.

Behind this better evolution are positive structural conditions for the sector, which implies that it does not present large imbalances that prevent a solid recovery once the pandemic has been controlled. The analysis of some structural indicators suggest that the effort to access a home is clearly below that existing in the period prior to the 2007 crisis and below the historical average; the price is far from its maximum levels, the interest rate for mortgages is in negative, and will remain at very low levels in the heat of the commitment of the Central Banks for the recovery, and the new credit operations, in accumulated annual, weigh 36% of GDP, compared to 145% in the 2005-2007 period.

The effects of the economic crisis associated with the Covid-19 pandemic have generated a significant contraction in the demand for housing that is having a differential impact on the second-hand segment compared to that of new construction: according to the latest data from the Ministry of Transport, Mobility and Urban Agenda (MITMA), the fall in second-hand transactions in the second quarter of the year doubled that of new housing. Part of this different behavior was associated with the process of buying the off-plan home, much more delayed in time, which implies that a certain percentage of the new construction homes registered during the second quarter are part of a sale process started almost two years ago.

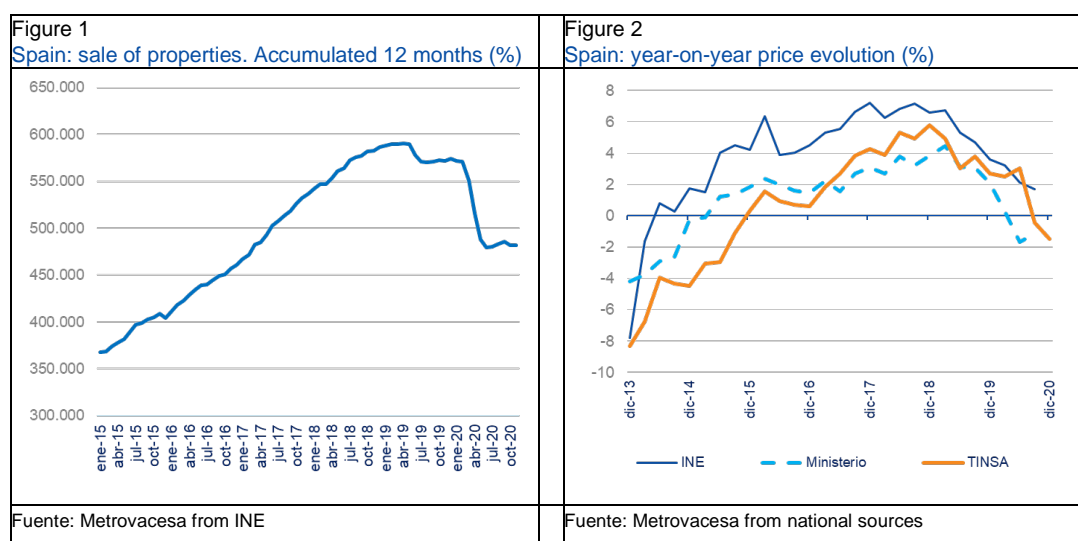
On the supply side, the impact has been somewhat less than on demand. Visas have experienced a drop of close to 20% in 2020. This drop has been clearly different according to semesters, in line with what happened with the economy as a whole: while the decrease in the first half of the year was -33%, shrinkage in the second was half. In any case, the effect on supply is also clear, which may increase the needs for new construction in the coming years: in the accumulated until October, 92.5 thousand construction licenses have been approved, compared to the 117.8 thousand from the same period of the previous year. In addition, while in 2019 70% of the new construction permits granted were started, in 2020 this figure has fallen by 7 points to 63%. Overall, it is estimated that the effects of the confinement may have led to a 20% lower housing supply, which represents a real challenge for the sector in the coming years.

The weakness in sales inevitably affected the evolution of prices, although, in any case, they held up better than demand: TINSA data show a growth for the year as a whole of 0.9%, which was higher in the first semester (2.8%) and which turned negative in the second (-0.9%) in relation to the same period of the previous year. The growth inertia with which the data came, the delay with which real activity affects prices and the rigidity of supply, which means that the fall in demand is not fully transferred to prices, explain this lower impact. The outlook is for a moderate drop in the total, based on the contraction of second hand, and with stability in new construction.

Finally, 2020 has been a particularly difficult year in terms of tertiary business, and worse in terms of the retail and office sector than that of warehouses. Home confinements and restrictions on social consumption activities generated a significant contraction in demand, the partial or total closure of some businesses, and the consequent drop in prices. Thus, in terms of the number of properties sold, the drop has been greater in offices (-31.6%), as a result of the implementation of teleworking models, than in premises (-27.0%) and industrial buildings (-22.0%). This drop has been accompanied by decreases in the average surfaces traded in offices (-25.3%), given the lower space needs of the new forms of remote work, but not in commercial premises (+ 10.9%) or warehouses (+ 11.2%), which have taken advantage of the greater existing offer due to the disappearance of some businesses. As a consequence of the fall in demand, prices have been affected correspondingly in all segments of the tertiary business, with the largest drop experienced in the office sector (-25.8%), and somewhat less in warehouses (-23.0%) and in premises (-15.8%). In any case, the data show that the contraction in demand has been greater than the fall in prices, given the rigidity of the new existing supply.

Looking ahead to 2021, this is presented as the year the recovery began, with increases in real estate investment of between 20%, according to CBRE, and 50% according to Colliers. Much of this increase will be explained by the development of residential projects for rent, where the national market has great interest in Europe due to the lack of supply. In this sense, the profitability of rental housing that some real estate portals have estimated for 2020 stands at 6.5% for the national total, oscillating between 6.9% and 4% depending on the region, and reaching up to 7.5% in some municipalities, and the outlook is for relative stability. On the other hand, due to demographic evolution, the health sector will gain in interest in 2021, while the main opportunities for investors seeking short-term profitability will also go through logistics investments in markets with limited supply, flexible offices and residences of students, with a foreseeable recovery during the second semester of 2021. With regard to offices, Madrid and Barcelona will remain with high interest for international investors in 2021 according to Savills, where this type of investment accounted for 80% of the total transacted and 72% of the total investment the previous year. Thus, despite the decrease in activity in the investment market, in Madrid there is no evidence to alter the stability in yields, both in the business district (3.25%), and outside the M-30 (4.75%), while in Barcelona prime profitability remains stable between 3.75% and 4.40%. The outlook for 2021 suggests that the tightening of credit conditions could lead to a downward price adjustment, which would cause a slight rebound in yields.

Overall, the outlook for the sector is moderately optimistic, based on the good evolution of its fundamental determinants, which continue to be positive, ruling out the existence of medium and long-term structural problems. In any case, the revitalization of the sector and the return to higher growth paths will depend crucially on three factors: first, on the evolution of the vaccination process, which will generate the reactivation of the economy; secondly, to what extent the workers who are in a ERTE situation are able to keep their jobs and, lastly, the recovery of confidence and the reactivation of foreign demand.



3. Metrovacesa's Mission, Vision and Values

Mission

- ✓ Creating homes to improve the lives of our customers.
- ✓ To provide society with a series of integral solutions in promotion that facilitate the formation of homes and improve the lives of its clients by providing services with optimum standards of quality, cost and time, always acting as a socially responsible company.
- ✓ Seek growth in added value to satisfy all stakeholders by making investments that contribute to long-term sustainable development.
- ✓ Changing the use of the same trends in the real estate development and construction sector with the know-how provided by its extensive experience.

Vision

To become the national champion of the residential market, being the developer chosen by customers, employees, communities and shareholders. To do this, we must continuously improve our financial and operational results, while respecting the highest standards of business conduct.

Values



4. Corporate Governance System

Metrovacesa keeps its Corporate Governance System permanently updated, which is the set of rules integrated by the Articles of Association, the Mission, Vision and Values of Metrovacesa Group, the Corporate Policies, the Rules of Governance of the corporate bodies and the internal committees and the Compliance. The Group promotes the creation of working groups to advance the development of specific aspects of its corporate governance system, in which it has the participation of authorised representatives of the interest group concerned in each case, of professionals from the Company and external experts in the field at the highest level.

The commitment to good corporate governance and transparency is included in the Mission, Vision and Values of the Metrovacesa Group, whose pillars in the area of corporate governance are the involvement of the Company's shareholders in social life and the maintenance of leadership in the application of best practices and transparency. The General Corporate Governance Policy contains a summary of the basic principles that govern the corporate governance of the Company and the Group and the most relevant elements that make it up, all of which are available at www.metrovacesa.com

5. Internal organizational structure

In accordance with Article 2 of Metrovacesa, S.A.'s Bylaws, the Company's corporate purpose is, among others:

- ✓ Acquisition or construction of all kinds of properties and constructions for building or improvement in order to be sold.
- ✓ Development, urbanization and parceling of real estate in general.
- ✓ Acquisition of land, urban development or any kind of real estate rights in order to be sold. Perform activities such as:
 - Real estate management for own benefit or for third parties.
 - Promotion and management of property owner associations.
- ✓ Refurbishment, conditioning or installation works.
- ✓ Creation, training and development work.
- ✓ Technical advice and carrying out of studies and projects related to real estate activities and, in particular, the promotion and carrying out of technical, legal and commercial urban development actions necessary for the start-up, construction or any other form of operation of residential areas, car parks, residences for the elderly and for students, hotels and any other type of community and social facilities.

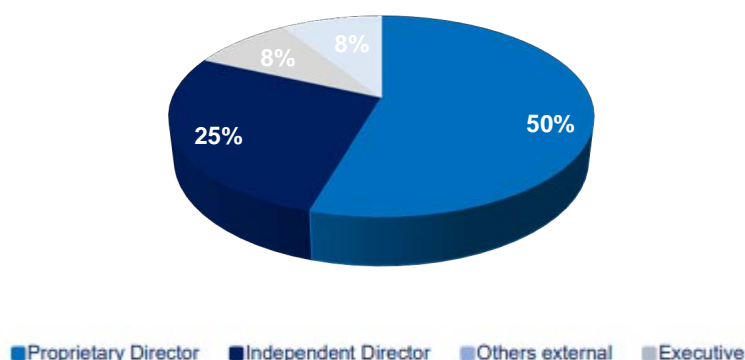
The company operates in the geographical areas of Catalonia (Catalonia and the northern part of the Balearic Islands), Central-North (Central and northern area, except Catalonia, as well as the Canary Islands), Western Andalusia (northern and western Andalusia), Costa del Sol (southern Andalusia, as well as the eastern area) and Levante (Valencia, Murcia and the southern part of the Balearic Islands). It had a total of 189 employees at the end of the year, 43% of whom were women.

The General Meeting of Shareholders is the highest decision-making and control body of the Company in the matters within its competence, through which the right of the shareholder to intervene in the Company's essential decision-making is articulated.

The Board of Directors is competent for any matters not attributed by the Articles of Bylaws to the General Meeting of Shareholders. The Board of Directors, which has the broadest powers and authority to manage, direct, administer and represent the Company, shall, as a general rule, delegate the day-to-day management of the Company to the delegated administrative bodies and the management team, establishing the content, limits and modalities of the delegation, and shall concentrate its activity on the general supervisory function and on the consideration of those matters of particular importance to the Company.

The Board of Directors is made up of 12 members (3 women and 9 men), of whom 4 are independent, 6 are proprietary, 1 is an external member and 1 is an executive. It is regulated by the Regulations of the Board of Directors which aim to determine the principles of action of the Board of Directors, as well as the basic rules of its organization and operation and the rules of conduct of its members and their competences. These regulations were approved by the Board of Directors itself.

Composition of the Board of Directors



The following committees report to the Board of Directors:

Audit and Control Committee made up of three directors, two of whom are independent directors, one of whom is the chairman of the committee, and one of whom is a proprietary director. Article 14 of the Regulations of the Board of Directors regulates the Audit Committee and Control, its composition, powers and operation.

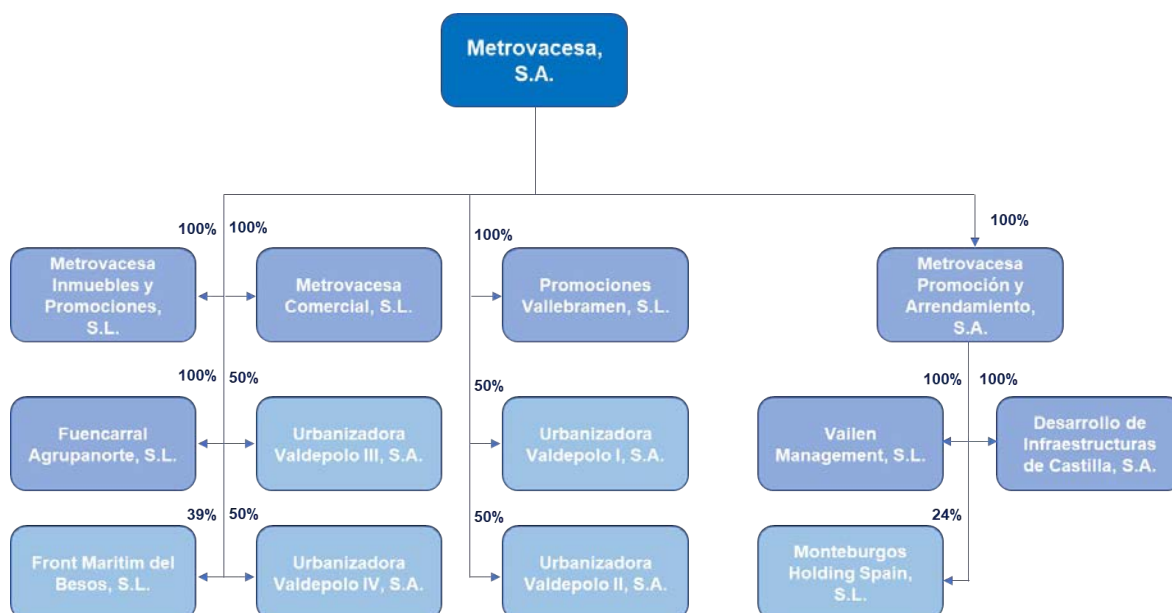
The Nomination and Remuneration Committee is composed of four directors, two of whom are independent directors, one of whom is the chairman of the committee, one is a proprietary director and one is an external director. Article 15 of the Regulations of the Board of Directors regulates the Appointments and Remuneration Committee, its composition, competencies and operation.

There is also a Management Committee within the Group, made up of company executives, regulated by its own regulations, which have been approved by the Group's Chief Executive Officer and which govern its composition, powers and operation. Likewise, the Group has a Compliance Committee made up of the Finance Department, the Legal Department and the Media Manager, whose composition, competencies and operation are regulated in the Compliance Policy and Manual approved by the Board of Directors. There is also an Internal Control Body (ICB) in the area of CBP/TF, whose composition, competencies and operation are regulated in the CBP/TF Manual approved by the ICB.

In 2019, the Equality Committee was set up, a body responsible for providing information and suggestions for the preparation of the Equal Opportunities Plan, and for channeling contributions and suggestions from other staff. The creation of this commission has as its ultimate goal to have a team of people responsible for promoting Equal Opportunities in the company. For its part, the equality plan aims to establish and develop practices that integrate equal treatment and opportunities between women and men. Metrovacesa has applied for the "equality in the company" distinction awarded by the Ministry of Health, Services and Equality.

6. Corporate Structure of the Group

The corporate structure comprises the parent Company (Metrovacesa, S.A.), the sub-holding companies and the operating companies.



7. Share Price and liquidity

2020 will be remembered as the year of the global pandemic caused by the coronavirus called Covid-19. Its unpredictable and devastating health and economic consequences have been of unprecedented intensity and have affected all areas and corners of the planet. Its implications and scars will remain for a long period of time, although many of its more pernicious effects can be overcome.

The fight against the virus in all countries has confined or paralyzed, totally or partially for many weeks, activities that represent about 70% of the world economy, which has led to the global GDP to a historical and global contraction that the IMF estimates in a fall of 4.4% in 2020, the largest since there are records. Families and companies around the world have suffered severe adjustments in their income, turnover or benefits, with the consequent impact on consumption and investment and therefore on the world production of goods and services. In Europe, and particularly in Spain, the pandemic has impacted with significant virulence. The eurozone economy will decline by 8.3% in 2020 and the Spanish economy even more, with a drop of 12.8%, according to the IMF's October forecasts.

The world stock indices accumulate in 2020 until the end of November increases between 8% and 10%, an evolution marked by volatility with a generalized and sharp fall in March and the subsequent recovery supported above all by the good performance of the US, Japanese and emerging market Asian stocks with China leading the way. The explanation for the moderately positive balance of the aggregate indicators of world stock markets rests on factors such as the unprecedented expansionary monetary policies of central banks, the success of China in the fight against the virus, or the growing weight of sectors and companies, over All Americans but not only, which have been reinforced during the pandemic, such as the health sector or the new information technologies applied to multiple areas of the economy. In an extraordinary month of November for the world Stock Exchanges, very encouraging results were confirmed from the final phases of the vaccines against Covid-19 that are being developed.

The prices of the large securities listed on the Spanish Stock Exchange have generally suffered significant losses with the IBEX 35® falling 14.7% until the end of November and the IBEX with Dividends mitigating the decrease to 13%. The greater weight of the financial banking sector and sectors related to tourism penalizes the comparison with other international benchmark indices. The sectorial IBEX of Banks lost 29.5% until the end of November, that of energy fell only 3.3% while the index of the Leisure, Tourism and Hospitality subsector dropped 31.3%.

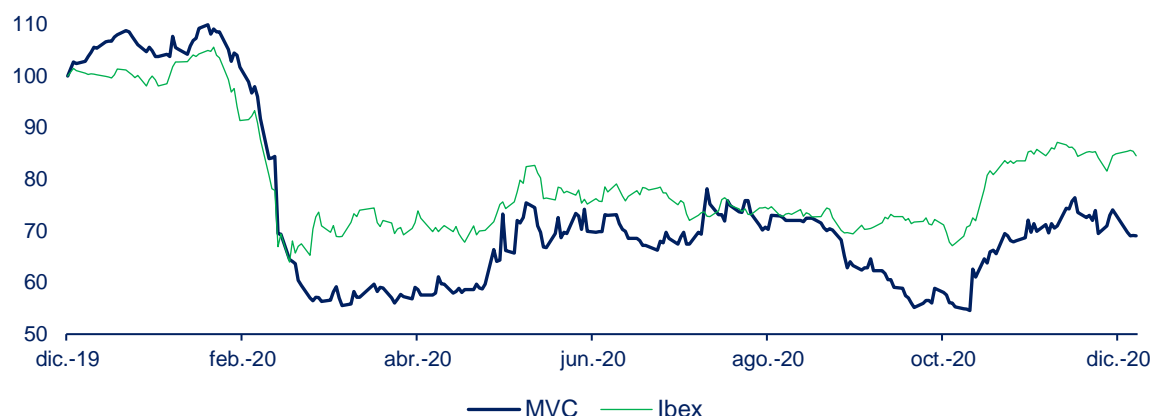
The capitalization or joint market value of the companies listed on the Spanish Stock Exchange stood at 924,075 million euros at the end of November, 16.4% less than at the end of 2019, as a reflection of the impact of the crisis on the value of the main listed companies, in particular banking entities. However, from the lows until the end of November, the total market capitalization has recovered more than €194,000 million.

The real estate development sector has been one of the most resilient sectors during the year due to the uncertainties related to the increase in unemployment, the great dependence on external financing, the absence of foreign investor travel, the evolution of the global economy, etc.

Metrovacesa's share price started the year trading at € 8.99 / share, reaching its annual maximum of € 9.62 / share at 17 February 2020 and the annual minimum of € 4.775 / share at 4 November 2020, to end the year trading at € 6.04 / share, which has meant a year-on-year decrease of 32.81%.

With regard to share liquidity, at year-end the free float was 29.79% of the company's capital, and during 2019 more than 11,390,000 shares of the company were traded (20,706,000 in 2019), equivalent to 7.51% of the total of shares (13.65% of the total of shares in 2019).

Stock market and IBEX 35 evolution



8. Significant events

Date	Type of significant event	Information description	Register Number
08/02/2021	About business and financial situation	Notice of FY 2020 results	7037
03/11/2020	About financial instruments	The equity swap in force has exceeded the threshold of 1.0% of the company's share capital.	5451
30/10/2020	Interim Management Statement	Interim management statement for Q3 2020	5401
30/10/2020	About business and financial situation	Interim management statement for Q3 2020	5400
19/10/2020	About financial instruments	Incorporation of a commercial paper program in the Alternative Fixed Income Market (MARF) with a maximum outstanding balance of €100 million and with terms of up to 24 months.	5076
15/10/2020	About business and financial situation	Notice of Q3 2020 results	5049
21/09/2020	Other relevant information	Share purchase plan of its subsidiary Metrovacesa Promoción y Arrendamiento, S.A.	4545
28/07/2020	Interim financial statements	Financial information for the first half of 2020	3647
28/07/2020	About business and financial situation	Notice of Q2 2020 results	360
15/07/2020	About business and financial situation	Notice of Q2 2020 results	3415
25/05/2020	Call for Board or Assembly	Result of the votes of the General Shareholders' Meeting	2413
19/05/2020	Call for Board or Assembly	Holding of the General Shareholders' Meeting exclusively online.	2311
13/05/2020	About business and financial situation	Notice of Q1 2020 results	2183
13/05/2020	Interim Management Statement	Interim management statement for Q1 2020	2181
06/05/2020	About business and financial situation	Notice of Q1 2020 results	2077
23/04/2020	About business and financial situation	Update on the business situation due to COVID-19	1710
23/04/2020	Call for Board or Assembly	Call for Board or Assembly	1709
04/03/2020	About business and financial situation	Sale of plot	761
28/02/2020	Interim financial statements	Financial information for the second half of 2019	520

Date	Type of significant event	Information description	Register Number
28/02/2020	Directors' annual remuneration report	Annual Report on remuneration 2019	514
28/02/2020	Annual corporate governance report	Annual Corporate Governance Report 2019	513
28/02/2020	About results	Notice of FY 2019 results	64
12/02/2020	Other relevant information	Notice of FY 2019 results	49
03/01/2020	Share buy-back, stabilization and treasury stock programs. - Liquidity and counterparty contracts	Purchase and sale operations executed during 4Q 2019, under the liquidity contract.	285610

9. Risk Management and Control System

The Risk Management Model adopted by Metrovacesa is comprehensive and considers all significant risks to which the Company may be exposed and, in particular, those that may affect compliance with the Business Plan, whether of a strategic nature, operational, financial or compliance with the most relevant applicable regulations.

Metrovacesa defines risk as any event, whether caused by internal or external factors, that hinders or prevents the achievement of its strategic and operational objectives and classifies risks into four categories:

- Strategic: Associated with the key long-term objectives, they may arise from the actions of other key market participants (customers, competitors, regulators, investors or others), changes in the competitive environment or the business model itself. These include:

- Real estate market
- Regulatory changes
- Soil and project portfolio

- Operational: Related to the usual operations carried out in Metrovacesa, including all risks related to operational procedures and the business itself. These include:

- Production planning and management
- Soil transformation
- Marketing

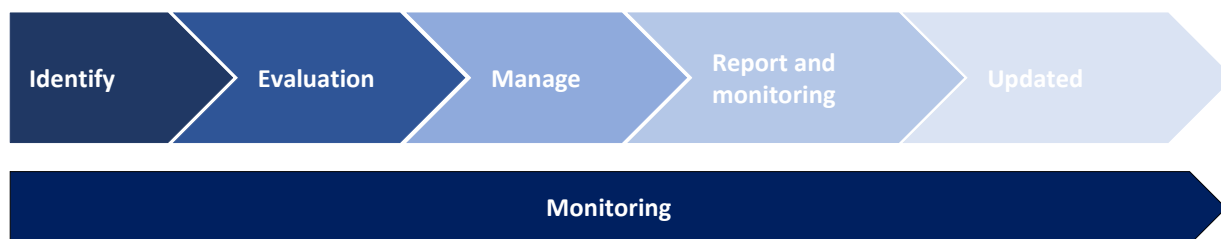
- Financial: Related to the economic and financial management of Metrovacesa, as well as the processes for obtaining financial information. Among those included:

- Availability of financing
- Valuation of assets
- Reliability of financial and management information and forecasts.

- Compliance: Those that may imply compliance with external and internal regulations by the management or employees of the Company. These include:

- Failure to comply with criminal regulations.
- Failure to comply with other civil or administrative regulations.

Metrovacesa's methodology for risk management is a continuous process that is developed in the next stages:



Based on this continuous process of risk control and management, and the global pandemic situation caused by Covid-19, an update of the Company's Risk Map was carried out during the year in which the Company has been involved. the entire organization, from the Management Committee to those directly responsible for risk management.

As of the first quarter of 2020, Metrovacesa has focused its efforts on managing the risks materialized as a result of COVID-19, such as i) the delay in operating activity, ii) contraction of demand in the real estate market (especially in Costa del Sol due to international mobility limitations), iii) tightening of financing conditions that could affect the Company's liquidity and iv) the drop in the market value of real estate assets. This last risk has had a greater impact as a result of a lengthening of the pre-construction and commercialization periods as well as the delay in obtaining permits from the Public Administrations.

For risks with the greatest impact and probability, with special attention to those of a strategic and operational nature, Metrovacesa has mechanisms for identifying risk events that help to have continuous monitoring and has also developed management plans for their prevention or mitigation. Additionally, risk indicators and controls have been defined for each identified risk event and the guidelines to be followed have been defined to identify and maintain critical risks within the approved tolerance limits, so that the Board of Directors can decide on the risk. acceptable level of risk for the Company at all times. To this end, during the 2020 financial year, the identification and definition of the quantitative and qualitative indicators of the most critical risks has continued, facilitating the monitoring, supervision and setting of tolerance levels and reporting to the Audit Committee and to the Management Committee the respective action plans.

Likewise, a zero tolerance has been defined for certain risks, mainly those related to fraud, corruption, money laundering, physical security or non-compliance with regulations.

All risks considered relevant by Metrovacesa in the current context of pandemic have been duly monitored, having identified and, where appropriate, updated the associated controls as well as specific management procedures for which a person in charge and action plans have been assigned. These action plans have been reported to the Audit Committee in order to respond to those risks that have exceeded the established tolerance level. Likewise, Metrovacesa has strengthened its internal control system by reviewing and updating the management and control procedures in different areas and cycles, among which are: Billing and Accounts Receivable; Treasury and Financing; Inventories and Real Estate Investments; Valuation of Assets; and Third Parties, with regard to construction and marketing companies.

Regarding compliance risks, and specifically those related to the prevention of criminal offenses, in 2020 Metrovacesa has continued to update the model to adapt it to changes derived from the February 2019 Penal Code Reform. An in-depth review of the Risks and Controls Matrix was carried out, verifying the operational effectiveness of the latter and their proper alignment with risks.

Finally, throughout 2020, Metrovacesa has strengthened its ICFR with the implementation of new management and control procedures, as well as adjustments in certain cycles to adapt them to the new Covid-19 reality. Likewise, work has been undertaken to supervise the operational effectiveness of the controls that belong to cycles considered key due to their relevance in quantitative and qualitative terms. In this way, the Company has an updated matrix of risks and controls with defined persons in charge, a repository of evidence, as well as an ad hoc ICFR policy and specific procedures related to the review of financial information approved by the Board of Directors.

Bodies responsible for the development and implementation of the Risk Management System

As a pillar of the Comprehensive Risk Management System, Metrovacesa has a Risk Control and Management Policy approved by the Board of Directors, the aim of which is to define the principles for identifying, analysing, evaluating, managing and communicating the risks associated with Metrovacesa's strategy and operations, ensuring a general framework for managing the threats and uncertainties inherent in the business processes and the environment in which the Group's companies operate.

All Metrovacesa's executives and employees are responsible for complying with the Risk Control and Management Policy in their area of management and for coordinating their actions in response to risks with those of other affected departments and directorates, where applicable.

The functions and responsibilities of the different bodies and persons involved in risk management are as follows:

Authority	Roles and responsibilities
Board of Directors	<ul style="list-style-type: none"> Determine the Risk Control and Management Policy, including fiscal risks.
Audit Committee	<ul style="list-style-type: none"> To supervise the internal information and control systems (SCIIF). To supervise the effectiveness of the internal control of the Company and its group, the internal audit and the risk management systems.
Management	<ul style="list-style-type: none"> To keep the Board of Directors informed of all matters which, as a result of the monitoring and supervision of the system, may affect the management of the Company. To define a plan to identify and evaluate the risks, assign responsibilities for the risks identified, confirm the results of the evaluations in order to determine the criticality of these Approve and implement the actions proposed by those responsible for each risk in order to assess in depth and implement response plans. To facilitate the functions to be carried out by Internal Audit, providing it with the necessary resources. To periodically inform the Audit Committee about the control and management of risks carried out in the Company.
Internal Audit	<ul style="list-style-type: none"> To support the Audit Committee in the fulfilment of its responsibilities through the following functions <ul style="list-style-type: none"> o Coordinate and supervise the operation of the risk management and control system. o Standardize and consolidate the reports on risk identification and assessment, and the results of the corresponding management plans, prepared by each of the risk managers. o To ensure the proper functioning of the risk management and control system by providing methodological support to risk managers in the identification and assessment of risks o Monitor the results of the planned risk management and report on them to the Audit Committee.
Risk Managers (business, operational, legal and financial areas)	<ul style="list-style-type: none"> Thoroughly assess the risks under your area of responsibility Proposing and reporting indicators for monitoring Propose and implement action plans for their mitigation Report on the effectiveness of these plans

10. Sustainability Policy

Metrovacesa understands sustainability as a vision that goes beyond the fulfilment of applicable legal, fiscal or labour obligations. Therefore, the identification of the lines of action are aimed at creating economic, environmental and social value in the short and long term, so that the organization can contribute to the improvement of the welfare of society and its stakeholders

The Group's Strategic Sustainability Plan pursues several objectives, including

- To contribute to strengthening the mechanisms of good governance and transparency and to make progress in complying with the main recommendations and requirements applicable in this area.
- To guarantee the correct identification of risks and opportunities in ESG and to define specific measures to manage them.
- To promote ESG's internal culture, extending corporate commitments and progress to all employees, aligning corporate strategy with the principles adopted as a sustainable company that respects our environment.
- To position the Company in this respect, anticipating future demands from the investment world.



The strategic lines have been identified, among others, as relevant to Metrovacesa:

- Equality and conciliation
- Personal development
- Local communities
- Collaborating in people's lives
- Supplier confidence
- Cooperation with suppliers
- Innovation applied to the product
- Process systematization

Moreover, within the sustainability plan, Metrovacesa has made the following commitments:

- Continuous improvement. Metrovacesa is committed to identifying, evaluating and periodically reviewing its processes, assessing its performance and establishing risk control mechanisms to achieve the proposed strategic objectives. We are also committed to being self-critical, anticipating the changing conditions of our environment.
- Environment. Metrovacesa, will protect the environment, working under a preventive approach, in order to reduce the negative impact of its operations, and trying to carry out an efficient use of resources. For this reason, METROVACESA will set itself the obligation of designing projects that will make it possible to mitigate the contribution to climate change and that will also enable society to adapt to the possible effects of this change, by means of clean and environmentally sustainable technologies.

-
- Innovation. Metrovacesa is committed to technological innovation, through direct collaboration with start-ups, with which new business opportunities and new distribution channels will be created. Likewise, it will promote innovative initiatives that will allow us to adapt our offer to the new needs of our customers and apply new construction processes that will allow us to be more efficient.
- Transparency and Ethical Behavior. All relations with third parties will be governed by honest, upright and transparent behaviour. Likewise, Metrovacesa will ensure compliance with the legal requirements in force, and those others that the organization subscribes to as a requirement or good practice, reporting in any case possible illegal conduct through the channel enabled for this function.

Finally, and with respect to the stakeholders, the Sustainability Plan is focused on:

- Investors and shareholders. Metrovacesa is committed to increasing the value of the Company, and that it will return to our shareholders and investors. To this end, it will carry out its activity by optimising resources in order to provide this benefit, based, in any case, on a policy of total information transparency, and the economic sustainability of all the projects it sets in motion.
- Employees. Metrovacesa will ensure equal opportunities among its employees, the incorporation of talent, and their personal and professional development. It is committed to maintaining a safe and healthy working environment, both in its facilities and those in which it has any kind of influence.
- Customers. Commitment to meet the needs and exceed the expectations of all its customers, through the customer experience processes, and throughout the business value chain, from an honest and loyal media and communication strategy.
- Suppliers. Metrovacesa will transmit its sustainable development criteria to the entire supply chain, requiring them to adopt a policy of continuous improvement in relation to the integration of sustainable development criteria and responsible behaviour in their lines of business, including both environmental aspects and aspects related to compliance with labour regulations and human rights.
- Local development of the areas in which we operate. In all its projects, Metrovacesa will have measures for collaboration with local public and private institutions, as well as the communities in the areas involved. Promoting their economic and social development, paying special attention to the most disadvantaged groups.
- Competitors, from which the company differentiates itself by its capabilities, always from a total respect based on compliance with competition and antitrust laws.

11. Group and associates companies information

Note 19 to the consolidated annual accounts details the transactions carried out with related parties.

Most of these transactions are financing contract and related financial expenses with financial institutions which own part of the parent company capital, and financial transactions with other Group companies.

12. Treasury

The Group's cash position at 31 December 2020 and 31 December 2019 amounted to €203,898 thousand and €72,328 thousand, respectively. This liquidity, together with the control of the expenses that the Group is incurring and the generation of cash from the development and sale of the Group's residential developments, means that the Parent's authorities are confident that sufficient resources will be available to meet cash requirements.

13. Treasury shares

In 2020, the parent company has carried out operations with its own shares within the framework of the share purchase program of its subsidiary Metrovacesa Promoción y Arrendamiento, S.A., having delivered a total of 148 shares to shareholders of this company. Likewise, the parent company has transferred 12,279 shares to certain executives as part of the deferred remuneration for the IPO (Management Incentive Plan "MIP").

At 31 December 2020, the Parent held 228,420 treasury shares.

14. Premium share distribution

During the financial year 2020 no dividends have been distributed Share premium distribution amounting to €49,974 thousand on April 2019.

15. Research and Development

In the year ended 31 December 2020 no significant investments were made in research and development, due to the characteristics of the Group's activity.

16. Average period for payment to suppliers

Note 14 to the consolidated Annual Accounts details the average period for payment to suppliers.

17. Subsequent events

- Financing and loans signed

Until the date of these consolidated annual account are signed, the parent company has signed hypothecary loans amount to €73,668 thousand to finance real estate project that currently are in phase of construction, €42,148 thousand corresponds to group and associates' loans.

- Listing of securities (MARF)

Up to the date of formulation of these annual accounts, the parent company has issued securities for an amount of 21,600 thousand euros and has proceeded to repay €10,100 thousand.

- Formulation in ESEF format

The annual accounts that we have formulated have not been prepared or presented in an European Single Electronic Format (ESEF) in accordance with the content of Delegated Regulation (EU) 2019/815 by which Directive 2004/109 / EC of the European Parliament is completed. and of the Board with regard to the regulatory technical standards relating to the specification of a single electronic format for the presentation of information, having adopted the option to postpone the use of this format contained in the Release made public by the "Instituto de Contabilidad y Auditoría de Cuentas (ICAC)" at 12 February 2021, which is based on the agreement to modify the aforementioned Directive by the European Parliament and the Council, reached in December 2020, to allow listed entities to postpone of the obligation to prepare and publish their annual financial reports in accordance with the ESEF for a period of one year.

18. Significant shareholders

The shareholders that hold significant interests in the capital of Metrovacesa, S.A., both direct and indirect, of more than 3% of share capital at the date of preparation of these accounts, are as follows:

	31 December 2019			
	Shares			% Capital
	Direct	Indirect	Total	
Banco Santander Group	48,443,127	26,426,709	74,869,836	49.36%
Banco Bilbao Vizcaya Argentaria Group	14,321,573	17,301,265	31,622,838	20.85%
Inversora de Carso, S.A. de C.V.	-	8,333,897	8,333,897	5.49%
Quasar Investment, S.a.r.l.*	217,389	5,773,159	5,990,548	3.95%
Helikon Investments	4,966,158	-	4,966,158	3.27%
Julius Baer Group, Ltd	-	4,447,617	4,447,617	2.93%
Treasury shares	228,420	-	228,420	0.15%
Directors	156,756	-	156,756	0.10%
Other shareholders (stock exchange)	21,060,271	-	21,060,271	13.90%
Total	89,393,694	62,282,647	151,676,341	100.00%

19. Alternative Performance Measures

As indicated in Notes 1 and 2 to the consolidated annual accounts, the Group prepares its consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU). In addition, it presents certain Alternative Performance Measures ("APMs") to provide additional information that enhances the comparability and understanding of its financial information and facilitates decision-making and the evaluation of the Group's performance. The APMs should be considered by the user of the financial information as complementary to the aggregates presented in accordance with the basis of presentation of the consolidated financial statements, but in no case as a substitute for them.

The most significant APMs are as follows:

Gross Margin

Definition: Inventory sales – Variation in inventories of supplies - Cost of sales

Reconciliation: the reconciliation of this APM to the consolidated financial statements is as follows:

	31/12/2020	31/12/2019
Inventory sales (Note 16)	146,092	159,808
Cost of inventory sales and related costs (Note 16)	(123,670)	(140,044)
Gross Margin	22,422	19,764

Explanation of use: the profit or gross margin from promotions is considered by the Parent's directors to be a measure of the performance of its activity, since it provides information on the profit or gross margin from promotional projects, which is obtained from external sales and by subtracting the cost incurred in achieving these sales. In addition, the impairments applied to real estate assets that have been sold during the period have been taken into account for this calculation. The net margin includes the returns arising from the sale of land, which is considered to be a significant part of the Group's business activity.

Comparison: The Group had a gross margin of €22,422 thousand at 31 December 2020, compared with a gross margin of €19,764 thousand at 31 December 2019, representing a positive variation of €2,658 thousand due to the temporary delay in the delivery of homes.

Net Margin

Definition: Gross margin – Commercial and marketing cost directly related to homes, which are included in line Other operating expenses.

Reconciliation: the reconciliation of this APM to the consolidated financial statements is as follows:

	31/12/2020	31/12/2019
Gross Margin	22,422	19,764
Commercial and marketing expenses ⁽¹⁾	(9,719)	(10,830)
Net Margin	12,703	8,934

⁽¹⁾ Commercial expenses directly attributable to real estate developments. According to accounting regulations they are not susceptible to capitalization. They are recognized under "External Services" in the consolidated income statement.

Explanation of use: the net margin is considered by the Parent's directors to be a measure of the performance of its activity, since it provides information on the net margin of the developments that have generated revenue during the period. This net margin is calculated on the basis of the gross margin, net of certain costs associated with the marketing and sale of the relevant promotions. The net margin includes the returns that arise from the sale of land, which is regarded as a significant part of the Group's activity.

Comparison: The group had an operating margin of €12,703 thousand euros at 31 December 2020, compared with an operating margin of €8,934 thousand at 31 December 2019, representing a positive variation of €3,769 thousand euros due to the temporary delay in the delivery of homes.

EBITDA

Definition: Net Margin + Sales + Operating expenses – Staff costs – Other operating expenses isolating commercial and marketing costs. (external services adjusted by commercial costs).

Reconciliation: the reconciliation of this APM to the consolidated financial statements is as follows:

	31/12/2020	31/12/2019
Real Estate net margin	12,703	8,934
Sales (Note 16.a)	1,433	1,268
Lease revenues (Note 16.a)	346	432
Sales (Note 16.b)	(122)	(132)
Costs related to lease (Note 16.b)	(965)	(1,236)
Staff costs (Note 16.c)	(14,700)	(14,995)
External services minus commercial costs	(7,689)	(8,106)
Other profit and loss	-	(6)
EBITDA	(8,994)	(13,841)

Explanation of use: EBITDA is considered by the Parent's directors to be a measure of the income from its activity since it provides an analysis of the profit for the year (excluding interest and taxes, and depreciation and amortization) as an approximation of the operating cash flows reflecting the generation of cash. In addition, it is widely used by investors when valuing companies, as well as by rating agencies and creditors to evaluate the level of debt by comparing EBITDA with net debt and also by comparing EBITDA with debt service.

Comparative: The Group had negative EBITDA of €8,994 thousand at 31 December 2020, compared with negative EBITDA of 13,841 thousand euro at 31 December 2019, representing a positive variation of €4,847 thousand due to the temporary delay in the delivery of homes and the significant investment in advertising the projects.

Net financial debt

Definition: Bank debt - available cash +/- other financial assets and liabilities.

Reconciliation: the reconciliation of this APM to the consolidated financial statements is as follows:

	31/12/2020	31/12/2019
(+) Bank debt ⁽¹⁾	(419,784)	(152,424)
(+) Available cash (Note 11)	(16,100)	72,328
(+) Commercial Paper Program (MARF)	203,898	-
(+) Other financial assets and liabilities	3,545	2,488
Net financial debt	(228,441)	(77,608)

- (1) Net amount of the advance payments made at the time of the opening of the corporate financing for an amount of €2,611 thousand at 31 December 2020 and €3,973 thousand at 31 December 2019.
- (2) Includes the debt for MARF commercial paper notes as it is considered comparable to bank debt.

Explanation of use: Net financial debt is a financial measure of a company's net debt position. In addition, it is a magnitude widely used by investors to assess the net financial leverage of companies, as well as by rating agencies and creditors to evaluate the level of net indebtedness.

Comparison: At 31 December 2020, the Group had total net financial debt of -228,441 thousand euros compared to a total of -77,608 thousand euros at 31 December 2019, mainly due to the increase in projects under construction.

Leverage

Definition: Net financial debt / Total assets.

Reconciliation: the reconciliation of this APM to the consolidated financial statements is as follows:

	31/12/2020	31/12/2019
(-) Net financial debt (a)	228,441	77,608
Total assets (b)	2,926,597	2,678,923
Leverage (a) / (b)	7.80%	2.90%

Explanation of use: Leverage is an indicator that measures a company's debt position. It is widely used by investors when assessing the financial Leverage of real estate companies, as well as by rating agencies and creditors to evaluate the level of indebtedness.

Comparison: The group had a leverage of 7.80% at 31 December 2020 compared to a ratio of 2.90% at 31 December 2019, mainly due to the increase in the group's activity.

Return on capital employed (ROCE)

Definition: Adjusted EBITDA / (sum of average balances between 31 December 2020 and 31 December 2019 of Equity and Net Financial Debt, respectively).

Reconciliation: the reconciliation of this APM to the consolidated financial statements is as follows:

	31/12/2020	31/12/2019
EBITDA	(8,994)	(13,841)
Average equity*	2,262,032	2,366,967
Average net financial debt **	153,025	62,030
ROCE	(0.37%)	(0.57%)

(*) Equity at 31 December 2020 amounted to €2,262,032 thousand and to €2,340,843 thousand at 31 December 2019, being the average balance between the two amounts.

(**) The net financial debt for the year at 31 December 2020 amounted to €153,025 thousand and to €62,030 thousand at 31 December 2019, being the average balance between the two amounts.

Explanation of use: the return on capital employed (ROCE) is considered by the Parent's directors to be a measure of the performance of its activity, since it measures the profitability of a company by taking into account a particularly relevant issue, namely the efficiency with which the capital is used. It is widely used by investors when assessing the real profitability of a company.

Comparison: The group had a negative ROCE of 0.37% at 31 December 2020 compared to a negative ROCE of 0.06% at 31 December 2019, mainly due the impact on the net worth of the independent expert valuations.

Loan to Value (LTV)

Definition: Net financial debt / (Market value of property assets recorded in investment property + market value of property assets recorded in inventories).

Reconciliation: the reconciliation of this APM to the consolidated financial statements is as follows:

	31/12/2020	31/12/2019
(-) Net financial debt	228,441	77,608
Market value of property assets recorded in investment property (Note 6)	321,306	334,090
market value of property assets recorded in inventories (Note 9)	2,244,022	2,254,153
LTV	8.90%	3.00%

Explanation of use: LTV is an indicator that measures the company's debt position in relation to the market value of its real estate assets. It is widely used by investors when assessing the financial leverage of real estate companies, as well as by rating agencies and creditors to evaluate the level of debt.

Comparison: The group had a Loan to Value of 8.90% at 31 December 2020 compared to a ratio of 3.00% at 31 December 2019, mainly due to the increase in activity in the group during the year.

Loan to Cost (LTC)

Definition: Net financial debt / (Stocks - Advances from suppliers + Real Estate Investments)

Reconciliation: the reconciliation of this APM to the consolidated financial statements is as follows:

	31/12/2020	31/12/2019
(-) Net financial debt	228,441	77,608
(+) Inventories (Note 9)	1,982,565	1,902,343
(-) Pre-payments to suppliers (Note 9)	(2,079)	(6,354)
(+) Investments properties (Note 6)	321,306	334,090
LTC	9.92%	3.48%

Explanation of use: The LTC is an indicator that measures the company's debt position. It is widely used by investors when assessing the financial leverage of real estate companies, as well as by rating agencies and creditors to evaluate the level of debt.

Comparison: The group had a LTC of 9.92% at 31 December 2020 compared to a ratio of 3.48% at 31 December 2019, due to the increase in the group's activity during the year.

20. Other information

The Company, when starts listing in 2018, issued some reports mandatory for listed companies related to the good governance regulation.

21. Annual Corporate Governance Report

The Annual Corporate Governance Report for 2020 is included in the Consolidated management Report and since the date of publication of the consolidated annual accounts it has been available on the website of the National Securities Market Commission and on the Metrovacesa website (www.metrovacesa.com).

The consolidated annual accounts and management report for the year ended 31 December 2020 of Metrovacesa, S.A. and Subsidiaries, consisting of the consolidated balance sheet at 31 December 2020, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement and the related notes, all on a summarised and consolidated basis, for the year then ended, were prepared by the Board of Directors of Metrovacesa, S.A. during its meeting of 22 February 2021. The consolidated annual accounts are for year ended 31 December 2020, all the directors signing this last page.

Madrid, 22 February de 2021

V.B. D. Ignacio Moreno Martínez

D. Lucas Osorio Iturmendi

Chairman of the Board of Directors

Secretary of the Board Directors

D. Mariano Olmeda Sarrión

Vicepresident of the Board Directors

Fdo D. Ignacio Moreno Martínez
Member

Fdo D. Mariano Olmeda Sarrión
Member

Fdo. D. Jorge Pérez de Leza Eguiguren
Member

Fdo. D. Javier García-Carranza Benjumea
Member

Fdo D. Cesáreo Rey-Baltar Oramas
Member

Fdo. Dña. Beatriz Puente Ferreras
Member

Fdo D. Jose Ferris Monera
Member

Fdo. Dña. Emma Fernández Alonso
Member

Fdo Dña. Ana Lucrecia Bolado Valle
Member

Fdo. D. Juan Béjar Ochoa
Member

Fdo D. Vicente Moreno García-Mansilla
Member

Fdo D. Carlos Manzano Cuesta
Member

Metrovacesa, S.A. and subsidiaries

Independent auditor's report consolidated annual accounts
December 31, 2019



This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor's report on the consolidated annual accounts

To the shareholders of Metrovacesa S.A.:

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Metrovacesa, S.A. (the parent company) and subsidiaries (the Group), which comprise the balance sheet as at December 31, 2019, and the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at December 31, 2019, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated annual accounts section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters have been addressed in the context of our audit of the consolidated annual accounts as a whole and in the preparation of our opinion thereon, and we do not express a separate opinion on these matters.

Key audit matters	How the matters were addressed in the audit
<p data-bbox="277 479 560 510">Valuation of Inventories</p> <p data-bbox="277 539 842 757">The Group has a portfolio of land, housing developments under construction and completed building developments throughout Spain, recognised under inventories, the value of which at December 31, 2019 amounts to €1,902,343 thousand and which make up approximately 71% of the Group's total assets.</p> <p data-bbox="277 786 842 936">The Group values its inventories at the lower of cost, calculated as indicated in note 2.8b), and net realisable value, based on the fair value of inventories, recording, where warranted the relevant provision for impairment.</p> <p data-bbox="277 965 842 1272">The fair value of the Group's inventories is calculated based on the valuations performed by unrelated independent experts, in accordance with the Appraisal and Valuation Standards published by Royal Institution of Chartered Surveyors (RICS) of Great Britain and in accordance with the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC) (note 2.2).</p> <p data-bbox="277 1301 842 1451">Based on the above, at December 31, 2019 the Group has recognised net impairment in the consolidated income statement of €4,767 thousand under the heading "Changes in trade provisions", notes 9 and 16.</p> <p data-bbox="277 1480 842 1711">The level of uncertainty in the assumptions used to calculate market value and the level of estimation existing in the valuation methods applied, mainly the residual method (dynamic), checked against comparables, mean that the valuation of inventories is considered a key audit matter.</p>	<p data-bbox="863 539 1471 629">We assessed the internal control procedures that the Group has in place in its inventory valuation processes.</p> <p data-bbox="863 658 1471 786">Additionally, we obtained the inventory valuation carried out by Management's independent experts, on which we performed the following procedures among others:</p> <ul data-bbox="863 815 1471 1368" style="list-style-type: none"> <li data-bbox="863 815 1471 943">• Verification of the expert's competence, capacity and independence by obtaining confirmation and corroborating its professional standing in the market. <li data-bbox="863 972 1471 1093">• Verification of the reasonableness of the procedures and methodology used and that the valuations have been performed in accordance with RICS methodology. <li data-bbox="863 1122 1471 1249">• Performing selective tests to corroborate that the most relevant technical data used in the valuation agree with the development characteristics of the assets valued. <li data-bbox="863 1279 1471 1368">• Verification of the adequacy of the assumptions used, taking market conditions into account, checking comparables. <p data-bbox="863 1397 1471 1487">Additionally, we assessed the sufficiency and adequacy of the information disclosed in the consolidated annual accounts in this respect.</p> <p data-bbox="863 1516 1471 1711">As a result of the procedures performed, we consider that the values resulting from the valuation exercise of inventories performed by management, recognised under the relevant heading, are within a reasonable range compared with market conditions.</p>

Key audit matters	How the matters were addressed in the audit
Valuation of Investment Property <p>Investment properties make up 12% of the Group's assets. As described in note 2.8, the Group applies the fair value model in accordance with IAS 40 and has recognised a variation in the fair value of investment property amounting to €6,983 thousand in the 2019 consolidated income statement, as indicated in note 6.</p> <p>Total investment properties recognised in non-current assets on the consolidated balance sheet amount to €334,090 thousand at December 31, 2019.</p> <p>The Group recognises the value of investment property based on independent expert valuations. Valuations are performed in accordance with the Appraisal and Valuation Standards published by Royal Institution of Chartered Surveyors (RICS) of Great Britain and in accordance with the International Valuation Standards (IVS) published by the International Standards Valuation Committee (ISVC), whose methodology is described in notes 2.2 and 6 to the consolidated annual accounts.</p> <p>The level of uncertainty in the assumptions used to calculate market value and the level of estimation existing in the valuation methods applied mean that the valuation of investment property is considered a key audit matter.</p>	<p>We assessed the internal control procedures that the Group has in place in its investment property valuation processes.</p> <p>Additionally, we obtained the valuation of property investments carried out by Management's independent experts, on which we performed the following procedures among others:</p> <ul style="list-style-type: none"> • Verification of the expert's competence, capacity and independence by obtaining confirmation and corroborating its professional standing in the market. • Verification of the reasonableness of the procedures and methodology used and that the valuations have been performed in accordance with RICS methodology. • Performing selective tests to corroborate that the most relevant technical data used in the valuation agree with the development characteristics of the assets valued. • Verification of the adequacy of the assumptions used, taking market conditions into account, checking comparables. <p>Additionally, we assessed the sufficiency and adequacy of the information disclosed in the consolidated annual accounts in this respect.</p> <p>As a result of the procedures performed, we consider that the values resulting from the valuation exercise of investment property performed by management, recognised under the relevant heading, are within a reasonable range compared with market conditions.</p>

Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2019 financial year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility regarding the information contained in the consolidated management report is defined in the regulation governing financial statement audit work, which establishes two distinct levels of responsibility:

- a) A specific level applicable to the consolidated non-financial statement and some of the information included in the Annual Corporate Governance Report, as defined in article 35.2.b) of Spanish Law 22/2015, the Audit Act, which consists of solely checking that the required information has been provided in the management report or, where appropriate, it has been included a reference to the separate report on non-financial information in the prescribed manner; otherwise, reporting that it has not.
- b) A general level applicable to the remaining information included in the consolidated management report, which consists on evaluating and reporting on the consistency between the aforesaid information and the consolidated financial statements as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, and does not include information different to that obtained as evidence during our audit. Likewise, our responsibility is to evaluate and report on whether the content and presentation of this part of the consolidated management report are in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exists, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in a) above is included in the consolidated management report and that the remaining information contained in the consolidated management report is consistent with that contained in the consolidated financial statements for the 2019 financial year, and its content and presentation are in accordance with the applicable regulations.

Responsibility of the directors and the audit committee for the consolidated annual accounts

The Parent company's directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent company's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the aforementioned directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent company's audit committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

Auditor's responsibilities for the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material

misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- We identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement due to fraud is higher than in the case of a material misstatement due to error, as fraud may involve collusion, forgery, deliberate omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Group's internal control.
- We assess whether the accounting policies applied are appropriate and the reasonableness of the accounting estimates and the related disclosures by the parent company's directors.
- We conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion our conclusions are based on audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and assess whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient and adequate evidence in relation to the financial information of the companies or the business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent company's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent company's audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent company's audit committee, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.



Metrovacesa S.A. and related parties

Report on other legal and regulatory requirements

Report to the Parent company's audit committee

The opinion expressed in this report is consistent with the content of our additional report for the parent company's Audit Committee dated February 27, 2020.

Term of engagement

The general meeting of shareholders held on April 29, 2019 appointed us auditors for a one-year period.

We were previously appointed under resolutions adopted by the general shareholders' meeting for a period of three years and have been auditing the financial statements uninterruptedly since the year ended 31 December 2016.

Services rendered

Non-audit services provided to the Group are detailed in note 22 to the consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by Gonzalo Sanjurjo Pose (18610)

February 27, 2020



METROVACESA, S.A. AND SUBSIDIARIES

Consolidated annual accounts and consolidated management report for the year ended
December 31, 2019



METROVACESA, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(Expressed in thousand euro)

ASSETS	Note	31/12/2019	31/12/2018
Non-current assets			
Property plant and equipment and intangible assets		1,629	929
Investment property	6	334,090	340,092
Investments in associates	7	61,125	58,990
Receivables	8 & 10	95,675	79,971
Deferred tax assets	15	95,612	96,948
Total non-current assets		588,131	576,930
Current assets			
Inventories	9	1,902,343	1,840,671
Trade and other receivables	8 & 10	25,081	17,449
Receivables from Public Administrations	15	5,003	2,419
Other financial assets	8 & 10	18,667	9,404
Cash and cash equivalents	8 & 11	139,698	146,951
Total current assets		2,090,792	2,016,894
Total assets		2,678,923	2,593,824

The accompanying Notes 1 to 22 form an integral part of these Consolidated Annual Accounts.

METROVACESA, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(Expressed in thousand euro)

	<u>Note</u>	<u>31/12/2019</u>	<u>31/12/2018</u>
EQUITY			
Total equity attributable to the Company's shareholders			
Share capital	12.a	1,092,070	1,092,070
Share premium	12.a	1,328,323	1,378,298
Other reserves	12.b	(742)	(546)
Retained earnings	12.b	(84,028)	(79,523)
Reserves in companies consolidated using the equity method	12.b	(2,665)	(2,675)
Treasury shares		(2,801)	(3,732)
Other shareholder contributions		10,995	9,109
Other equity instruments		387	575
Value adjustments		(775)	(569)
Minority interests	12.b	79	83
Total equity		2,340,843	2,393,090
LIABILITIES			
Non-current liabilities			
Provisions	13	10,061	10,122
Financial debt	8 & 14	94,983	68,119
Trade and other payables	8 & 14	13,928	6,659
Deferred tax liabilities	16	9,481	8,503
Total non-current liabilities		128,453	93,403
Current liabilities			
Provisions	13	19,041	13,815
Financial debt	8 & 14	53,468	13,038
Trade and other payables	8 & 14	126,866	54,003
Payables to Public Administrations	14 & 15	10,252	26,475
Total current liabilities		209,627	107,331
Total liabilities		338,080	200,734
Total equity and liabilities		2,678,923	2,593,824

The accompanying Notes 1 to 22 form an integral part of these Consolidated Annual Accounts.

METROVACESA, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Expressed in thousand euro)

CONTINUING OPERATIONS	Note	31/12/2019	31/12/2018
Sales	16	161,508	190,416
Cost of sales	16	(141,412)	(160,656)
Staff costs	16	(14,995)	(12,842)
Amortisation/Depreciation		(387)	(223)
External services		(18,936)	(16,395)
Variation in trade provisions	16	5,955	(1,623)
Changes in value of investment properties	6	6,983	9,672
Gains/(losses) on sale of investment properties		3,886	(76)
Other gains or losses		(6)	(1,222)
OPERATING RESULTS		2,596	7,051
Financial income		1,964	1,492
Financial expenses		(9,325)	(9,444)
Capitalised financial expenses		2,531	1,327
Results in entities carried under the equity method		(205)	10
FINANCIAL RESULTS		(5,035)	(6,615)
PROFIT /(LOSS) BEFORE TAX		(2,439)	436
Corporate income tax	15	(2,057)	(9,540)
PROFIT/(LOSS) FOR THE YEAR	12.b	(4,496)	(9,104)
Owners of the parent		(4,494)	(9,104)
Non-controlling interests		(2)	-
Basic earnings/(loss) per share (Euro)			
- Basic	4	(0.0297)	(0.0272)
- Diluted	4	(0.0297)	(0.0272)

The accompanying Notes 1 to 22 form an integral part of these Consolidated Annual Accounts.

METROVACESA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Expressed in thousand euro)

	<u>31/12/2019</u>	<u>31/12/2018</u>
Profit/(loss) for the year	(4,496)	(9,104)
Items that may be reclassified to results		
Cash flow hedges	(275)	(759)
Income tax on these items	69	190
Other comprehensive income for the year, net of tax	(206)	(569)
Total other comprehensive income for the year	(4,072)	(9,673)
Owners of the parent	(4,700)	(9,673)
Non-controlling interests	(2)	-

The accompanying Notes 1 to 22 form an integral part of these Consolidated Annual Accounts.

METROVACESA, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Expressed in thousand euro)

	Share capital	Share Premium	Other reserves	Retained earnings	Reserves in companies consolidated using the equity method	Treasury shares	Other shareholder contributions	Other equity instruments	Value adjustments	Minority interests	Total Equity
Balance at 1 January 2019	1,092,070	1,378,298	(546)	(79,523)	(2,675)	(3,732)	9,109	575	(569)	83	2,393,090
Total comprehensive income for the year	-	-	-	(4,494)	-	-	-	-	(206)	(2)	(4,702)
Net profit/(loss) for the year	-	-	-	(4,494)	-	-	-	-	-	(2)	(4,496)
Cash flow hedges	-	-	-	-	-	-	-	-	(206)	-	(206)
Transactions with owners in their capacity as such	-	(49,975)	(196)	-	-	931	1,886	(188)	-	-	(47,542)
Acquisition of treasury shares	-	-	(196)	-	-	931	-	-	-	-	735
Share premium distribution	-	(49,975)	-	-	-	-	-	(188)	-	-	(50,163)
Contributions of equity	-	-	-	-	-	-	1,886	-	-	-	1,886
Other movements	-	-	-	(11)	10	-	-	-	-	(2)	(3)
Movements equity-consolidated companies	-	-	-	(10)	10	-	-	-	-	-	-
Other	-	-	-	(1)	-	-	-	-	-	(2)	(3)
Balances at 31 December 2019	1,092,070	1,328,323	(742)	(84,028)	(2,665)	(2,801)	10,995	387	(775)	79	2,340,843

METROVACESA, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Expressed in thousand euro)

	Share capital	Share Premium	Other reserves	Retained earnings	Reserves in companies consolidated using the equity method	Treasury shares	Other shareholder contributions	Other equity instruments	Value adjustments	Minority interests	Total Equity
Balance at 1 January 2018	1,092,017	1,378,214	-	(69,807)	(3,275)	-	-	-	-	227	2,397,376
Total comprehensive income for the year	-	-	-	(9,104)	-	-	-	-	(569)	-	(9,673)
Net profit/(loss) for the year	-	-	-	(9,104)	-	-	-	-	-	-	(9,104)
Cash flow hedges	-	-	-	-	-	-	-	-	(569)	-	(569)
Transactions with owners in their capacity as such	53	84	(546)	-	-	(3,732)	9,109	575	-	(137)	5,406
Capital increase	53	84	-	-	-	-	-	-	-	(137)	-
Acquisition of treasury shares	-	-	(546)	-	-	(3,732)	-	-	-	-	(4,278)
Employee share scheme	-	-	-	-	-	-	-	575	-	-	575
Contributions of equity	-	-	-	-	-	-	9,109	-	-	-	9,109
Other movements	-	-	-	(612)	600	-	-	-	-	(7)	(19)
Movements equity-consolidated companies	-	-	-	(600)	600	-	-	-	-	-	-
Other	-	-	-	(12)	-	-	-	-	-	(7)	(19)
Balances at 31 December 2018	1,092,070	1,378,298	(546)	(79,523)	(2,675)	(3,732)	9,109	575	(569)	83	2,393,090

The accompanying Notes 1 to 22 form an integral part of these Consolidated Annual Accounts.

METROVACESA, S.A. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENTS AT 31 DECEMBER 2019 AND 31 DECEMBER 2018

(Expressed in thousand euro)

	Note	31/12/2019	31/12/2018
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/ (loss) for the year before tax		(2,439)	436
Adjustments to results:			
Fixed asset amortisation/ depreciation		387	223
Change in allowances and provisions	16	(5,955)	1,623
Impairment of financial instruments		-	-
Changes in value of investment property	6	(6,983)	(9,672)
Profit/(loss) on fixed asset write-offs and disposals		(3,886)	76
Financial income		(1,964)	(1,492)
Capitalised expenses		(2,531)	(1,327)
Financial expenses		9,325	9,443
Other gains or losses		6	1,222
Other adjustments to results		-	8
Adjusted results		(14,040)	540
Changes in working capital			
- Inventories	9	(49,822)	41,728
- Trade and other receivables		(10,940)	2,881
- Other current assets		(9,263)	(7,932)
- Accounts payable		67,006	11,549
- Other current liabilities		-	-
- Other non-current liabilities		-	347
Other cash flows from operating activities			
-Interest paid (-)		(7,963)	(9,443)
- Interest collected		77	402
- Income tax received (paid)		(3,097)	(5,567)
- Total net cash flows from operating activities		(28,042)	34,505
2. CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in:			
Intangible assets		(467)	(399)
Property, plant and equipment		(617)	(182)
Investment property		(1,432)	(1,981)
Divestment from:			
Investment property		10,279	14,000
Total net cash flows from investing activities		7,762	11,438
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts and payments on equity instruments:			
Acquisition of own equity instruments		-	(546)
Issuance of equity instruments		439	137
Receipts and payments on financial liability instruments:			
<u>Issue</u>			
Issue of Debt with credit institutions		114,882	97,580
Other debts (shareholder contributions to shareholder funds)		-	10,141
<u>Repayment and amortisation of:</u>			
Repayment of syndicated loan facilities		(52,321)	(56,635)
Share premium distribution		(49,974)	-
Total net cash flows from financing activities		13,026	50,677
INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS, NET	11	(7,253)	96,619
Cash and cash equivalents at beginning of the year		146,951	50,332
Cash and cash equivalents at end of the year		139,698	146,951

The accompanying Notes 1 to 22 form an integral part of these Consolidated Annual Accounts.

METROVACESA, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Expressed in Euro)

1. INTRODUCTION, BASIS OF PRESENTATION OF THE CONSOLIDATED ANNUAL ACCOUNTS AND OTHER INFORMATION

a) General information

Metrovacesa Suelo y Promoción, S.A. was incorporated on February 18, 2016 for an open-ended period as a result of the partial spin-off of Metrovacesa, S.A. (hereinafter, the former Metrovacesa).

At the General Meeting of Shareholders held on January 11, 2016, the partial spin-off of the former Metrovacesa. was approved, without its extinguishment, consisting of the spin-off of the assets and liabilities belonging to the land and real estate development business, forming an independent economic unit, in favour of the new company "Metrovacesa Suelo y Promoción, S.A" , which was partly owned by the shareholders of the former Metrovacesa in the same proportion they held at the time the spin-off was executed.

As a result of this spin-off, Metrovacesa Suelo y Promoción, S.A. and Subsidiaries form a group that acquired in bloc and through universal succession, the assets and liabilities pertaining to the land and development business of the former Metrovacesa. As a result of this capital restructuring, the former Metrovacesa contributed assets amounting to €1,149,635 thousand and liabilities amounting to €109,780 thousand to the new company (see paragraph b).

At the parent company's General Shareholders' Meeting of June 30, 2017, the motion was approved to change its name to Metrovacesa, S.A., subject to the fulfilment of certain conditions precedent. The change was entered in the Madrid Mercantile Register on 29 November 2017.

Metrovacesa, S.A. (formerly Metrovacesa Suelo y Promoción, S.A.) is the parent company of the Metrovacesa Group (hereinafter the Group), whose subsidiaries have been detailed in Appendix 1.

Its current registered address is Quintanavides street, 13, Parque vía Norte, 28050, Madrid.

In accordance with Article 2 of the company by-laws, Metrovacesa as the parent company and its subsidiaries' corporate objects are as follows:

- To acquire or build all types of properties for construction or improvement for subsequent sale.
- To promote, develop and divide real estate into plots, in general.
- To acquire land, urban development, or any type of real right over real estate for sale. To take actions, either directly or through the subsidiaries, in relation to:
 - i. Real estate management for own benefit or in favour of third parties.
 - ii. Promotion and management of real estate associations.
- The performance of renovation, refurbishment or positioning work on complete buildings or part of them.
- The creation, formation and exploitation and development of all kinds of estates.
- Technical advice and the performance of studies and projects related to real estate activities, and in particular, the promotion and performance of the necessary technical development, legal and commercial actions to start up, build or in any other way exploit Residential areas, Car Parks, Residential facilities for seniors and students, hotels and any other type of community or social facilities.
- To participate, in the terms determined by the Board of Directors, in the capital of other companies whose corporate purpose is similar to that described above.

b) Financial information relating to the assets and liabilities contributed to the Company at the time of its incorporation

The Company acquires the obligations of the former Metrovacesa which form part of the asset and liability spin-off. The Company therefore assumes the position of the former Metrovacesa in respect of the latter's relations, rights and obligations.

Ownership of the assets and liabilities spun off pertains to Metrovacesa, S.A. (formerly Metrovacesa Suelo y Promoción, S.A.), that is automatically authorised without interruption to carry out all kinds of acts, of disposals, control and encumbrances in respect of such assets and liabilities. The delivery of the assets and liabilities spun off was formalised on February 18, 2016 through the deed registering the capital increase through the shareholders' non-monetary contributions. However, as this operation was defined under common control with the contribution of a line of activity qualifying as a business, all transactions were recognised as from 1 January 2016 which is therefore the date taken into account for accounting purposes. In this case, the values contributed were the predecessor values at which the assets and liabilities were carried in the contributing party.

The assets and liabilities indicated in those deeds are as follows:

ASSETS	<u>18/02/2016</u>
Investments in group companies and associates	122,868
Inventories	775,819
Accounts receivable from group companies and associates	148,143
Other current financial assets	102,805
Total assets	1,149,635
LIABILITIES	
Accounts payable to group companies and associates	43,699
Other liabilities	66,081
Total liabilities	109,780
Net assets	1,039,855

c) Other relevant operations in 2019

- Long-term Incentive Plan

On December 19, 2017, the Extraordinary General Shareholders' Meeting approved the launch of an Incentive Plan targeting CEO and Executive Directors. This plan has two parts, the first one was a fixed amount and it was accrued when the parent company was listed (MIP) and the second part was a long-term incentive plan (LTIP).

The MIP cost was assumed by the main shareholders of the parent company. The amount agreed to be distributed was €1,150 thousand, which was registered in the income statement and 50% paid in cash during the first 3 months of year 2018 and the rest will be paid in shares of the parent company (25% of shares will be distributed after one year of the listing and 25% of shares will be distributed after the second year, considering that beneficiaries has to be employees). In February 2019, the parent company has distributed 12,279 shares among beneficiaries.

These contributions were registered in the consolidated Equity and Staff expenses.

The 5th of February of 2018, the main shareholders made an equity contribution of €1,150 thousand, in order to cover the MIP cost.

The LTIP consists in a share distribution after a period of time and fulfilment is subject to performance goals (growth metrics 25%, efficient metrics 25% and value creation 50%) and beneficiaries has to be employees. The LTIP has three overlapping cycles with a length of 3 years each one, that started when the company was listed and ends on December 31, 2022.

The maximum amount to be distributed among the beneficiaries along the life of the plan (assuming a 150% of fulfillment in performance metrics) is € 9.1 million. Shares will be distributed to the beneficiaries at the end of each cycle. The first cycle started when the Company was listed and will end the 31st of December of 2020. This plan will be paid with "equity settle" shares.

The first LTIP cycle has an approved maximum amount of €3,040 thousand, of which €869 thousand is pending allocation to the beneficiaries. Fulfilment is subject to metrics referenced i) 50% to the Company's share price and ii) 50% to operating results. The vesting period ends on 31 December 2020.

The second LTIP cycle has an approved maximum amount of €1,520 thousand, of which €179 thousand is pending allocation to the beneficiaries. Fulfilment is subject to metrics referenced i) 50% to the Company's share price and ii) 50% to operating results. The vesting period ends on December 31, 2021.

In 2018, the parent Company has registered an expense of €70 thousand in the consolidated income statement related to the cost of LTIP (€1,180 thousand in 2018, €1,150 thousand of those corresponds to MIP).

Based on Company management's best estimates, the amount recognised in the consolidated annual accounts is €100 thousand, in the item "Other equity instruments".

- Shareholders contribution

On December 31, 2019, a receivable with Main Shareholders of €3,772 thousand has been registered (€1,886 thousand in the consolidated income statement), to afford the tax impact of the non-monetary contribution of Metrovacesa Promoción y Arrendamiento, S.A. shares.

- Sale of land to related company

On June 4, 2019, the Group has sold some plots located in Las Tablas (Madrid) to associate Company Las Tablas Propco I, S.L.U., according to the shareholders agreement which states the terms and conditions of a project to jointly promote an office building. The price has been €30,086 thousand.

Metrovacesa Promoción y Arrendamiento, S.A., as the indirect holder of 24% of the shares of Las Tablas Propco, S.L.U. made the necessary contributions to Monteburgos Holding Spain, S.L., (sole shareholder). The shareholder contributions amount to €2,342 thousand as of December 31, 2019 (€209 thousand as of December 31, 2018).

- Purchase of land via payment in kind (exchange)

On December 30, 2019, the parent Company has acquired some plots to significant shareholders and it has transmitted the possession of some dwellings for the same amount of 12,892 thousand.

d) Relevant operations for 2018

- Non-monetary capital increase

On January 8, 2018, 331,206 Metrovacesa S.A. shares were issued with a par value of €0.16 each, and at a share premium of €83 thousand in total, fully subscribed and paid in through the contribution of 1,200,191 MPYA shares with a par value of €0.10 each. Metrovacesa, S.A. therefore acquired control of an additional 0.039 % of the shares of Metrovacesa Promoción y Arrendamiento, S.A owned by minority interests.

- Countersplit

The General Meeting of Metrovacesa held on December 19, 2017 passed the motion to carry out a “counter-split” such that the 6,825,435,539 shares into which the parent’s share capital was divided were grouped and cancelled at a rate of one new share for every 45 former shares. As a result, share capital currently consists of 151,676,341 newly issued shares and the unit par value of the shares has increased from €0.16 to €7.20000001476829, while share capital remains unchanged at €1,092,069,657.44. This agreement was executed on January 11, 2018.

During that Meeting, the shareholders authorised the acquisition and allocation of the treasury shares that may arise, inter alia, as a result of the counter-split.

- Shareholder contributions

On January 29, 2018 the majority shareholders made a cash contribution amounting to €9,050 thousand in order to cover the tax impact triggered by the non-monetary contribution of shares in Metrovacesa Promoción y Arrendamiento, S.A., of which a total of €1,091 thousand was recognised in the consolidated income statement.

Also, on February 5, 2018 the majority shareholders made a shareholder contribution to shareholders’ funds amounting to €1,150 thousand in order to cover the costs of the MIP (Note 12).

- Flotation

On February 6, 2018 the Company’s shares started trading on the Madrid, Barcelona, Valencia and Bilbao stock exchanges at an initial share price of €16.50 per share. The majority shareholders placed 39,130,435 shares on the market at a unit value of €16.50 per share.

e) Consolidation perimeter changes

The 20th of December of 2019, 100% of shares of Metrovacesa Comercial (named Global Ferida, S.L.) has been acquired. The price has been €3,600 thousand.

The 28th of February of 2018, the company Avenida das Inmobiliarias Novas, S.A. was liquidated. Loss of €6 thousand has been registered in the consolidated income statement.

During 2018, the company Valdicsa, S.A. (investment in associate that was accounted for using the equity method of accounting and which amounts €0 thousand at the end of 2017) was liquidated as agreed by its respective shareholders. This operation was registered in the Mercantile Registered the 27th of September of 2018. The Group owned the 33% of the shares of the company and a loss of €1,222 thousand was registered in the consolidated income statement in the line of “Other gains or losses”.

The consolidation perimeter as of December 31, 2019 and December 31, 2018 is detailed in Appendix I to these consolidated annual accounts.

2. BASIS OF PRESENTATION OF CONSOLIDATED ANNUAL ACCOUNTS

The consolidated annual accounts at December 31, 2019, which have been obtained from the accounting records of the parent company and the rest of the companies integrated in the Group at December 31, 2019, have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Committee (IFRIC) adopted by the European Union (referred to as IFRS-EU), in accordance with Regulation (EC) No 1606/2002 of the European Parliament and Council and subsequent amendments.

The preparation of these consolidated annual accounts under IFRS-EU requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group’s accounting policies. Note 2.2 discloses the areas that require a higher level of judgement or entail greater complexity, and the areas where the assumptions and estimates are significant for the consolidated annual accounts.

These consolidated annual accounts were formally prepared and authorised by issue by the Board of Directors on February 27, 2020.

The figures set out in these consolidated annual accounts are expressed in thousand euro ("€"), unless indicated otherwise.

2.1 Entry into effect of new accounting standards

The following mandatory standards and interpretations, already adopted by the European Union, took effect in 2019. Where applicable, the Group has used them in the preparation of the accompanying information as of December 31, 2019.

2.1.1 New standards, amendments and interpretations mandatory in the year

The Group has applied the following standards and amendments for the first time in the year commencing 1 January 2019:

Mandatory standards, amendments and interpretation for years starting January 1, 2019:

- **IFRS 16 – Leases:** This will supersede IAS 17 – Leases in periods commencing on or after January 1, 2019. This new standard proposes a single model for the lessee in which all leases (immaterial leases and leases having a term of less than 12 months may be excluded) will be carried in the balance sheet in a similar way to the current finance leases and maintains a dual model for the lessor based on the current IAS 17, distinguishing between finance and operating leases.

The Group records operating leases for its representative offices and the Madrid headquarters, which will cause an increase in financial assets and liabilities in respect of future payment obligations. The impact on the consolidated annual accounts is not material, thus, the impact has not been registered.

- **IFRS 9 (amendment): "Prepayment features with negative compensation".** The terms of instruments with prepayment features with negative compensation where the lender could be required to accept a prepayment which is substantially lower than unpaid principal and interest, were incompatible with the notion of "reasonable additional compensation" for the early termination of a contract according to IFRS 9. Therefore, such instruments would not have contractual cash flows that are solely payments of capital and interest, meaning that they were measured at fair value through profit or loss. The amendment to IFRS 9 clarifies that a party may pay or receive reasonable compensation for the early termination of a contract, which could permit these instruments to be measured at amortised cost or fair value through other comprehensive income. This amendment is effective in years beginning on or after 1 January 2019. At the date of issue of these consolidated annual accounts, the Group has no instruments with prepayment features with negative compensation and therefore it has no impact for the Group.
- **IFRIC 23 "Uncertainty over income tax treatments"** The interpretation provides additional requirements to those of IAS 12 "Income taxes", specifying how to recognise the effects of uncertainty in income tax accounting. This interpretation clarifies how the recognition and measurement requirements of IAS 12 are applied when there is uncertainty over income tax accounting treatments. Metrovacesa management considers that based on the type of business, nature of the related assets and liabilities and prior year experience in estimating the income tax provision, there are no uncertainties which may affect the treatment of taxes or present and future deferred tax assets and liabilities.
- **IAS 28 (amendment) - 'Long-term Interests in Associates and Joint Ventures'.** Long-term interests in an associate or joint venture that in substance form part of the entity's net investment in the associate or joint venture but to which the equity method is not applied are recognised under IFRS 9 "Financial instruments". At the date of preparation of these consolidated annual accounts, all investments in associates and joint ventures are recognised under the equity method and therefore this standard is not applicable.

- **IAS 19 (amendment) “Plan Amendment, Curtailment or Settlement”:** If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. This standard is not applicable.
- **Annual Improvements to IFRS Cycle 2015- 2017** The amendments affect IFRS 3, IFRS 11, IAS 12 and IAS 23 and will apply to the years starting on or after 1 January 2019, subject to adoption by the European Union. The main amendments relate to:
 - IFRS 3, “Business combinations” Previously held interests in a joint venture are remeasured when control over the business is obtained.
 - IFRS 11 “Joint arrangements” Previously held interests in a joint venture are not remeasured when joint control over the business is obtained.
 - IAS 12 “Income taxes”. All tax consequences of dividend payments are accounted for in the same way.
 - IAS 23 “Borrowing costs” Specific borrowings originally granted to develop a qualifying asset are considered general borrowings when the asset is ready for use or sale.

None of the previous amendments has a significant impact on these consolidated annual accounts.

Standards issued but not in force

The Group intends to adopt the standards, interpretations and amendments to the standards issued by the IASB that are not mandatory in the European Union at the date of these consolidated annual accounts, when they come into effect, if they are applicable.

- **IFRS 10 (Amendment) and IAS 28 (Amendment) “Sale or contribution of assets between an investor and its associate or joint venture”** These amendments clarify the accounting treatment of the sale or contribution of assets between an investor and its associates and joint ventures. This will depend on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a business. The investor will recognise the total gain or loss when the non-monetary assets constitute a “business”. If the assets do not meet the definition of a business, the investor should recognise the profit or loss to the extent of other investors’ interests. The amendments will only apply when an investor sells or contributes the assets to its associates or joint ventures. There is currently no fixed date of application.

This standard does not represent a change with respect to the Group’s current policy. There are currently no investment agreements in the Group affecting subsequent years and it is therefore impossible to reliably estimate the impact on the consolidated annual accounts for subsequent years.

- **NIIF 17 “Insurance Contracts”:** On May 2017, the IASB completed the long-term project to develop an accounting standard about insurance contracts and IFRS 17, “Insurance Contracts”, was approved. IFRS 17 replaces IFRS 4 “Insurance Contracts”, that currently permits a wide range of accounting practices. IFRS 17 change substantially the accounting among insurance companies.

This standard is effective in years beginning on or after January 1, 2021, earlier application is permitted but only if IFRS, “15 Revenue from Contracts with Customers” and IFRS 9, “Financial Instruments” is adopted at the same time. NIIF 17 is pending to be approved by the European Union. The management of the Group has estimated that this standard will not have a significant impact on the consolidated annual accounts.

- **IFRS 3 (Amendment) “Definition of a business”:** These amendments will assist entities to determine whether they have acquired a business or a group of assets. The amended definition emphasises that the output of a business is to provide goods or services to customers whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors or others. In addition to modifying the wording of the definition, additional guidance has been provided. To be considered a business, an acquisition would have to include an input and process that together significantly contribute to the ability to create products. The new guidance provides a framework for evaluating when both elements are present (even for companies in an early stage that have not generated products). To be a business in the absence of the ability to generate outputs, it will now be necessary to have organised workforce.

These amendments will apply to business combinations whose acquisition date is on or after the beginning of the first annual reporting period starting on or after January 1, 2020 and to asset acquisitions that occur from the start of that first year. Early application is permitted.

There are currently no plans to carry out any operations to which this standard may apply, and it is therefore impossible to reliably estimate the impact on the consolidated annual accounts for subsequent years.

The Group consider applying the standard through a simplified approach and comparatives will be not restated. Right of use asset will be measured at the date of transition, as if the standard has always been applied. The rest of right of use assets will be measured at an amount equal to the lease liability at the date of the adoption (adjusted by any pre-payment or any lease expense accrued at the date).

At the date, the Group evaluates periodically the possible impact of these standards and the Group has concluded that these impacts will not be significant.

There are not any other standards which be effective yet and that could have a material impact in the current or future years.

2.2 Critical estimates and judgements

In the accompanying consolidated annual accounts, the management of the parent company and consolidated entities has occasionally used estimates to quantify some assets, liabilities, income, expenses and commitments. These estimates are made using the best information available and refer to:

- Calculation of provisions

The Group makes estimates and judgements, based on the information obtained from independent experts and its own experience in light of historical information, for all provisions such as:

- Provisions for financial assets (Note 10)
- Provision for liabilities and charges (Note 13)

- Estimation of fair value of real estate assets

The market value of inventories was obtained from the valuations carried out by independent experts at December 31, 2019. These valuations are carried out using the methods established by Royal Institution of Chartered Surveyors" (RICS), as detailed in Notes 2.8a and 2.8b for investment properties (Note 6) and inventories (Note 9), respectively.

For assets and liabilities measured at fair value, the Group has applied the hierarchy defined in IFRS 13 in their classification on the basis of the inputs used in their measurement and observable market data.

In accordance with the new IFRS 13 standard, the hierarchical level used to classify all assets or liabilities (Level 1, Level 2 or Level 3) is determined depending on the relevant inputs used in the lowest fair value measurement. If the inputs used to measure the fair value of an asset or liability can be classified within the different levels, the fair value measurement is classified in full in the same fair value hierarchical level as the lowest level input which may be significant for the value measurement.

- Level 1: Listed prices (unadjusted) in active markets for identical assets or liabilities that the entity can access on the measurement date.
- Level 2: Distinguished data of listed prices included in Level 1 that are observable for assets or liabilities, directly or indirectly through measurement techniques which use observable market data.
- Level 3: Non observable inputs for assets and liabilities.

- Classification of real estate assets

The Group analyses individually the classification of its real estate assets and regards those assets which will be developed and promoted or sold in the ordinary course of business as inventories and those assets held to obtain rental income or land for currently undetermined future use as investment property. The Group manages its asset portfolio in accordance with the five-year business plans approved by the Board of Directors. Additionally, the policies for reclassification between headings described in Notes 2.8a and b. are applied.

- Recoverability of deferred tax assets

The recoverability of deferred tax assets is evaluated at the time they are generated and subsequently at each balance sheet date, in accordance with the development of the Group's profits projected in its business plan. Specifically, in assessing the recoverability of deferred tax assets, the synergies deriving from the tax consolidation have been taken into account together with estimated future tax profits based on the Group's business plan. That business plan is based on the assumptions relating to the growth in income and the related increase in margins for the next 5 years, mainly driven by the development of the Group's land portfolio, excluding those assets owned by companies carried under the equity method (approximately 75% of land is residential and 25% commercial), with a valuation at December 31, 2019 of €2,588,195 thousand (€2,567,885 thousand in 2018), and the sale of developments. At the date of preparation of the accounts, the Group has a stock of land with capacity for more than approximately 37,000 homes and sales are expected to rise annually, notably as from 2020. Invoicing is expected to amount to between €1,000 million and €1,300 million.

Additionally, the Group has properties under lease whose valuation amounts to €44,000 thousand as at December 31, 2019 (€42,000 thousand in 2018).

Although the aforementioned criteria are based on rational appreciations and elements of objective analysis, events that may take place in the future may make it necessary to adjust these estimates (upwards or downwards) in coming reporting periods or years. Changes in accounting estimates, if required, would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the consolidated income statements for the periods or years concerned.

2.3 Comparability

The information contained in these consolidated annual accounts for 2018 is presented solely for comparison with the information for the year ended December 31, 2019.

The information at December 31, 2019 was prepared using the same accounting policies as those used at December 31, 2018.

Despite the changes in the consolidation scope as a result of the corporate transactions described in Note 1.d, there are no significant impacts on the consolidated income statement that could affect the comparability of the information included.

2.4 Correction of errors

There are no significant corrections of errors in the consolidated annual accounts at December 31, 2019.

2.5 Seasonality of the Group's transactions

Given the activities carried out by the companies of the Group, its transactions are not significantly cyclical or seasonal in nature. Therefore, there are no specific disclosures in these notes to the consolidated annual accounts at December 31, 2019 in this regard.

2.6 Materiality

When determining which information from the different captions of the annual accounts should be itemised, the Group has considered the materiality of such information in relation to the consolidated annual accounts.

2.7 Functional currency

The euro is the presentation currency of the consolidated annual accounts as this is the functional currency of the environment in which the Group operates.

2.8 Accounting policies

In preparing the Group's consolidated annual accounts for the year ended December 31, 2019, the following accounting principles and measurement standards have been applied:

a. *Investment property*

Property held to obtain long-term rental income or capital gains or both and which is not occupied by Group companies is classified as investment property. Investment property includes office buildings, logistics warehouses and other freehold property. Investment property also includes property under construction or to be developed for future use as investment property.

Investment property is initially carried at cost, including related transaction costs and financing costs, if applicable. Following initial recognition, investment property is carried at fair value.

The fair value of investment property reflects, inter alia, rental income and other assumptions that market players would take into account on valuing the property under current market conditions.

Subsequent expenses are capitalised at the asset's carrying amount only when it is probable that the future economic benefits associated with the expense will flow to the Group and the cost of the asset may be reliably measured. Other repair and upkeep expenses are recognised in the income statement when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is written off.

If the valuation obtained for a property held for rent is net of all payments which are expected to be made, any liabilities recognised separately on the balance sheet in respect of leases are again added to arrive at the carrying amount of the investment property for accounting purposes.

Changes in fair value are recognised in the consolidated income statement while the fair value is calculated as described in Note 6. Investment properties are derecognised when sold.

When the Group carries a property at fair value on a transaction under arm's length conditions, the carrying amount immediately prior to the sale is adjusted to the transaction price and the adjustment is recognised in the income statement within the gain net of the adjustment to the fair value of the investment property.

If an investment property is converted into owner occupied property, it is reclassified to property, plant and equipment. Fair value at the reclassification date is taken as cost for subsequent accounting purposes.

If a property occupied by its owners becomes an investment property, due to a change of use, the resulting difference between the carrying amount and fair value of that asset on the transfer date is treated in the same way as a restatement according to IAS 16. Any resulting increase in the carrying amount of property is recognised in the income statement insofar as it reverses a previous impairment loss. Any remaining increase is recognised in other comprehensive income, directly increasing equity in the revaluation reserve. Any resulting fall in the carrying amount of the property is initially recognised in other comprehensive income against any previously recognised restatement reserve, with the remaining decrease recognised in the income statement.

When there is a change in the use of an investment property, evidenced by the start of development work on the property for subsequent sale, the property is transferred to inventories. The attributable cost of the property for subsequent recognition as inventories is its fair value at the date on which its use changes. Additionally, a transfer will take place between inventories and investment property when there is a change in the use of the asset evidenced by the start of a contract for its rent. When the Group decides to sell an asset classified as investment property without subsequent real estate development, it continues to classify it as an investment property until it is sold. Taking into account the definition of investment property in accordance with IAS 40, the Group has classified land held for currently unspecified future use as investment property.

- Exchange

Whenever an item of property, plant and equipment, an intangible asset or an investment property is acquired by means of an exchange which is commercial in nature, it is measured at the fair value of the asset delivered, plus any monetary consideration handed over, unless there is better evidence of the value of the asset received and up to the limit of the latter. The Company considers that an exchange is commercial in nature when the structure of the cash flows of the asset received differs from the structure of the cash flows of the asset handed over or the present value of the after-tax cash flows of the activities affected by the swap are modified. Further, either of the above differences must be material with respect to the fair value of the assets exchanged.

If the exchange is not deemed commercial in nature or the fair value of the transaction assets cannot be determined, the asset received is measured at the carrying amount of the asset handed over, including any monetary consideration, up to the limit of the fair value of the asset received if lower and provided that it is available.

b. Inventories

This heading on the consolidated balance sheet includes the assets that the consolidated companies:

1. Hold for sale in the ordinary course of business,
2. Have under production, construction or development for such purpose or
3. Expect to consume in production or the provision of services.

The Group considers that its inventories do not meet the requirements of IAS 40 to be considered investment property. Consequently, land and other property held for sale once included in a development are regarded as inventories together with land for development and / or sale in the ordinary course of business.

Land and lots are valued at the lower of acquisition price, increased by the cost of any development work, acquisition related expenses (transfer tax, registry expenses etc) and the financial expenses incurred over the period in which the development work is carried out, and realisable value.

Costs incurred in property developments or part of such developments, construction of which has not finished at the year end, are considered work in progress. These costs include those relating to the land, development and construction, the capitalisation of the financial expense incurred during the construction period and other attributable direct and indirect costs. Selling expenses are charged to the consolidated income statement in the period incurred.

Financial expenses capitalised at 31 December 2019 amount to €1,477 thousand (€1,327 thousand at December 31, 2018) and are recognised in the consolidated income statement as a decrease in financial results relating to expenses associated with property developments in progress.

It is Group policy to transfer those developments or parts thereof for which construction work is complete from "Construction work in progress" to "Finished structures".

Short-cycle inventories are those for which the forecast development and promotion date does not exceed 36 months.

The cost of work in progress and finished work is written down to market value and where warranted, the relevant provision for depreciation is established. Conversely, if fair value is higher than the net cost value, the cost value is maintained.

The market value of the Group's inventories at December 31, 2019 is calculated based on the valuations performed by independent experts not related to the Group, namely, "Savills Consultores Inmobiliarios" and "CBRE Group". Valuations are performed in accordance with the Appraisal and Valuation Standards published by Royal Institution of Chartered Surveyors (RICS) of Great Britain and in accordance with the International Valuation Standards (IVS) published by the International Standards Valuation Committee.

In order to calculate fair value, the main method used is the residual method (dynamic) for all inventories of land and work in progress and finished products. This method consists of estimating the value of finished products, using the discounted cash flow method, and this value is reduced by development costs which include urbanisation and construction costs, fees, rates etc and the developer's profit in order to arrive at the estimated residual value.

Income and costs are distributed over time according to the development and sales periods estimated by the valuer. The discount rate used is the rate that represents the annual average return on the project, excluding borrowings, that would be obtained by an average developer on a development with the characteristics of the one analysed. The discount rate is calculated by adding the risk premium to the risk free rate (calculated by assessing the risk of the development taking into account the type of real estate asset to be built, its location, liquidity, completion timeline and the volume of investment necessary).

Key values are therefore selling prices and the internal rate of return. In accordance with applicable legislation, Management has performed sensitivity analyses (Note 9), taking into account as key assumptions selling prices and internal rates of return where the time variable is implicitly included.

Given the uncertain nature of any information based on future expectations, differences could arise between projected results taken into account for the purposes of these estimates of the recoverable value of inventories and real results, which could lead to changes in them (upward or downward) in coming years. As described in Note 2.2, any changes would in any event be made prospectively.

At December 31, 2019, within the framework of the preparation of its business plan and based on the strategy agreed by the Directors, the Group carried out a detailed study of its assets and prepared an individual business plan for each, based on the specific analysis of their real situation, and adapting marketing timelines and prices to their specific features using conservative premises, giving rise to additional provisions. The results obtained are within ranges accepted in the sector for possible variations in the valuations made by third parties taken as a reference in previous periods.

As mentioned above, the entire land portfolio was valued by two independent experts and that value has been taken as a reference when assessing the accounting impairment to be recognised.

The valuations were performed through an individualised analysis of each asset taking into account the building specifications envisaged which in turn determine the contract costs and the range of related selling prices. Similarly, the average forecast periods for planning, management and urban development have been taken into account together with the average construction periods for each development based on building type and density.

Lastly, the discount rate associated with each project has been calculated. The rates vary on the basis of the development status of the asset (land on which development has not started, under construction, under presale arrangements etc), generally between 10% for land classified as for development and 20% for land under management before taxes.

There are also other parameters that are fixed in each of the valuations performed, specifically the following:

- Presales prior to the start of development construction work have not been taken into account.
- It has been estimated that 80% to 100% of sales (presales - off plan) will be carried out during the construction of the developments while other sales will be completed generally within a maximum of between 12 to 20 months of completion.
- Increases in selling prices with respect to current market prices have not been taken into account.
- It is estimated that between the time needed to draw up the project and obtain the building permit and deliver the project and complete the marketing and sale of the units, 30 to 36 months may elapse.

In one area the valuers have taken a special circumstance into account for the valuation of land in that area. Because of development issues, the area general plan was cancelled by the relevant territory authority. A special assumption has been made that a new general plan is approved the content and development of which are similar to that cancelled. Management considers that this assumption is reasonable based on the fact that the cancellation derives from formal and not material defects and based on the estimated timeframe. Inventories valued under this assumption total €38,429 thousand (€38,150 thousands in 2018). For this area where the key assumption is that construction will start, a sensitivity analysis was performed, assuming a delay of 12 months with respect to the assumption adopted. This delay would lead to a reduction in the present value by approximately 15% with an additional impairment of €6,247 thousand (€5,662 thousand in 2018) recorded under the heading "Changes in trade provisions" in the consolidated income statement.

Management carries out a review of the valuation models and verifies the reasonableness of the ratios such as land as a percentage of finished products, profit over production cost or the profit obtained on sales.

All resulting fair value estimates for inventories are included in Level 3.

c. Financial instruments

- Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable collections that are not quoted on an active market. They are included in current assets, unless they mature in more than 12 months after the consolidated balance sheet date, in which case the item is recognised under non-current assets. Loans and receivables are included in "Trade and other receivables" in the consolidated balance sheet.

Financial assets are initially carried at fair value, including transaction costs which are directly attributable, and are subsequently measured at amortised cost. Accrued interest is recognised at the effective interest rate, which is the discount rate that brings the instrument's carrying amount into line with all estimated cash flows to maturity. Trade receivables falling due in less than one year are carried at their face value at both initial recognition and subsequent measurement, provided that the effect of not discounting flows is not significant

At the year end at least, the necessary value adjustments are made for impairment when there is objective evidence that not all amounts due will be collected.

Impairment losses are recognised at the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the effective interest rate prevailing at the date of initial recognition. Value adjustments, and reversals, where applicable, are recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits at credit institutions and other short-term highly liquid investments with an original maturity of three months or less.

Financial liabilities - Borrowings and payables

This category includes trade and non-trade payables. Borrowings are classed as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months as from the balance sheet date.

They are initially recognised at fair value, adjusted for directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest method. The effective interest rate is the discount rate that brings the carrying amount of the instrument into line with the expected flow of forecast future payments to maturity of the liability.

Nonetheless, trade payables falling due in less than one year without a contractual interest rate are carried at their face value at both initial recognition and subsequent measurement, provided that the effect of not discounting flows is not significant.

Financial debts

Financial debts are initially recognised at fair value, less any transaction costs incurred. They are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings at amortised cost.

d. Advance payments from customers

Advance payments from customers: The amounts received from customers on account of future sales of land and / or buildings in cash and commercial bills are, until the sale is recognised in the above terms, are recognised as advances received under the heading "Advance payments from customers" under liabilities.

e. Provisions

The Group's consolidated annual accounts include all significant provisions for which the probability of the obligation requiring settlement is estimated to be more likely than not. Contingent liabilities are not recognised in the consolidated annual accounts, although information thereon is disclosed, in accordance with IAS 37.

The provisions (which are quantified taking into account the best information available concerning the consequences of the event from which they derive and are re-estimated at each accounting close) are used to cover the specific obligations for which they were originally recognised and reversed in full or in part when such obligations cease to exist or decrease.

On-going litigations and/or claims

At 31 December 2018 there were certain ongoing litigations and claims against the consolidated companies arising in the ordinary course of their operations. The Group's legal advisers and Directors consider that the provisions recognised are sufficient and that the outcome of these procedures and claims will not have an additional material effect on the consolidated annual accounts for the years in which they are settled.

Provisions for warranties

Provisions for warranty costs, particularly after -sales expenses, other costs and the ten-year warranty which real estate companies are required to provide under Spanish legislation are recognised on the date of sale of the relevant products, according to the best estimate of the necessary expense to settle the Group's probable liability.

f. Corporate income tax

General scheme

The income tax expense is recognised in the consolidated income statement, except when it results from a transaction the result of which is recognised directly in equity, in which case the related income tax is also recognised in equity.

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

Deferred tax assets and liabilities relate to those taxes which are expected to be recoverable or payable calculated on differences between the carrying amounts of assets and liabilities in the annual accounts and the corresponding tax bases used in the calculation of tax profits. They are recognised using the liability method on the consolidated balance sheet and quantified by applying the tax rate at which they are expected to be recovered or settled to the temporary difference or credit in question.

Deferred tax assets or liabilities are recognised on temporary differences deriving from investments in subsidiaries and associates and investments in joint ventures except when the Group is able to control the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Nonetheless:

- i. Deferred tax assets are only recognised if it is considered probable that the consolidated entities will have sufficient tax gains in the future against which to apply them.
- ii. In no event are deferred taxes arising on goodwill deriving from an acquisition recognised.

At each accounting close, deferred tax assets and liabilities are analysed to ensure that they remain valid and any necessary adjustments are made accordingly.

In 2017 the parent company's General Shareholders' Meeting passed a motion to apply the tax consolidation scheme governed by Chapter VII, Title VII of Legislative Royal Decree 4/2004, in accordance with article 70 of the Corporate Income Tax Law for the tax period beginning on January 1, 2017 and for subsequent tax periods, as, together with its subsidiaries, it meets the pertinent requirements envisaged in the Law for its application.

The tax consolidation group is formed by the parent company and all subsidiaries, whether public or private limited companies, resident in Spanish territory and in which the parent has a direct or indirect interest of at least 75% of capital (see appendix I).

For the year starting January 1, 2018 the tax group of Metrovacesa Promoción y Arrendamiento has been extinguished and the companies that formed it have become part of the tax consolidation group of Metrovacesa, S.A.

g. *Income and expenses*

Income and expenses are recognised on an accrual basis.

Specifically, revenues are calculated at the fair value of the consideration received or to be received and represent the amounts receivable for the goods delivered and services rendered in the ordinary course of business, less discounts, VAT and other sales taxes.

The Group recognises revenue when the amount involved may be reliably assessed and it is probable that future economic benefits will flow to the Group companies. A reliable calculation of the amount of revenue is not deemed possible until all sale-related contingencies have been settled.

Sale of real estate developments and land

The Group companies recognise sales of real estate developments and land and related costs when the significant risks and rewards of ownership of the assets are transferred to the buyer, irrespective of the legal transfer of ownership, which usually takes place on the date the sales deed is executed.

Rentals

Rental income is recognised on an accrual basis while profits in respect of incentives and initial rental contract costs are distributed on a straight-line basis.

Interest Income

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

Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

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

h. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of property developments or investment property are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending investment in qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred

i. Share capital

The Company's share capital is represented by ordinary shares.

The costs of issuing new shares or options are recognised directly in equity as a reduction in reserves.

In the event that the Group's parent acquires treasury shares, the compensation paid including any incremental cost that is directly attributable, is deducted from equity until the shares are redeemed, issued again or otherwise disposed of. When treasury shares are subsequently sold or reissued, any amount received is taken to equity net of directly attributable incremental costs.

j. Consolidation

Subsidiaries

Subsidiaries are all those entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed or entitled to obtain variable income as a result of its involvement in the investee and has the capacity to use its power over it to influence such income. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method to account for business combinations. The consideration paid for the acquisition of a subsidiary consists of the fair value of the assets transferred, the liabilities incurred with the former owners of the acquiree and the equity shares issued by the Group. The consideration transferred includes the fair value of any asset or liability that originates from an agreement for contingent consideration. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair value at the acquisition date. For each business combination, the Group may opt to recognise any non-controlling interest in the acquiree at fair value or at the proportional part of the non-controlling interest of the recognised amount of the acquiree's net identifiable assets.

Related costs are expensed in the year in which they are incurred.

If the business combination is achieved in stages, the carrying value on the acquisition date of the acquirer's previously held equity interest in the acquiree is re-measured at fair value at the acquisition date. Any gain or loss arising on this subsequent measurement is recognised in profit or loss for the year.

Any contingent compensation to be transferred by the Group is recognised at fair value on the date of acquisition. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or a liability are recognised in accordance with IAS 39 in profit or loss. Contingent consideration which is classified as equity is not remeasured and its subsequent settlement is recognised in equity.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Amounts presented by the subsidiaries have been adjusted where necessary to adapt them to the Group's accounting policies.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying an ownership interest of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or reduced to recognise the investor's interest in the results of the investee following the acquisition date. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group's interest in subsequent losses or gains on the acquisition of Associates are recognised in the consolidated income statement and its share in movements subsequent to the acquisition in other comprehensive results is recognised in other comprehensive results by making the relevant adjustment to the carrying value of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has assumed legal or implicit commitments or made payments on behalf of the associate.

At each reporting date, the Group determines if there is any objective evidence that the investment in the associate is impaired. If impairment is detected, the Group calculates the amount of the impairment loss as the difference between the recoverable amount of the associate and its carrying amount and recognises the amount under "the share in profit/(loss) in associates" in the income statement.

Gains or losses on upstream and downstream transactions between the Group and its associates are recognised in the Group's consolidated annual accounts only to the extent that they relate to investments of other investors in the associates that are not related to the investor. Unrealised losses are eliminated unless the transaction provides evidence of impairment of the asset transferred. The accounting policies applied by the associates have been modified when necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and gains arising on investments in associates are recognised in the consolidated income statement.

Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Investments in joint arrangements under IFRS 11 are classified as joint operations or joint ventures, depending on the contractual rights and obligations or each investor. The Group has assessed the nature of its joint arrangements and determined that they may all be classified as joint ventures.

Joint ventures are accounted for using the equity method like Associates. Unrealised gains on transactions between the Group and its joint ventures are eliminated on the basis of the Group's interest in them. Unrealised losses are also eliminated unless the transaction provides evidence of a loss due to impairment of the asset transferred. The accounting policies of joint ventures have been changed where necessary to ensure consistency with policies adopted by the Group. The Group's joint ventures at December 31, 2018 are detailed in appendix I of these notes.

Joint operations are consolidated using the proportionate method of consolidation. The Group combines its share of the assets, liabilities, revenues, expenses and cash flows of these entities on a line-by-line basis, together with the items in its own accounts that are similar in nature. The Group recognises its share of the profit or loss deriving from the sale of Group assets to jointly controlled entities in its consolidated annual accounts in the proportion corresponding to other members. The Group does not recognise its share of the profits or losses of a jointly controlled entity deriving from the purchase by the Group of assets from the jointly controlled entity until the assets are sold to an independent third party. A loss is recognised immediately on a transaction if it evidences a reduction in the net realisable value of current assets or an impairment loss. At December 31, 2019 the Group has no joint operations.

Appendix I to these notes to the consolidated annual accounts sets out the identifying details of the equity method consolidated joint ventures.

k. Related-party transactions

Related-party transactions are measured as per the principles described above.

The prices of related-party operations are adequately supported. The parent company's Directors therefore consider that there are no risks that may give rise to significant tax liabilities.

l. Consolidated cash flow statement

The following expressions are used with the following meaning in the consolidated cash flow statement:

- Cash flows are the incoming and outgoing cash and cash equivalents.
- Operating activities: activities which make up the Company's primary source of revenues and other activities that may not be classified as investing or financing activities.
- Investing activities are activities involving the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities are those which cause changes in the size and composition of the company's equity and the company's borrowings.

For the purposes of preparing the consolidated cash flow statement, "cash and cash equivalents" are considered to be the cash on hand and in banks and highly liquid short term investments which are readily convertible into certain cash amounts and are exposed to a negligible risk of change in value.

"Other adjustments to results" relating to "cash flows from operating activities" mainly include the impact of customer advances, in the form of prior year receipts, for land and developments, delivered in the current period.

m. Leases

When the Group is the lessee – Operating lease

Leases in which the lessor retains a significant part of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

When the Group is the lessor – Operating lease

Assets leased to third parties under operating lease contracts are carried on the consolidated balance sheet according to their nature. Lease income is recognised on a straight-line basis over the lease term.

n. Current assets and liabilities with a maturity of more than 12 months (long and short cycle)

The Group has opted to present current assets and liabilities according to the company's ordinary operating cycle, considering those inventories that will be managed within the next 36 months as short cycle and those for the following 24 months as long cycle.

	Thousand euro	
	2019	2018
Long cycle inventories	527,362	410,037
Short cycle inventories	1,336,461	1,391,057
Total long and short cycle inventories	1,893,823	1,802,094

The Group considers that no current liabilities may be considered long cycle with a maturity of more than 12 months.

o. Financial derivatives and hedge accounting

Financial derivatives are measured at fair value at both initial recognition and subsequent measurement. The method used to recognise the resulting gain or loss depends on whether the derivative has been designated as a hedging instrument, and if so, the nature of the hedge.

Hedging instruments are measured and recognised by nature to the extent that they are not or cease to be effective hedges.

In the case of derivatives that do not qualify for hedge accounting, gains or losses in their fair value are immediately recognised in the consolidated income statement.

The Group designates derivative contracts as hedges of a specific interest rate risk associated with a recognised liability (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessments, at both inception and on an on-going basis, of whether the derivatives used in hedging transactions are highly efficient to offset changes in cash flows from the items hedged.

The total fair value of hedging derivatives is classified as a non-current asset or liability if the time remaining to maturity of the hedged item is more than 12 months from the reporting date and as a current asset or liability if the time remaining to maturity of the hedged item is less than 12 months of that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recognised in other consolidated comprehensive income. The profit or loss relating to the ineffective part is recognised immediately in the consolidated income statement under "Financial results".

The amounts accumulated in equity are taken to the consolidated income statement in the periods in which the hedged item affects results. Gains or losses on the effective part of interest rate swaps covering loans at variable rates are recognised in the income statement under "Profit/(loss)".

When the hedging instrument matures or is sold or when the requirements for the application of hedge accounting cease to be met, the gains or losses accumulated in equity to that date will remain in equity and will be recognised when the forecast transaction is finally recognised in the income statement. When the forecast transaction is expected not to take place, the profit or loss accumulated in equity is taken immediately to the consolidated income statement under "financial results".

3. RISK EXPOSURE

The Group manages capital to ensure that the Group companies are able to continue as profitable businesses while maintaining the return for shareholders through the optimum debt/ equity balance.

In 2019 the Group's overall strategy was marked by prudence, the focus being on managing the generation of cash by retaining its recurring business.

The Group's capital structure comprises debt, cash and equivalents and shareholders' funds, which include capital, reserves and retained earnings.

The Finance Department, that is responsible for financial risk management, reviews the capital structure and the ratio of net debt (defined as bank borrowings less available cash and less other financial assets/ liabilities) to gross asset value (GAV). In this respect, the Group's long-term forecast is not to exceed 25% debt as measured by this ratio. At December 31, 2019 the ratio is -1.86% (-1.86% in 2018).

Net financial debt (thousand euro):	31/12/2019	31/12/2018
(+) Bank borrowings*	152,424	81,157
(-) Available cash (Note 11)	(72,328)	(120,500)
(-) Other financial assets	(2,488)	(7,110)
	77,608	(46,453)
Market value of assets (GAV)**	2,588,195	2,567,884

(*) Net amount of advance payments made at the time of arranging corporate financing amounting to €3,973 thousand at December 31, 2019 (€5,337 thousand at December 31, 2018).

(**) Does not include the market value of the assets owned by equity method companies and that have a market value of €117,426 thousand at December 31, 2019 and €104,316 thousand at December 31, 2018.

On December 31, 2019, the parent company has signed an "Equity Swap" agreement with Goldman Sachs International, the limit amount is €50 million and the maturity is 27 months.

Consequently, the parent company has ended the liquidity agreement for treasury stock management with Banco Sabadell, S.A.

The Group basically differentiates between two types of financial risk:

- Liquidity risk:

This relates to the Group's possible inability to cover the payments it has already committed to make and/or commitments deriving from new investments.

- Market risk:

1. Interest rate risks: this relates to the potential impact of an increase in interest rates on financial expenses in the consolidated income statement.
2. Credit risk: this relates to the impact of the non-payment of receivables on the consolidated income statement.
3. Exchange rate risk: this relates to the impact of variations in the exchange rate on the consolidated income statement.

Set out below are the control systems in place to mitigate these risks:

Liquidity risk

The Group determines its cash needs using two basic tools:

1. Cash budgets with a 12 month timeline, with a monthly breakdown, updated monthly, prepared based on each area's cash budgets.
2. Cash budgets with a 30 day timeline, with a daily breakdown, updated daily, prepared based on payment commitments included in the Financial Reporting System.

These tools enable treasury needs to be identified in terms of amount and time, while planning for new financing needs.

The Group's liquidity policy consists of arranging committed credit facilities and temporary investments for an amount sufficient to cover forecast needs for a period based on the situation and expectations of debt and capital markets.

The Group's available cash position at December 31, 2019 amounts to €72,328 thousand (€120,500 thousand in 2018) (Note 11).

The Group has committed financing not used at 31 December 2019 amounting to €563,418 thousand, (Note 14) (€272,582 thousand at December 31, 2018).

On December 1, 2017 the Company signed a syndicated loan amounting to € 275,000 thousand, in order to finance, among other things, its development investments envisaged in the business plan, and operating expenses. This financing will also be used to repay the Group's financial debts with short-term maturities. The terms of the agreement are based on market standards and will enable the Company to deliver on its investment plan in the next few years. The financing is set to mature at 5 years and will bear interest at EURIBOR plus a market spread.

In light of the review of the 12 month cash budget and the sensitivity analyses performed by the Group, it may be concluded that in the following year the parent company will be able to reasonably finance its operations, even in the event of harder conditions on the property and lending markets.

Market Risk

Interest rate risk

Interest rate fluctuations affect the fair value of assets and liabilities that accrue interest at a fixed rate and future flows of assets and liabilities linked to a floating interest rate. The risk resulting from shifts in interest rates is managed by arranging derivatives, the aim of which is to cover the Group's exposure to such risks.

At December 31, 2019 the Group has arranged derivatives (stable) such as the corporate loan for a nominal amount of €91,000 thousand, with the same maturity as the associated loan and a strike of 0.75%.

The Company's Directors consider that a variation in the EURIBOR to which the bank debt is currently referenced would not have a significant impact on the consolidated income statement.

Credit risk

A large proportion of trade and other balances receivable relates to operations with Spanish public entities, with whom the Group considers the credit risk to be limited.

The Group does not have a significant credit risk with third parties deriving from its real estate activities since it collects practically all sales when the deed is executed, either when the buyer is subrogated to the developer's loan in the part pertaining to him or under other arrangements, depending on the buyer's choice. The credit risk deriving from the deferral of payment on sales of land or finished structures is mitigated by obtaining guarantees from the buyer or establishing conditions subsequent in the event of non-payment, giving rise to reparation with respect to ownership of the asset sold and the collection of an indemnity.

Foreign exchange risk

At December 31, 2019 and December 31, 2018, the Group has no exposure to the foreign exchange risk.

4. EARNINGS/(LOSS) PER SHARE

a) Basic earnings/(loss) per share

Basic earnings or loss per share are calculated by dividing the net results attributed to the Group (after tax and minority interests) by the average weighted number of shares during that year.

	31/12/2019	31/12/2018
Profit/(loss) for the year	(4,496)	(9,104)
Weighted average number of shares outstanding (thousand shares)	151,371	334,452
Basic earnings/(loss) per share (euro)	(0.0297)	(0.0272)

The General Meeting of Metrovacesa of 19 December 2017 passed the motion to carry out a "counter-split" such that the 6,825,435,539 shares into which the parent's share capital was divided were grouped and cancelled at a rate of one new share for every 45 former shares. As a result, share capital currently consists of 151,676,341 newly issued shares and the unit par value of the shares has increased from €0.16 to €7.20000001476829, share capital remaining unchanged at €1,092,069,657.44. This agreement was executed on January 11, 2018.

b) Diluted earnings/(loss) per share

Diluted earnings or loss per share are calculated in a similar manner to basic earnings or loss per share. However, the weighted average number of shares is adjusted to take into account the potentially dilutive effect of share options, warrants and convertible debt in effect at the end of each reporting period.

During the period January 1 to December 31, 2019 and 2018 diluted earnings and loss per share of the Group agree with basic earnings and loss per share.

5. SEGMENT REPORTING

a) Segmentation criteria

The Company structures information by segment based on the Group's different lines of business.

The lines of business which are described below have been established based on the Group's organisational structure in place at December 31, 2019 and taking into account the nature of the products (residential, commercial and other) and the customers involved.

The Group's operations mainly focus on the development and sale of residential property on land classified as suitable for development (results are included in "Residential property development"). These are distinguished from profit or loss generated by the line of business not considered strategic such as commercial land promotion, the results of which are recognised under "Commercial property development".

Income and expenses which cannot be specifically assigned to any operational line or which result from decisions affecting the Group overall - including, expenses relating to activities affecting several lines of business- are allocated to a Corporate unit / other to which reconciling items will also be assigned and which will be included in Other.

When carrying out its operations in Spain, the Group does not regard geography as a segment for reporting purposes.

b) Basis and methodology of business segment reporting

Segment reporting is based on the monthly reports prepared by Group management which are generated by the same IT application used to obtain all the Group's accounting data (SAP). It is reviewed by the management committee (comprising representatives of Management and the Board of Directors through the CEO) in order to take decisions on the assignment of resources and assess performance.

Segment revenue relates to revenue directly attributable to the segment. A segment's revenue includes sales resulting from promotions and developments of land and the profit / loss on sales of land made in the ordinary course of business. It does not include gains on the sale of investment property.

Segment expenses are the amounts arising from operating activities and directly attributable to the segment (such as costs to sell, external services and changes in trade provisions).

The information used by the management committee to take decisions includes the consolidated income statement (before tax).

Segment assets and liabilities are those directly related to the segment's exploitation, together with those assets and liabilities which may be directly allocated in accordance with the aforementioned distribution criteria. Nonetheless, Public administrations - payables and Cash and equivalents, are assigned to the line Corporate unit /Other, irrespective of their origin. The liabilities assigned to the segment do not include income tax payable.

	31/12/2019			
	Residential	Commercial	Other	Total
Non-current assets	398,171	179,324	10,636	588,131
Current assets	1,593,838	352,158	144,796	2,090,792
Non-current liabilities	(33,225)	(245)	(94,983)	(128,453)
Current liabilities	(160,161)	(39,215)	(10,252)	(209,628)
Net assets	1,798,623	492,022	50,197	2,340,843

	31/12/2018			
	Residential	Commercial	Other	Total
Non-current assets	389,275	179,293	8,362	576,930
Current assets	1,422,539	444,890	149,465	2,016,894
Non-current liabilities	(16,036)	(746)	(76,621)	(93,403)
Current liabilities	(79,466)	(1,392)	(26,196)	(107,331)
Net assets	1,716,312	622,045	55,010	2,393,090

There were no significant additions during 2019.

Thousand euro	31/12/2019			
	Residential	Commercial	Other	Total
CONTINUING OPERATIONS				
Sales	80,656	79,584	1,268	161,508
- Sales of developments	63,182	-	-	63,182
- Sales of land	17,042	79,584	-	96,626
- Other and services rendered	432	-	1,268	1,700
Cost to sell	(68,761)	(72,518)	(133)	(141,412)
Staff costs	(8,997)	(1,499)	(4,499)	(14,995)
Amortisation/Depreciation	-	-	(387)	(387)
External services	(10,236)	-	(8,700)	(18,936)
Variation in trade provisions	(1,559)	(3,843)	11,357	5,955
- Change in inventory provision	(1,559)	(3,843)	-	(5,402)
- Reversal of loans with related parties	-	-	12,040	12,040
- Reversal of receivables	-	-	-	-
Other	-	-	(683)	(683)
Changes in value of investment properties	1,090	5,893	-	6,983
Gains/(losses) on sale of investment properties	(3)	3,889	-	3,886
Other gains or losses	-	-	(6)	(6)
OPERATING RESULTS	(7,810)	11,506	(1,100)	2,596
Financial income	-	-	1,964	1,964
Financial expenses	-	-	(6,794)	(6,794)
Results in entities carried under the equity method	-	-	(205)	(205)
FINANCIAL RESULTS	-	-	(5,035)	(5,035)
PROFIT /(LOSS) BEFORE TAX	(7,810)	11,506	(6,135)	(2,439)

Thousand euro	31/12/2018			
	Residential	Commercial	Other	Total
CONTINUING OPERATIONS				
Sales	151,988	37,472	956	190,416
- Sales of developments	137,592	120	-	137,712
- Sales of land	14,396	37,352	-	51,748
- Other and services rendered			956	956
Cost to sell	(122,834)	(35,514)	(2,308)	(160,656)
Staff costs	(7,063)	(1,156)	(4,623)	(12,842)
Amortisation/Depreciation	-	-	(223)	(223)
External services	(6,738)	(3)	(9,654)	(16,395)
Variation in trade provisions	391	(1,457)	(557)	(1,623)
- Change in inventory provision	(3,467)	(1,457)	-	(4,924)
- Reversal of loans with related parties	2,633	-	-	2,633
- Reversal of receivables	-	-	-	-
Other	1,225	-	(557)	668
Changes in value of investment properties	14,974	(5,302)	-	9,672
Gains/(losses) on sale of investment properties	(76)	-	-	(76)
Other gains or losses	(1,222)	-	-	(1,222)
OPERATING RESULTS	29,420	(5,960)	(16,409)	7,051
Financial income	-	-	1,492	1,492
Financial expenses	-	-	(9,444)	(9,444)
Capitalised financial expenses	-	-	1,327	1,327
Impairment and results on disposal of financial instruments	-	-	-	-
Results in entities carried under the equity method	10	-	-	10
FINANCIAL RESULTS	10	-	(6,625)	(6,615)
PROFIT /(LOSS) BEFORE TAX	29,430	(5,960)	(23,034)	436

Other information

During 2019 and 2018 there were no transactions between the Group's different segments.

No customer accounts for 10% of the Group's revenues.

Non-current assets include an amount of €88,254 thousand relating to loans with joint ventures assigned to the residential segment.

6. INVESTMENT PROPERTIES

Set out below is an analysis of and movements in the accounts recorded under investment properties:

	Thousand euro
Balance at January 1, 2019	340,092
Additions	1,432
Derecognised owing to sales	(6,159)
Transfers to inventories.	(8,258)
Gain /(loss) net of fair value adjustments	6,983
Balance at December 31, 2019	334,090

	Thousand euro
Balance at January 1, 2018	370,577
Additions	1,981
Derecognised owing to sales	(14,084)
Transfers to inventories	(28,054)
Gain /(loss) net of fair value adjustments	9,672
Balance at December 31, 2018	340,092

Investment property currently comprises land for development for subsequent lease by third parties and rental assets acquired, in addition, investment properties includes land for future unspecified use at the contribution date, the understanding being that it will be held to obtain long-term capital gains and not for sale in the ordinary course of business.

Additions at December 31, 2019 and 2018 relate to sundry expenses capitalised.

Of total investment properties, 35.7% (33.7% in 2018) relates to the same real estate asset consisting of land located in Madrid, the carrying amount of which amounts to €119,245 thousand at December 31, 2018, (€114,705 thousand at December 31, 2018). In accordance with the independent expert valuations obtained, the value of that asset has been adjusted to fair value.

Of total assets recognised as investment property, 78% relates to “fully permitted” land while the remainder of the portfolio is in situations where some development formality is pending. The Directors, however, do not consider this matter a risk since all development plans and formalities are well advanced and “*fully permitted*” status is expected to be achieved in the following years.

The valuations carried out by independent experts regarding the Group’s investment properties and inventories (Note 9) have included, among others, the following key assumptions:

Sell Price (€/m2)	Realtor’s Margin	Implicit Internal Rate of Return	Exit Yields
1,180 – 5,691	5.0% - 55%	6.5%-29%	4.5%-16.0%

Transfers relate to the reclassification of land for development and subsequent sale to inventories.

As indicated in accounting and measurement standard 2.8a the value of investment property has been adjusted to fair value in accordance with the valuations carried out by the independent expert.

a) Income and expenses on investment properties

At December 31, 2019 the Group has recognised a total of €432 thousand in lease income (€581 thousand in 2018) and related expenses of €804 thousand (€1,523 thousand in 2018).

b) Insurance

It is Group policy to arrange insurance where deemed necessary to cover possible risks to investment property.

At December 31, 2019 and December 31, 2018, the coverage provided by the insurance arranged is considered to be sufficient.

c) Charges and guarantees

The Group has no usufructs, attachments or similar with respect to investment property.

d) Obligations

At December 31, 2019 and December 31, 2018, the Group has no contractual commitments for the acquisition, construction or development of investment properties or in relation to repairs, maintenance or insurance.

e) Measurement and sensitivity. Sensitivity analysis

The Group has had its assets valued at December 31, 2019 and December 31, 2018. Therefore, the market value at which investment properties are carried at those dates is calculated based on the valuations performed by independent valuers not related to the Group (Note 2.8a). The market value of the Group's investment properties amounts to €334,090 thousand and €340,092 thousand, respectively.

As indicated in Accounting and Measurement standard 2.8a, the value of investment properties has been adjusted to fair value in accordance with independent expert valuations.

The valuations of such real estate assets were carried out under the market value assumption. The market value is calculated based on the valuations performed by independent experts not related to the Group, namely, Savills Consultores Inmobiliarios and CBRE Group. Valuations are performed in accordance with the Appraisal and Valuation Standards published by Royal Institution of Chartered Surveyors (RICS) of Great Britain and in accordance with the International Valuation Standards (IVS) published by the International Standards Valuation Committee.

Market value is defined as the estimated amount at which it should be possible to exchange an asset at the valuation date, between a prudent willing knowledgeable seller and buyer not acting under duress, following a reasonable marketing period.

The valuation methodology adopted by the independent valuer to determine the fair value of land classified as investment property has been the residual method (dynamic), using the same methodology as that described in Note 2.8b. For leased assets and land for commercial use, the methodology applied has been the discounted cash flow method, in addition to the comparison method for verification, in order to determine final value.

In order to determine the value of a property through the discounted cash flow method (DCF), building expenses, contract rents and market rents for an empty surface area have been estimated. For tertiary land classified as investment property, the income that could be obtained following development has been estimated. Costs associated with empty spaces, costs of re-leasing and the future sale of the property at an exit yield are also taken into account. Expenses, rent and the future sales value are discounted through a discount rate (IRR). Under this method the market value of a property can be calculated through a market survey in order to obtain a series of comparables. A comparable is understood to be a property that is the same type of building, with the same use, and is located in the general or immediate vicinity of the property being valued. If there are no exact comparables, those sites in other locations which are similar in terms of socio-economic level, access to transport, level of services and facilities etc. are used. Comparables should be primarily based on recent transactions involving similar properties to that subject to valuation. In these cases, the pertinent discounts are applied to the offer prices of the selected comparables based on the source of marketing, experience and knowledge of the local market. The prices of these comparables are standardised taking into account their characteristics (location, surface area, quality, age, state of repair etc). They are subsequently weighted and subjectivity is eliminated.

All resulting fair value estimates for investment properties are included in Level 3.

The key assumptions identified in the measurement of leased real estate assets and commercial land are the discount rates and exit yields, using a sensitivity of +/-100 basis points, taking as a starting point the different short and medium-term economic scenarios envisaged.

Assuming that other variables remain constant, the effect of the variation of -100 basis points on the discount rate used to carry out the valuation of leased assets and commercial land would amount to €129,900 thousand (€129,856 thousand at December 31, 2018), that would entail an increase in value of €10,745 thousand (€15,160 thousand at December 31, 2018) in terms of the asset's market value while a variation of +100 basis points, would result in a decrease of €9,895 thousand. The effect of the variation of +/- 25 basis points on the exit yield would have an impact on the value of the portfolio of commercial land and leased properties of a decrease of €12,570 thousand and an increase of €8,224 thousand respectively. The effect of the variation of +/- 50 basis points on the exit yield would have an impact on the value of the portfolio of commercial land and leased properties of a decrease of €24,090 thousand and an increase of €29,040 thousand respectively.

49% of the portfolio of investment properties relates to residential land, as stated in Note 2.8b). The key assumptions in the valuations of residential land are discount rates and selling prices. Variations in such assumptions entail changes in the portfolio's value of:

Assumptions	Internal rate of return		Selling prices					
	1%	-1%	1%	5%	10%	-1%	-5%	-10%
Changes in value of investment properties	(23,826)	24,625	2,960	16,998	34,543	(4,156)	(18,586)	(36,752)

7. INVESTMENTS IN OTHER COMPANIES

a) Material subsidiaries

The group's principal subsidiaries at December 31, 2019 and December 31, 2018 are indicated in appendix I. Unless otherwise indicated, their share capital consists only of ordinary shares held directly by the Group and the ownership percentage is equivalent to the Group's voting rights.

The country of incorporation is also the main place of business.

b) Investments in associates and joint ventures

The gross movement in 2019 and 2018 in this heading of the accompanying consolidated balance sheet is as follows:

	Thousand euro	
	31/12/2019	31/12/2018
Gross opening balance	58,990	-
Share in results for the year	(205)	10
Derecognitions	-	-
Other changes (c)	2,340	13
Changes in consolidation scope (a)	-	58,967
Gross closing balance	61,125	58,990

Net interests in associates break down as follows:

	Thousand euro	
	31/12/2019	31/12/2018
Urbanizadora Valdepolo I, S.A. (b)	-	-
Urbanizadora Valdepolo II, S.A. (b)	-	-
Urbanizadora Valdepolo III, S.A. (b)	-	-
Urbanizadora Valdepolo IV, S.A. (b)	-	-
Front Maritim del Besós, S.L.	58,664	58,772
Monteburgos Holding Spain, S.L.	2,461	218
L'Esplay Valencia, S.L.	-	-
Valdicsa, S.A.	-	-
Total	61,125	58,990

- a) Changes in the consolidation scope result from the operations described in Note 1.e
- b) Interests in the companies "Urbanizadora Valdepolo I", "Urbanizadora Valdepolo II", "Urbanizadora Valdepolo III" and "Urbanizadora Valdepolo IV", classified as joint ventures in accordance with Accounting and Measurement Standard 2.j), include accumulated losses of €9,704 thousand (€9,628 thousand in 2018). As may be observed in accompanying appendix II to these notes, the Valdepolo companies record negative equity and in the current circumstances, the shareholders would not recoup their investment.
- c) Metrovacesa Promoción y Arrendamiento, S.A., as the indirect holder of 24% of the shares of Las Tablas Propco, S.L.U. made the necessary contributions to Monteburgos Holding Spain, S.L., (sole shareholder). The shareholder contributions amount to €2,342 thousand at December 31, 2019 (€209 thousand at December 31, 2018).

In 2018, the company Valdicsa, S.A. was liquidated.

Appendix II sets out summarized financial information on each associate with non-controlling interests, which are material for the group. The amounts reported for each associate are before intercompany eliminations.

8. FINANCIAL ASSETS AND LIABILITIES

Analysis by category

The balance under this heading on the accompanying consolidated balance sheet, taking into account the nature of the transactions, is as follows:

	Thousand euro	
	Long-term financial assets	
	Loans & Other	
	31/12/2019	31/12/2018
Loans and receivables (Note 10)	95,665	79,753
Derivatives	10	216
Available-for-sale financial assets	-	2
	95,675	79,971

	Thousand euro	
	Short-term financial assets	
	Loans & Other	
	31/12/2019	31/12/2018
Loans and receivables (Note 10)*	35,999	24,559
Cash and equivalents (Note 11)	139,968	146,951
	175,967	171,510
Total financial assets	271,642	251,481

(*) Excluding prepayments and accrued income amounting to €7,749 thousand (€2,294 thousand in 2018).

	Thousand euro	
	Long-term financial liabilities and other	
	31/12/2019	31/12/2018
	31/12/2019	31/12/2018
Creditors and payables* (Note 14)	108,910	74,778
	108,910	74,778

	Thousand euro	
	Short-term financial liabilities and other	
	Loans and other	
	31/12/2019	31/12/2018
Creditors and payables (Note 14)	106,443	42,473
	106,443	42,473
Total financial liabilities	215,353	117,251

(*) Excluding €73,891 thousand and €24,568 thousand of current pre-payments in 2019 and 2018 respectively, and current income tax of €10,252 thousand.

b) Analysis by maturity:

Financial instruments having fixed or determinable maturities classified are shown below by year of maturity as of December 31, 2019 and 2018 (excluding cash and equivalents):

	31 December 2019 (Thousand euro)					
	Financial assets					
	2020	2021	2022	2023	Subsequent years	Total
Investments in group companies and associates:						
-Loans to companies	13	88,254		-	-	88,267
- Other financial assets	3,772	-	-	-	-	3,772
Financial investments						
-Loans to companies	14	-	-	-	-	14
- Other financial assets	7,119	-	-	-	7,411	14,530
Trade and other receivables:						
- Trade receivables for sales and services rendered	24,761	-	-	-	-	24,761
- Sundry receivables	320	-	-	-	-	320
	35,999	88,254	-	-	7,411	131,664

	31 December 2018 (Thousand euro)					
	Financial assets					
	2019	2020	2021	2022	Subsequent years	Total
Investments in group companies and associates:						
-Loans to companies	6	-	75,605	-	-	75,611
- Other financial assets	12,175	-	-	-	-	12,175
Financial investments						
-Loans to companies	-	-	-	-	-	-
- Other financial assets	7,110	-	-	-	4,150	11,260
Trade and other receivables:						
- Trade receivables for sales and services rendered	4,578	-	-	-	-	4,578
- Sundry receivables	690	-	-	-	-	690
	24,559	-	75,605	216	4,150	104,530

	December 31, 2019					
	(Thousand euro)					
	Financial liabilities					
	2020	2021	2022	2023	Subsequent years	Total
Payables						
-Bank loans (*)	30,466	-	60,429	-	-	90,895
- Other financial liabilities	41	-	-	-	167	208
Payables to associates and related parties						
-Bank loans (*)	23,002	-	34,554	-	-	57,556
Trade and other payables:						
- Trade payables	49,540	-	-	-	13,760	63,300
- Personnel	3,394	-	-	-	-	3,394
	106,443	-	94,983	-	13,927	215,353

(*) €48,823 thousand of loans to developers are registered in the current liabilities because they are directly related to operating cycle. On the contrary, the maturity varies from 30 to 32 months. The Group will pay these loans when the financed inventories are delivered, that it is expected to be in the next 24-36 months.

	December 31, 2018					
	(Thousand euro)					
	Financial liabilities					
	2019	2020	2021	2022	Subsequent years	Total
Payables						
-Bank loans (*)	-	-	-	68,119	1,536	69,655
- Other financial liabilities	1,387	-	-	-	163	1,550
Payables to associates and related parties						
-Bank loans (*)	4,645	-	-	-	6,857	11,502
- Loans to companies	-	-	-	-	-	-
- Other financial liabilities	4	-	-	-	-	4
Trade and other payables:						
- Trade payables	25,301	-	-	-	6,496	31,797
- Personnel	2,743	-	-	-	-	2,743
	34,080	-	-	68,119	15,052	117,251

(*) The amount of realtor loans of €13,038 thousand is recognised under the Group's current liabilities as there is a direct relationship for their presentation in the operating cycle. Conversely, their contractual maturity is normally at 30-32 years. The Group will repay these loans at the time the developments financed are handed over. This is expected to take place in the next 24 to 36 months.

9. INVENTORIES

The detail of this heading at December 31, 2019 and December 31, 2018 is as follows:

	Thousand euro	
	2019	2018
Land	1,512,101	1,775,217
Construction work in progress	627,754	369,570
Finished structures	100,916	47,181
Advance payments to suppliers	6,354	4,268
Other	106	594
Impairment losses on land	(296,637)	(318,378)
Impairment losses construction work in progress	(37,011)	(24,315)
Impairment losses on finished structures	(11,240)	(13,466)
	1,902,343	1,840,671

At December 31, 2019 and December 31, 2018 finished structure inventories of the Group companies mainly relate to land for residential developments to be used as homes and second homes together with related constructions, where appropriate, such as parking spaces and commercial premises. Of total assets recognised as inventories, 84% relates to “fully permitted” land while the remainder of the portfolio is in situations where some development formality is pending. The Directors, however, do not consider this matter a risk since all development plans and formalities are well advanced and “*fully permitted*” status is expected to be achieved in the following years.

At December 31, 2019 and December 31, 2018, the Group has capitalised interest on inventories amounting to €1,477 thousand and €1,327 thousand, respectively

At December 31, 2019 and December 31, 2018 there are assets in inventories for a gross cost totalling €227,010 thousand and €79,293 thousand, respectively, which have been pledged to secure mortgage loans, whether open to subrogation or not, linked to certain developments and land. The balance at December 31, 2019 and December 31, 2018 amounts to €48,823 thousand and €8,393 thousand, respectively.

Commitments for sales of developments entered into with customers at December 31, 2019 and December 31, 2018 amount to €596,537 thousand and €270,903 thousand, respectively, of which €73,891 thousand and €24,568 thousand, respectively, have given rise to collections and bills receivable, recognised under Customer advances under current liabilities at December 31, 2019 and December 31, 2018.

Practically all presales are subject to late-delivery indemnity clauses as they are formalised through contracts having similar characteristics. These late-delivery indemnity clauses consist mostly of interest at the legal rate on the amounts handed over during the period between the envisaged delivery date and the effective delivery date. The Group does not expect this to have an impact largely because the delivery date envisaged in contracts allows for a safety margin of a certain number of months with respect to the forecast delivery date. Therefore and drawing on historical experience in the last few years, the Group considers that this will not have any impact on these consolidated annual accounts. Similarly, presales generally include indemnities in favour of the Group in the event of cancellation by customers although no amount is recognised until it is collected.

At December 31, 2019 and December 31, 2018 there are no firm commitments for the purchase of land.

The market value of the Group's land, developments in progress and finished structures at December 31, 2019, calculated based on the valuations performed by independent experts (Note 2.8b), in accordance with the Appraisal and Valuation Standards published by Royal Institution of Chartered Surveyors (RICS) of Great Britain and in accordance with the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC), amounts to €2,254,153 thousand (€2,227,826 thousand at December 2018).

In general, the market value of the assets in the group's inventories at December 31, 2019 and December 31, 2018 presents capital gains although the valuation of certain assets reflects losses with respect to their acquisition cost. In this respect and as a result of the above, the Group has recognised net provisions for impairment amounting to €4,769 thousand in the period January 1 to December 31, 2019 (€4,924 thousand in the same period in 2018) that is recognised in "Change in trade provisions" on the accompanying consolidated income statement.

The valuations carried out by independent experts regarding investments properties (Note 6) and inventories of the Group have included, among others, the following assumptions:

Selling price (€/m ²)	Realtor's Margin	Implicit Internal Rate of Return	Exit Yields
500- 4,000	7%-35%	9%-32%	5.5%-8.0%

19% of the inventory portfolio relates to commercial land, valued as set out in Note 6, identifying as key assumptions the discount rates and exit yields, the impact on the value of this land portfolio and its effect on the consolidated income statement being as follows:

Assumptions	Internal Rate Return		of Exit Yield			
	1%	-1%	0.25%	0.5%	-0.25%	-0.5%
Changes in valuations of inventories	(32,680)	35,158	(25,290)	(48,474)	27,568	58,073
Impact on accumulated Impairment	(15,508)	2,938	(8,069)	(21,524)	245	245

Additionally, in compliance with the regulations, the Management has carried out sensitivity analyses for the portfolio of residential land, considering as key assumptions the selling prices and the internal rates of return rates where the variable time is implicitly included. In the case of internal rates of return, a sensitivity of +/- 100 basis points has been established. On the other hand, for selling prices, sensitivities of +/- 100, 500 and 1,000 basis points have been estimated.

Assumptions	Internal Rate of Return		Selling prices					
	1%	-1%	1%	5%	10%	-1%	-5%	-10%
Changes in market value of inventories	(81,020)	84,967	49,514	223,481	446,081	(58,552)	(234,292)	(464,719)
Impact on accumulated Impairment	(31,756)	28,367	8,868	51,587	94,183	(26,331)	(103,325)	(246,012)

In any event, the situation of the housing market in 2020 could trigger differences between the market value of the Group's inventories and their actual realisable value, which will be treated prospectively.

a) Impairment provision

Movements in this provision in 2019 and 2018 are as follows:

	Land and plots	Construction work in progress	Constructed buildings	Total
Carrying amount at beginning of 2019	(318,378)	(24,315)	(13,466)	(356,159)
Charged/(credited) to the income statement:				
- additional provisions recognised (Note 16.c)	(16,660)	(5,747)	(951)	(23,358)
- amounts not used reversed (Note 16.c)	8,631	6,019	3,941	18,591
Other movements				
- Transfers	19,910	(17,237)	(2,673)	-
- Application due to sales	8,960	4,269	1,909	15,138
- Other applications	900	-	-	900
Carrying amount at year end 2019	(296,637)	(37,011)	(11,240)	(344,888)

	Land and plots	Construction work in progress	Constructed buildings	Total
Carrying amount at beginning of 2018	(312,288)	(22,791)	(16,198)	(351,277)
Charged/(credited) to the income statement:				
- additional provisions recognised	(18,460)	(7,489)	252	(25,697)
- amounts not used reversed	9,600	5,182	5,992	20,774
Other movements				
- Transfers	2,729	783	(3,512)	-
- Application due to sales	41	-	-	41
Carrying amount at year end 2018	(318,378)	(24,315)	(13,466)	(356,159)

10. LOANS AND RECEIVABLES

Loans and receivables include the following:

	Thousand euro	
	31/12/2019	31/12/2018
Non Current:		
Loans to associates	88,254	75,605
- Loans to associates (a)	90,609	90,000
- Provisions for credit impairment (a)	(2,355)	(14,395)
Financial investments	7,411	4,148
- Other financial assets	7,411	4,148
	95,665	79,753

Derivatives amounting €10 thousand and €215 thousand at 31 December 2019 and 2018, respectively, has been excluded

	Thousand euro	
	31/12/2019	31/12/2018
Current:		
Investments in associates and related companies		
- Loans to associates	13	6
- Other financial assets (b)	3,772	12,175
Financial investments		
-Loans to companies	14	-
- Other financial assets	7,119	7,110
Trade and other receivables:		
-Trade receivables, bills receivable	28,328	8,144
- Provision for impairment of trade receivables	(3,556)	(3,566)
- Sundry receivables	319	699
- Other receivables from public administrations	5,003	2,419
	41,002	26,978
Total non current and current	136,667	122,643

Prepayments and accrued income amounting €7,749 thousand and €2,294 thousand at December 31, 2019 and 2018, respectively, has been excluded

- a) The heading "Loans to associates" includes a loan granted by the parent company to the investees "Urbanizadora Valdepolo I to IV, S.L" for an overall amount of €90,000 thousand. That loan that is set to mature in 2021 was granted on May 13, 2011 to provide these investees with a long-term capital structure in keeping with their business plan. These loans accrue interest at a fixed rate of 5% provided that available cash in those companies is more than zero. No interest accrued in 2019 or 2018.

As a result of the development problems in the area and the delays in planning approval, a value adjustment was recognised amounting to €14,395 thousand in order to write the loan down to fair value. As a result of the progress on the negotiations with the Regional Authorities of Madrid and the improved expectations regarding the approval of the General Plan, the land risk has been reduced and therefore the provision has been reversed in an amount of €12,040 thousand.

In 2018, as a result of the liquidation of that company and several shareholder agreements, the Group received a plot from Valdicsa, S.A prior to its liquidation, valued at €1,273 thousand.

- b) The heading "Other financial assets" at 31 December 2018 included receivable of €12,175 thousand with Front Maritim del Besos, S.L., as a consequence of the output VAT assumed by the parent company in the non-monetary contribution (Note 1.d), that was paid during 2019.

Impairment adjustment

No value adjustments were recognised by the Group in 2019 and 2018.

Other information

At December 31, 2019 and December 31, 2018 there are no assignments of customer loans to banks.

Ageing analysis

The ageing analysis of Trade receivables for sales and services rendered net of bad debt provisions is as follows:

	31/12/2019	31/12/2018
Up to 3 months	15,748	2,912
Between 3 and 6 months	9,013	1,666
More than 6 months	-	-
	24,761	4,578

Impairment adjustment

Movements in the bad debt provision during the year were as follows:

	31/12/2019	31/12/2018
Opening balance	(3,566)	(3,566)
Transfer	-	-
Reversal	-	-
Add. Non-monetary contribution MPYA shares	-	-
Closing balance	(3,566)	(3,566)

11. CASH AND CASH EQUIVALENTS

Cash and equivalents include the Group's cash and banks. The carrying amount of these assets is close to their fair value.

	Thousand euro	
	31/12/2019	31/12/2018
Cash on hand	2	7
Current accounts	139,696	146,944
	139,698	146,951

At December 31, 2019 there are restrictions on availability amounting to €67,370 thousand (€26,451 thousand at December 31, 2018) that relate to amounts received in connection with developments that are deposited in special accounts, separate from any other kind of funds held by the Group and that may only be used in matters related to the building of those developments.

12. SHARE CAPITAL AND RESERVES

As mentioned in Note 1, Metrovacesa, S.A. is the Group's parent company. It results from the decision of the shareholders' of the former Metrovacesa to restructure the Group and its business and the agreement to carry out the partial split of the former Metrovacesa under which another two new groups were incorporated, Metrovacesa S.A. (formerly Metrovacesa Suelo y Promoción, S.A.), retaining the real estate development business, and creating a new company, whose properties constitute an independent economic unit.

a) Capital and share premium

As a result of the operations detailed in Note 1 to the consolidated annual accounts, the share capital of the parent, Metrovacesa, S.A. consists of 151,676,341 bearer shares, with a par value of €7,20000001476829 each (151,676,341 bearer shares, with a par value of €7,20000001476829 each at 31 December 2018), fully subscribed and paid in at December 31, 2019 and 2018. These shares carry equal voting and dividend rights. Share capital at 31 December 2019 amounts to €1,092,070 thousand (€1,092,017 thousand at 31 December 2018).

At December 31, 2019 and 2018 the share premium results from the following:

- Difference between the share capital of Metrovacesa, S.A (€492,045 thousand) and the value attributed to the assets and liabilities spun off according to the relevant public document (€1,039,855 thousand), detailed in Note 1.c1, taking into account several adjustments of (€6,733) thousand, which amounts to €541,077 thousand.
- Difference between the subscribed share capital of Metrovacesa, S.A. (€464,198 thousand) and the value attributed to the assets contributed on the non-monetary capital increase (€1,097,324 thousand), detailed in Note 1.c1, which amounts to €633,126 thousand.
- Difference between the subscribed share capital of Metrovacesa, S.A. (€36 thousand) and the total value of the contribution on the monetary capital increase (€84 thousand), detailed in Note 1.c2, which amounts to €48 thousand.
- Difference between the subscribed share capital of Metrovacesa, S.A. (€135,737 thousand), and the value attributed to the shares of Metrovacesa Promoción y Arrendamiento S.A. contributed according to the relevant public document (€316,728 thousand), adjusted for latent gains on the assets of the Metrovacesa Promoción y Arrendamiento Group detailed in Note 1.c3 amounting to €22,972 thousand.
- Difference between the subscribed share capital of Metrovacesa, S.A. (€53 thousand) and the total value of the contribution on the monetary capital increase (€137 thousand), detailed in Note 1.d, which amounts to €84 thousand.
- Share premium distribution amounting to €49,974 thousand on May 2019, according shareholder meeting dated 29 April 2019.

At December 31, 2019 the share premium amounted to €1,328,323 thousand (€1,378,298 thousand at 2018).

The share premium account is unrestricted.

The shareholders with a significant direct or indirect interest in the share capital of Metrovacesa S.A., of more than 3% of the share capital at December 31, 2019 and December 31, 2018 are as follows:

	31 December 2019			
	Shares			% Capital
	Direct	Indirect	Total	
Banco Santander Group	48,443,127	26,426,709	74,869,836	49.36%
Banco Bilbao Vizcaya Argentaria Group	14,321,573	17,301,265	31,622,838	20.85%
Schroders, PLC	-	7,441,468	7,441,468	4.01%
Julius Baer Group, Ltd	-	8,559,937	8,559,937	5.64%
Quasar Investment, S.a.r.l*	217,389	5,773,159	5,990,548	3.95%
Treasury shares	240,847	-	240,847	0.16%
Directors	145,816	-	145,816	0.10%
Other shareholders (stock exchange)	22,775,051	-	22,775,051	15.01%
Total	86,143,803	65,502,538	151,646,341	100%

	31 December 2018			
	Shares			% Capital
	Direct	Indirect	Total	
Banco Santander Group	40,472,576	26,426,709	66,899,285	44.11%
Banco Bilbao Vizcaya Argentaria Group	14,321,573	17,301,265	31,622,838	20.85%
Banco Popular Español Group*	7,970,551	-	7,970,551	5.25%
Schroders, PLC	-	7,835,594	7,835,594	5.17%
Quasar Investment, S.a.r.l.**	217,389	5,773,159	5,990,548	3.95%
Treasury shares	302,472	-	302,472	0.20%
Other shareholders (stock exchange)	31,055,053	-	31,055,053	20.47%
Total	94,339,614	57,336,727	151,676,341	100.00%

(*) Banco Popular Español forms part of the Santander Group

(**) Banco Popular has an indirect interest of 49% in Quasar Investment, S.a.r.l.

b) Retained earnings and other reserves

The most significant variations in the consolidated statement of changes in equity at December 31, 2019 and December 31, 2018, apart from the distribution of the parent company's losses, are as follows:

	Reserves in consolidated companies (a)	Profit/(loss) for the year attributable to the Parent company (b)	Retained earnings (a) + (b)	Reserves in companies consolidated using the equity method	Minority interests
Balance at December 31, 2019	(79,533)	(4,494)	(84,028)	(2,665)	79
Balance at December 31, 2018	(70,418)	(9,105)	(79,523)	(2,675)	83

13. PROVISIONS

a) Non-current provisions

Details at December 31, 2018 and at December 31, 2017 are as follows:

Provisions for risks	Thousand euro	
	31/12/2019	31/12/2018
Litigation and other provisions	10,061	10,122
	10,061	10,122

Litigations and other provisions relate to the following:

a1) Judicial claims amounting to €6,316 thousand (€8,591 thousand in 2018).

Although the amount could seem significant, these claims are immaterial on a standalone basis. In this respect, the Group provides for probable litigation risks in accordance with the assessment performed by its legal department, mainly, with respect to claims for latent defects in completed developments.

a2) In 2018 the provision for guarantees was applied on the cancellation of the Group's guarantee arranged with respect to the investee Fuente de San Luis, S.L. Metrovacesa has paid €4,250 thousand in order to be fully released from the obligations deriving from such arrangements. As a result of the above, income was recognised amounting to €3,900 thousand under "Changes in trade provisions" on the consolidated income statement (Note 17).

The Directors of several group companies consider that the provisions established are adequate to cover the probable risks that could result from the outcome of the litigations underway and that if the risks that emerge exceed the provision, any additional liabilities should not significantly affect the Group's consolidated annual accounts.

Movements in non-current provisions in 2019 and in 2018 are as follows:

	Litigation and other provisions	Total
Carrying amount at the beginning of 2019	10,122	10,122
Charged/(credited) to the income statement:		
- additional provisions recognised (Note 16c)	823	823
- amounts not used reversed	(139)	(139)
Movements with no impact on results		
- amounts used during the year	(745)	(745)
Carrying amount at 31 December 2019	10,061	10,061

	Guarantees	Litigation and other provisions	Total
Carrying amount at the beginning of 2018	8,150	8,444	16,594
Charged/(credited) to the income statement:			
- additional provisions recognised (Note 16c)	-	6,577	6,577
- amounts not used reversed	(3,900)	(3,902)	(7,802)
Movements with no impact on results			
- Amounts used during the year	(4,250)	(997)	(5,247)
- Add. Non-monetary contribution MPYA shares	-	-	-
Carrying amount at 31 December 2018	-	10,122	10,122

b) Current provisions

Details at December 31, 2019 and December 31, 2018 are as follows:

	Thousand euro	
	31/12/2019	31/12/2018
Current provisions	19,041	13,815
	19,041	13,815

This heading records the provisions established to cover contractor settlement costs and warranty costs, after-sales service costs and other construction costs not yet incurred and committed under agreements. They are recognised at the date of sale of the relevant products, according to the best estimate of the expense calculated by the parent's Directors and for the necessary amount to settle the Group's liabilities.

The movement in non-current provisions in 2019 and 2018 is as follows:

	Completion work and other	Total
Carrying amount at the beginning of 2019	13,815	13,815
Charged/(credited) to the income statement:		
- Additional provisions / (reversals) recognised	5,226	5,226
Movements with no impact on results		
Carrying amount at 31 December 2019	19,041	19,041

	Completion work and other	Total
Carrying amount at the beginning of 2018	13,545	13,545
Charged/(credited) to the income statement:		
- Additional provisions / (reversals) recognised	270	270
Movements with no impact on results		
-Add. Non-monetary contribution MPYA	-	-
Carrying amount at 31, December 2018	13,815	13,815

14. OTHER CURRENT AND NON-CURRENT LIABILITIES

Trade and other payables mainly include the following:

	Thousand euro	
	31/12/2019	31/12/2018
Non Current:		
Payables		
- Bank borrowings	60,429	42,933
- Other financial liabilities	167	163
Payables to associates and related companies		
- Bank borrowings	34,554	25,186
Trade and other payables:		
- Trade payables	13,760	6,496
	108,910	74,778

	Thousand euro	
	31/12/2019	31/12/2018
Current:		
Payables		
- Bank borrowings	30,466	1,536
- Other financial liabilities	41	1,387
Payables to associates and related companies		
- Bank loans and overdrafts (a)	23,002	11,502
- Loans to companies	-	-
- Other financial liabilities	-	4
Trade and other payables:		
- Trade payables	49,540	25,301
- Personnel	3,394	2,743
- Current tax liabilities (Note 15)	-	3,097
- Other payables to the Public Administrations (Note 15)	10,252	23,378
- Customer advances	73,891	24,568
	190,586	93,516

The Directors consider that the carrying amount of trade payables approximates fair value.

a) Bank borrowings

A1) Syndicated loan 2019

On December 1, 2017, the Group arranged a syndicated loan amounting to €275,000 thousand, in order to finance, among other things, repayment of the 2017 syndicated loan, capex in developments, projects, operating expenses and taxes.

The financing matures at 5 years and bears interest at a variable rate according to Euribor 3M plus a market spread for the amounts used and not used. The origination fee amounts to 1.75%.

During 2019 and 2018, €50,000 thousand and €90,000 thousand has been used, respectively, and €24,499 thousand and €16,544 thousand has been paid, respectively.

Interest accrued at December 31, 2019 amounts to €5,153 thousand (€4,692 thousand in 2018). Additionally, amortized cost in 2018 amounts to €1,362 thousand (€1,399 thousand in 2018). Outstanding amount of €3,973 thousand is pending to be amortized (€5,337 thousand in 2018).

The following financial ratios should be accomplished by the Group:

- LTV ratio:

The obligated parties should at all times ensure throughout the term of the Agreement that the LTV ratio is not more than (a) 25%.

- Guarantee Coverage Ratio:

The obligated parties undertake to hold unencumbered assets representing at least 22% of LTV.

At December 31, 2019 all ratios are considered to have been complied with.

a2) Other bank loans and overdrafts

On 2019, the Group has signed bank loans related to real estate projects that are in construction and amount €258,991 thousand (€74,153 thousand in 2018), at the date €48,823 thousand has been used (€7,519 thousand in 2018).

a) Information on the average supplier payment period Additional Provision 3

	Days	
	2019	2018
Average supplier payment period	43	46
Ratio operations paid	29	42
Ratio operations pending payment	72	88

	Thousand euro	
	2019	2018
Total payments made	168,460	122,308
Total payments pending	27,540	10,962

15. PUBLIC ADMINISTRATIONS AND TAX SITUATION

The main debtor and creditor balances with the Public Administrations at December 31, 2019 and December 31, 2018 are as follows:

	Thousand euro			
	31 December 2019			
	Tax assets		Tax liabilities	
	Non-current	Current	Non-current	Current
VAT/IGIC	-	4,978	-	(9,635)
Deferred tax assets	95,612	-	-	-
Personal income tax payable	-	-	-	(384)
Social Security bodies	-	-	-	(233)
Corporate income tax	-	-	-	-
Deferred tax liability	-	-	(9,481)	-
- Other public authorities	-	25	-	-
	95,612	5,003	(9,481)	(10,252)

	Thousand euro			
	December 31, 2018			
	Tax assets		Tax liabilities	
	Non-current	Current	Non-current	Current
VAT/IGIC	-	2,410	-	(22,903)
Deferred tax assets	96,948	-	-	-
Personal income tax payable	-	-	-	(304)
Social Security bodies	-	-	-	(171)
Corporate income tax	-	-	-	(3,097)
Deferred tax liability	-	-	(8,503)	-
- Other public authorities	-	9	-	-
	96,948	2,419	(8,503)	(26,475)

Deferred tax assets and liabilities

At each accounting close, deferred tax assets and liabilities recognised are reviewed to ensure that they remain valid and any necessary adjustments are made accordingly.

	31/12/2019	31/12/2018
Deferred tax assets	95,612	96,948
Deferred tax liabilities	(9,481)	(8,503)
	86,131	88,445

The movements during the year in deferred tax assets and liabilities, excluding the offsetting of balances with the same tax authorities, are as follows:

	Tax losses	Temporary differences	Total
January 1, 2019	42,561	54,387	96,948
(Charged) / credited to income statement – items generated in the year	-	775	775
(charged) / credited to income statement due to prior year regularisation	(2)	(1,715)	(1717)
Other movements with not impact in the income statement	-	(395)	(395)
December 31, 2019	42,559	53,052	95,611

Movements of the year mainly corresponds to 11.6 and 20 articles of the Corporate Income Tax Act and the non-deductibility of some financial expenses.

Deferred tax liabilities	Asset revaluation	Total
January 1, 2019	8,503	8,503
Charged to the income statement- items generated in the year	1,390	1,390
Other movements with not impact in the income statement	(412)	(412)
December 31, 2019	9,481	9,481

In accordance with the Corporate Income Tax Law, tax losses are offset when the related tax returns are filed irrespective of the fact that they may be verified by the corresponding tax authorities. At December 31, 2019 the Group recognises the following tax loss carryforwards for offset against future profits:

	Recognised	Not recognised
2007 and previous	70	-
2008	20	-
2009	80,099	-
2010	65,134	-
2011	24,911	12,452
2012	-	21,391
2019	-	4,984
	170,234	38,828

Additionally, at December 31, 2019 new tax losses amounts to €4,984 thousand has been arise. This tax losses have not been recognized in the consolidated annual accounts.

The Group has prepared a business plan including future assumptions that enable it to conclude that the Group's tax credits will be fully recovered.

Income tax expense

Accrued tax on results for the year is calculated based on the tax rate that would be applicable to total forecast results for the year.

The (expense)/income tax expense at 31 December 2019 and 2018 is as follows:

	31/12/2019	31/12/2018
Income tax expense		
<i>Current tax:</i>		
Current income tax for the year	-	(4,833)
Ajustes al impuesto corriente de ejercicios anteriores	275	-
Total current tax (expense)/income	275	(4,833)
<i>Deferred income tax</i>		
(Decrease)/ increase in deferred tax assets	(942)	6,609
Decrease)/ (increase) in deferred tax liabilities	(1,390)	(3,061)
Application of tax losses	-	(8,255)
Total deferred tax (expense)/income	(2,332)	(4,707)
Total tax (expense)/income	(2,057)	(9,540)

The reconciliation of the corporate income tax expense to tax payable in 2019 and 2018 is as follows:

	31/12/2019	31/12/2018
Profit / (loss) on activities before tax expense	(2,439)	436
Tax at rate of 25%	-	(109)
Tax effect of amounts not deductible (taxable) on the calculation of tax profits		
Permanent differences	275	(4,724)
Temporary differences	(2,332)	3,548
Recognition of tax credits not recognised previously	-	-
Application of tax credits	-	(8,255)
Tax losses not recognised previously now recovered to reduce current tax expense	-	-
Income tax (expense)/income	(2,057)	(9,540)

The main permanent differences recorded are the following:

- Increases
 - Reversion of deductible impairment losses that belong from main shareholders, while shareholders are considered as related companies, according Transitional Provision 16 of Corporate Income Tax Act, amounting to €15,090 thousand (income of €3,772 thousand).
- Decreases
 - Reversion of impairments related to group and associates 'loans amounting to €12,040 thousand (expense of €3,010 thousand), according Note 10.a.

The main temporary differences have been detailed previously in this note.

In accordance with current legislation, tax assessments may not be considered definitive until the returns filed have been inspected by the tax authorities or inspection is time-barred after four years. At December 31, 2019 the tax returns of the Group companies for all applicable taxes are open to inspection since January 1, 2015.

The parent company's Directors do not expect any significant additional liabilities to accrue in the event of an inspection.

16. INCOME AND EXPENSE

a) Revenue

Revenues from the Company's ordinary activities may be analysed as follows:

	31/12/2019	31/12/2018
Sale of inventories	159,808	189,461
Services provided	1,268	374
Lease income	432	581
	161,508	190,416

All sales during the year were made in Spain.

b) Cost of sales

	31/12/2019	31/12/2018
Change in inventories and related costs	(140,044)	(158,348)
Services provided	(132)	(324)
Costs related to leases	(1,236)	(1,984)
	(141,412)	(160,656)

c) Staff costs

	31/12/2019	31/12/2018
Wages, salaries and similar	(11,920)	(10,893)
Staff welfare expenses:		
Social Security payable by the Company	(2,136)	(1,409)
Contributions and transfers to pension schemes	(220)	(162)
Other social welfare expenses	(719)	(378)
	(14,995)	(12,842)

The average number of employees by category is as follows:

	2019		
	Men	Women	Total
Executives	13	6	19
Supervisors and technicians	58	30	88
Administration and sales staff	32	46	78
Skilled workers and junior staff	4	-	4
	107	82	189

	2018		
	Men	Women	Total
Executives	13	4	17
Supervisors and technicians	41	18	59
Administration and sales staff	15	26	41
Skilled workers and junior staff	4	0	4
	73	48	121

The average number of employees at December 31, 2019 and December 31, 2018 is as follows:

	2019		
	Men	Women	Total
Executives	13	5	17
Supervisors and technicians	58	22	68
Administration and sales staff	32	27	54
Skilled workers and junior staff	4	-	4
	85	54	139

	2018		
	Men	Women	Total
Executives	12	5	17
Supervisors and technicians	46	22	68
Administration and sales staff	27	27	54
Skilled workers and junior staff	-	-	-
	85	54	139

d) Changes in trade provisions

	31/12/2019	31/12/2018
-Reversal of provisions for liabilities and charges (Note 13)	139	7,802
-Appropriation to the provision for liabilities and charges (Note 13)	(823)	(6,577)
-Appropriation to the provision for inventories (Note 9)	(23,358)	(25,698)
-Reversal provision for inventories (Note 9)	18,591	20,774
-Reversal of provision for long-term loans with associates (Note 10)	12,040	2,633
- Other	(634)	(557)
	5,955	(1,623)

17. GUARANTEES GIVEN TO THIRD PARTIES AND OTHER CONTINGENCIES

At December 31, 2019 and December 31, 2018, the Group has the following guarantees with respect to third parties:

	Thousand euro	
	31/12/2019	31/12/2018
Amounts delivered on account by customers	70,462	26,168
Outstanding liabilities on land and developments	13,152	7,338
Total	83,614	33,506

The heading "Amounts delivered on account by customers" mainly includes guarantees securing delivery, on account of housing purchased by customers.

The Group companies' Directors do not expect any additional liabilities to accrue in respect of the aforementioned guarantees.

18. COMMITMENTS

a) Operating lease commitments (when the company is the lessee)

The amount incurred by the Group in 2019 in respect of leases and common expenses for buildings and other facilities connected with its activities totals €586 thousand (€494 thousand in 2018).

Lease arrangements relate to the office premises rented by the Group's branch offices. The contract for the Madrid office premises located in Quintanavides 13, Madrid, matures in April 2020 and may be renewed upon maturity under market terms and conditions.

Total minimum future rental payments for irrevocable operating leases are as follows:

	Thousand euro	
	2019	2018
Less than one year	184	195
One to five years	97	180
More than five years	-	-
	281	375

19. RELATED-PARTY TRANSACTIONS

In addition to the subsidiaries, associates and jointly controlled companies, related Group companies include the Company's key management personnel (members of its Board of Directors and executives and close relatives) and entities over which key management personnel may exercise significant influence or control.

The related-party transactions carried out by the Group during 2019 and 2018, differentiating between significant shareholders, Board members and other related parties, are set out below. All related-party transactions are carried out under market conditions and all benefits in kind have been recognised.

	Thousand euro			
	31 December 2019			
	Significant shareholders	Directors and Executives	Persons, Companies, Group Entities	Total
ASSETS				
Non-current				
Loans granted	-	-	88,254	88,254
Current				
Loans granted	-	-	13	13
Other financial assets (a)	-	-	3,772	3,772
Cash equivalents	76,608	-	-	76,608

	Thousand euro			
	December 31, 2019			
	Significant shareholders	Directors and Executives	Persons, Companies, Group Entities	Total
<u>LIABILITIES</u>				
Non-current				
Bank borrowings	34,554	-	-	34,554
Other financial liabilities	-	-	-	-
Current				
Bank borrowings	23,002	-	-	23,002
Other debts	-	-	-	-

	Thousand euro			
	December 31, 2018			
	Significant shareholders	Directors and Executives	Persons, Companies, Group Entities	Total
<u>ASSETS</u>				
Non-current				
Loans granted	-	-	75,605	75,605
Current				
Loans granted	-	-	6	6
Other financial assets (a)	-	-	12,175	12,175
Cash equivalents	80,439	-	-	80,439

(a) Accrued VAT on shareholder contribution of Front Maritim del Besós, S.L

	Thousand euro			
	31 December 2018			
	Significant shareholders	Directors and Executives	Persons, Companies, Group Entities	Total
<u>LIABILITIES</u>				
Non-current				
Bank borrowings	25,186	-	-	25,186
Other financial liabilities	-	-	4	4
Current				
Bank borrowings	11,502	-	-	11,502
Other debts	-	-	4	4

	Thousand euro			
	December 31, 2019			
	Significant shareholders	Directors and Executives	Persons, Companies, Group Entities	Total
Expenses:				
Commissions and bank interest	(9,693)	-	-	(9,693)
Purchase of assets	(12,892)	-	-	(12,892)
Other expenses	-	-	-	-
Income:				
Shareholder contributions	1,886	-	-	1,886
Sale of assets (a)	12,892	-	-	12,892
Loan interest	-	-	5	5
Other income	-	-	412	412

a) Purchase of land via payment in kind (exchange):

At December 30, 2019, the parent Company has acquired some plots to significant shareholders. The price has been €12,892 thousand. The price has been paid with some properties.

	Thousand euro			
	December 31, 2018			
	Significant shareholders	Directors and Executives	Persons, Companies, Group Entities	Total
Expenses:				
Commissions and bank interest	(4,511)	-	-	(4,511)
Purchase of inventories	-	-	-	-
Other expenses	(207)	-	-	(207)
Income:				
Shareholder contributions	1,090	-	-	1,090
Other income	10	-	-	10

20. LEGAL INFORMATION ON THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

a) Remuneration and other benefits paid to the Company's Board of Directors and Senior Management

The most significant salary and benefit information for 2019 and 2018 is summarised below:

	Thousand euro	
	31/12/2019	31/12/2018
Members of the Board of Directors		
Remuneration item		
Fixed and variable remuneration	1,418	2,182
Benefits in kind	36	35
Per diems	-	-
Indemnities	-	-
Gifts per bylaws	1,159	1,234
Other benefits - Board of Directors		
Life insurance premiums	18	8
Pension funds and plans	63	63
Executives:		
Total remuneration accrued by senior management (*)	2,145	2,116

(*) Figures do not include Pension Plan or Life Insurance.

As mentioned in Note 1.c.4, certain members of the Board of Directors and some members of senior management are entitled to an incentive plan based on shares and cash remuneration. The amount accrued by the members of the board of directors totals €25 thousand while the members of senior management have accrued €32 thousand.

b) Situations of conflict of interest of directors

As part of the duty to avoid conflicts with the Company's interests, during the year the directors that have held positions on the Board of Directors have fulfilled the obligations set forth in article 228 of the Spanish Companies Act. Additionally, they and parties related to them have not come under the provisions concerning conflicts of interest set out in article 229 of this Act, except where the pertinent authorisation was obtained.

It is common policy for Board members to abstain during the meetings of the Board of Directors or executive committees in connection with operations and/or agreements which could give rise to conflicts of interest in the terms recorded in the minutes for 2019. In any event, this has no effect with respect to article 229 concerning situations of conflicts of interest.

21. EVENTS AFTER THE END OF THE REPORTING PERIOD

- Majority shareholders

The shareholders that hold significant interests in the capital of Metrovacesa, S.A., both direct and indirect, of more than 3% of share capital at the date of preparation of these accounts, are as follows:

	Shares			% of Capital
	Direct	Indirect	Total	
Banco Santander Group	48,443,127	26,426,709	74,869,836	49.36%
Banco Bilbao Vizcaya Argentaria	14,321,573	17,301,265	31,622,838	20.85%
Schroders, PLC	-	7,411,468	7,411,468	4.91%
Julius Baer Group, Ltd	-	7,173,161	7,173,161	4.73%
Quasar Investment, S.a.r.l.	217,389	5,773,159	5,990,548	3.95%
Inversora de Carso, S.A. de C.V.	-	4,619,910	4,619,910	3.05%
treasury shares	240,847	-	240,847	0.16%
Directors	151,970	-	151,970	0.10%
Rest of shareholders (Stock Market)	19,535,763	-	19,535,763	12.87%
Total	82,910,669	68,735,672	151,646,341	100.00%

- Financing and loans signed

Until the date of these consolidated annual account are signed, the parent company has signed hypothecary loans amount to €72,100 thousand to finance real estate project that currently are in phase of construction, €55,700 thousand corresponds to group and associates' loans.

- Use of Group financing

On February 2020, the parent Company has partially used a group loan in €25,000 thousand.

- Equity Swap

On December 31, 2019, the parent company has signed an "Equity Swap" agreement with Goldman Sachs International, the limit amount is €50 million, and the maturity is 27 months. At the date of these consolidated annual accounts are signed, the notional amounts to €3,625 thousand.

22. AUDITORS' FEES

In 2019 and 2018 the fees relating to audit services rendered by the auditors of the Group's consolidated annual accounts (PricewaterhouseCoopers Auditores S.L.) or companies related thereto through control, common ownership or management, and the fees for services invoiced by auditors of the separate annual accounts of the companies included in the consolidation scope and by related entities as a result of a relationship of control, common ownership or management, were as follows:

	2019	2018
Audit services	133	148
Other authentication services	44	137
Total audit and related services	177	285
Total other income	-	-
Total professional services	177	285

From the year -end date to the date of preparation of these consolidated annual accounts, the fees invoiced for not audit and related services, provided by the auditor, amounted to €59 thousand (€12 thousand in 2018).

No fees have accrued at December 31, 2019 or at December 31, 2018 for work performed by other companies of the PwC network.

APPENDIX I

SUBSIDIARIES

Name	Registered office	Activity	Net interest in holder				Group company holder
			2019 (%)	2018 (%)	31.12.2019 (thousand euro)	31.12.2018 (thousand euro)	
Inmobiliaria Das Avenidas Novas, S.A.	Portugal	Real estate promotion and development	-	100%	-	6	Metrovacesa, S.A.
Promociones Vallebramen, S.L.	Spain	Real estate promotion and development	100%	100%	-	-	Metrovacesa, S.A.
Fuencarral Agrupanorte, S.L. (formerly ALQ.13)	Spain	Real estate promotion and development	100%	100%	100,691	100,691	Metrovacesa, S.A.
Metrovacesa Inmuebles y Promociones, SL	Spain	Real estate promotion and development	100%	100%	24,454	24,454	Metrovacesa, S.A.
Metrovacesa Promoción Y Arrendamiento. S.A.	Spain	Real estate promotion and development	99.99%	99.99%	339,854	339,854	Metrovacesa, S.A.
Metrovacesa Comercial, S.L	Spain	Real estate promotion and development	100%	-	104	-	Metrovacesa, S.A.
Desarrollo de Infraestructuras de Castilla, S.A.	Spain	Real estate promotion and development	100%	100%	96	72	Metrovacesa Promoción y Arrendamiento. S.A.
Vailen Management, S.L	Spain	Real estate promotion and development	100%	100%	95	.	Metrovacesa Promoción y Arrendamiento. S.A.
Global Carihuela Patrimonio No Estratégico, S.L.	Spain	Real estate promotion and development	100%	100%	16,230	16,230	Metrovacesa Promoción y Arrendamiento. S.A.

ASSOCIATES (*) AND JOINT VENTURES (**)

Name	Registered office	Activity	Net interest in holder				Group company holder
			2019 (%)	2018 (%)	31/12/2019 (thousand euro)	31/12/2018 (thousand euro)	
Urbanizadora Valdepolo I, S.A. (*)	Spain	Real estate promotion and development	50%	50%	-	-	Metrovacesa, S.A.
Urbanizadora Valdepolo II, S.A. (*)	Spain	Real estate promotion and development	50%	50%	-	-	Metrovacesa, S.A.
Urbanizadora Valdepolo III, S.A. (*)	Spain	Real estate promotion and development	50%	50%	-	-	Metrovacesa, S.A.
Urbanizadora Valdepolo IV, S.A. (*)	Spain	Real estate promotion and development	50%	50%	-	-	Metrovacesa, S.A.
Monteburgos Holding Spain, S.L.	Spain	Real estate promotion and development	24%	24%	2,551	209	Metrovacesa, S.A.
Valdicsa, S.A. (**)	Spain	Real estate promotion and development	-	-	-	-	Metrovacesa, S.A.
Front Maritim del Besos, S.L. (*)	Spain	Real estate promotion and development	39%	39%	58,776	58,776	Metrovacesa Promoción y Arrendamiento. S.A.

INDIRECT INTERESTS:

Name	Registered Office	Activity	2018 %	Group Company Holder	% participation MVC Group
Las Tablas Propco I, S.L.	Spain	Promoción y Desarrollo Inmobiliario	100%	Monteburgos Holding Spain, S.L.	24%

APPENDIX II

	Urbanizadora Valdepolo I, S.A. (*)	Urbanizadora Valdepolo II, S.A. (*)	Urbanizadora Valdepolo III, S.A. (*)	Urbanizadora Valdepolo IV, S.A. (*)	Monteburgos Holding Spain, S.L. (*) (a)	Front Maritim del Besos, S.L. (*)
Condensed financial information at 31/12/2019						
Current assets	23,173	23,147	23,136	23,149	646	151,895
Current liabilities	(17)	-	-	-	(11,586)	(33)
Net current assets	23,156	23,147	23,136	23,149	(10,940)	151,862
Non-current assets	829	831	831	831	42,983	-
Non-current liabilities	(24,750)	(24,750)	(24,750)	(24,750)	(21,777)	-
Net non-current assets	(23,921)	(23,919)	(23,919)	(23,919)	21,206	-
Total net assets	(765)	(772)	(770)	(770)	10,266	151,862
Revenue	5	5	5	5	-	-
Profit/Loss for the year	(4)	(3)	(4)	(4)	(392)	(270)

(a) Consolidated financial statements of Monteburgos Holding Spain, S.L. and Las Tablas Propco I, S.L. are included.

	Urbanizadora Valdepolo I, S.A. (*)	Urbanizadora Valdepolo II, S.A. (*)	Urbanizadora Valdepolo III, S.A. (*)	Urbanizadora Valdepolo IV, S.A. (*)	Monteburgos Holding Spain, S.L. (*) (a)	Front Maritim del Besos, S.L. (*)
Condensed financial information at 31/12/2018						
Current assets	23,185	23,176	23,165	23,178	511	164,326
Current liabilities	(33)	(32)	(32)	(33)	(743)	(12,189)
Net current assets	23,152	23,144	23,133	23,145	(232)	152,137
Non-current assets	848	850	850	850	2,321	0
Non-current liabilities	(24,750)	(24,750)	(24,750)	(24,750)	(1,170)	0
Net non-current assets	(23,902)	(23,900)	(23,900)	(23,900)	1,151	0
Total net assets	(750)	(756)	(767)	(755)	919	152,137
Revenue	(4)	(4)	(4)	(4)	-	(3)
Profit/Loss for the year	(76)	(76)	(76)	(76)	46	(3)

(*) The financial information included in this annex has not been audited.

(**) Liquidated.



Consolidated Management Report for year December 31, 2019



1. Significant aspects

Significant operations in the period January 1, 2019 to December 31, 2019.

- Sales and margin

During the year ended December 31, 2019 sales amounted to €161,508 thousand mainly because of the contribution to revenues of sales of property developments and land (€63,182 thousand and €96,626 thousand respectively). In addition, land amounting to EUR 10,279 thousand was transferred and recognised under "Investment Property". During the year ended December 31, 2018 sales amounted to €190,416 thousand mainly due to the contribution to revenues of sales of property developments (€189,461 thousand).

During the year ended December 31, 2019 the company's gross margin, prior to the reversal of impairment associated with deliveries understood as the difference between the amount of inventory sales totalling €159,808 thousand and the related cost amounting to €140,044 thousand, totalled €19,764 thousand. During the year ended December 31, 2018 the company's gross margin, understood as the difference between the amount of sales totalling € 189,461 thousand and the related cost amounting to €158,348 thousand, totalled €31,113 thousand.

- Structural costs

Structural costs amount to €33,931 thousand and include staff costs amounting to €14,995 thousand for the year ended December 31, 2019. As of December 31, 2018 structural costs amount to €29,237 thousand and include staff costs amounting to €12,842 thousand.

- Results for the period

Accumulated losses as of December 31, 2019 and 2018 amounted to €4,496 thousand and €9,104 thousand, respectively.

- Relevant transactions in the year

Relevant operations for the period from January 1, 2019 to December 31, 2019:

- Turnkey private contract sales: In July 2019, the Group's Parent signed a private agreement with a medical insurance company for the construction of a retirement home in Manresa, with an estimated delivery date in 2022.

Also, in November 2019, the Group entered into a private agreement with an insurance company for the sale of an office building to be developed on the plot known as "Monteburgos II". Works will commence in the next months and deliveries will be during 2022.

- Commercial agreement with Tishman Speyer: On June 2019, the company Metrovacesa Promoción y Arrendamiento, S.A. sold to Las Tablas Propco, S.L. part of the plot known as "Monteburgos I", the price was €30,086 thousand. Las Tablas Propco, S.L. shares are owned by Tishman Speyer in 76% and Metrovacesa in 24%. The transaction is included in the commercial agreement signed on July 2018 to promote an office building.

Works have started and it expected to be completed between December 2020 and June 2021.

- Equity swap agreement: On December 31, 2019, the parent company has signed an "Equity Swap" agreement with Goldman Sachs International, the limit amount is €50 million, and the maturity is 27 months.

Consequently, the parent company has ended the liquidity agreement for treasury stock management with Banco Sabadell, S.A.

2. Economic perspectives

The Spanish economy has experienced a process of deceleration throughout 2019 that seems to have stabilized in the final part of the year. In any case, growth rates were lower than those of the previous year and, for the year as a whole, the Spanish economy grew by 2.0%, gradually losing dynamism. Thus, after starting the year with growth rates of activity of 2.2% year-on-year, the year ended with increases of around 1.8%, which could be maintained at the beginning of 2020. As a result of this slowdown in activity, employment also lost dynamism as the year progressed: the Labour Force Survey confirmed the creation of 402 thousand jobs in 2019, as compared with 566 thousand the previous year, and the unemployment rate decreased to 13.8%, 7 tenths of a point lower than at the close of 2018, fundamentally in the first half of 2019.

From the point of view of risks, the shadows that lurked in the economy at the beginning of 2019, both global and internal, became less long-lasting: on the one hand, the protectionist threat lost strength in the final part of the year with the signing of Phase I of the agreement between China and the US. On the other hand, the threat of a tough Brexit seems to have dissipated, although there is still a year to negotiate the future trade relationship between the two blocks. On the other hand, other new threats are looming on the global scene: the possible extension of the epidemic originated in China by the new coronavirus may have effects on activity at an aggregate level. At the domestic level, the uncertainty generated by the prolonged absence of a stable government disappeared in the final part of the year, which should give way to an environment conducive to the development of both investments that could be delayed and the necessary structural reforms.

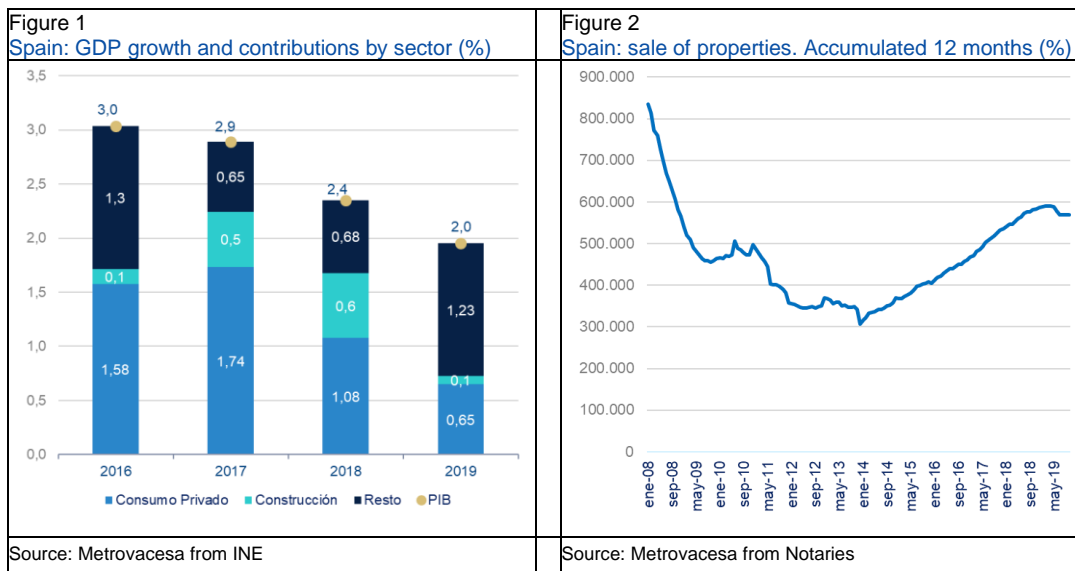
The outlook for 2020 suggests that the slowdown is over, and the growth rates experienced in the final part of the year will remain relatively stable in the coming quarters, so that annualizes growth in activity could be around 1.6%.

In this macroeconomic context, the residential sector has experienced a difficult year in 2019 as a result of the effects of the uncertainty associated with various factors: on the one hand, the beginning of the year was hesitant as a result of the doubts over the ruling on the liability origin of the Stamp Duty (AJD), published at the end of the previous year. As with the rest of the economy, the sector has evolved from being more to less dynamic. The absence of the Government, together with the doubts generated by various legislative measures, including the entry into force of the New Mortgage Law and the measures relating to renting, generated a certain paralysis in demand in the second half of the year. As a result, housing sales, according to the General Council of Notaries, slowed down from the 4.4% per quarter with which it opened in the first quarter of the year, to around 1.0% in the third and fourth quarters of the year, including a second quarter of sharp decline. Thus, for the year as a whole, housing sales would have fallen by nearly 3% in the aggregate for 2019. The resolution of the various elements of uncertainty will mean a progressive return to positive growth rates in the sector and a situation more in line with the cyclical moment of the economy.

On the supply side, visas continued to show a certain dynamism, although, as with the rest of the sector, the evolution has been more or less steady throughout the year. Thus, with data as of November, forecasts indicate that visa growth would be close to 10% in 2019 but that, in any case, levels continue to be low in historical terms.

The weakness of sales inevitably affected the evolution of prices. According to TINSA data, growth would have slowed from 5.0% in 2018 to 3.6% in 2019. This means that prices are still 34% below the maximum level of the historical series. Forecasts for 2020 suggest that the gradual recovery expected in the sector's sales rates will once again generate price increases, albeit at a slower pace than those seen to date.

Overall, the outlook for the sector is moderately optimistic, and is based on the good performance of its fundamental determinants, which continue to be positive, ruling out the existence of medium- and long-term structural problems: on the one hand, the forecasts for household creation continue to be favorable despite the doubts about demographic trends in Spain; gross disposable income continues to reach historic highs quarter by quarter in a context of deleveraging in the private sector. On the other hand, accessibility ratios have fallen further and continue to be below the historic average and all this in an environment of liquidity with interest rates that will continue at historically low levels over the coming quarters.



3. Metrovacesa's Mission, Vision and Values

Mission

- ✓ Creating homes to improve the lives of our customers.
- ✓ To provide society with a series of integral solutions in promotion that facilitate the formation of homes and improve the lives of its clients by providing services with optimum standards of quality, cost and time, always acting as a socially responsible company.
- ✓ Seek growth in added value to satisfy all stakeholders by making investments that contribute to long-term sustainable development.
- ✓ Changing the use of the same trends in the real estate development and construction sector with the know-how provided by its extensive experience.

Vision

To become the national champion of the residential market, being the developer chosen by customers, employees, communities and shareholders. To do this, we must continuously improve our financial and operational results, while respecting the highest standards of business conduct.

Values



4. Corporate Governance System

Metrovacesa keeps its Corporate Governance System permanently updated, which is the set of rules integrated by the Articles of Association, the Mission, Vision and Values of Metrovacesa Group, the Corporate Policies, the Rules of Governance of the corporate bodies and the internal committees and the Compliance. The Group promotes the creation of working groups to advance the development of specific aspects of its corporate governance system, in which it has the participation of authorised representatives of the interest group concerned in each case, of professionals from the Company and external experts in the field at the highest level.

The commitment to good corporate governance and transparency is included in the Mission, Vision and Values of the Metrovacesa Group, whose pillars in the area of corporate governance are the involvement of the Company's shareholders in social life and the maintenance of leadership in the application of best practices and transparency. The General Corporate Governance Policy contains a summary of the basic principles that govern the corporate governance of the Company and the Group and the most relevant elements that make it up, all of which are available at www.metrovacesa.com

5. Internal organizational structure

In accordance with Article 2 of Metrovacesa, S.A.'s Bylaws, the Company's corporate purpose is, among others:

- ✓ Acquisition or construction of all kinds of properties and constructions for building or improvement in order to be sold.
- ✓ Development, urbanization and parcelling of real estate in general.
- ✓ Acquisition of land, urban development or any kind of real estate rights in order to be sold. Perform activities such as:
 - Real estate management for own benefit or for third parties.
 - Promotion and management of property owner associations.
- ✓ Refurbishment, conditioning or installation works.
- ✓ Creation, training and development work.
- ✓ Technical advice and carrying out of studies and projects related to real estate activities and, in particular, the promotion and carrying out of technical, legal and commercial urban development actions necessary for the start-up, construction or any other form of operation of residential areas, car parks, residences for the elderly and for students, hotels and any other type of community and social facilities.

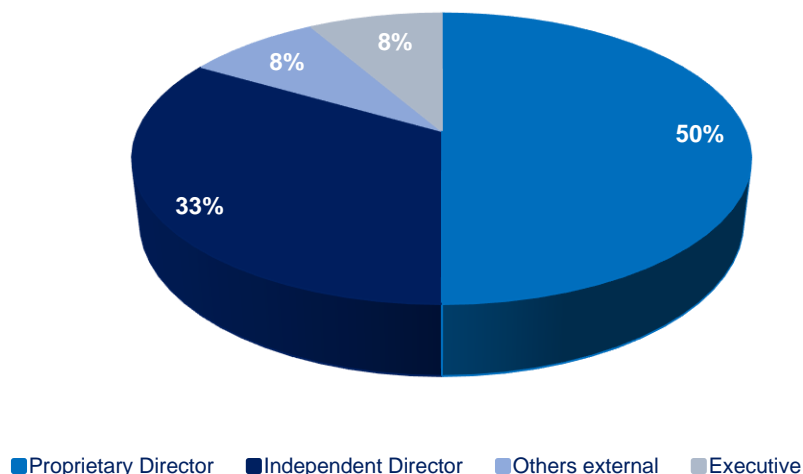
The company operates in the geographical areas of Catalonia (Catalonia and the northern part of the Balearic Islands), Central-North (Central and northern area, except Catalonia, as well as the Canary Islands), Western Andalusia (northern and western Andalusia), Costa del Sol (southern Andalusia, as well as the eastern area) and Levante (Valencia, Murcia and the southern part of the Balearic Islands). It had a total of 189 employees at the end of the year, 43% of whom were women.

The General Meeting of Shareholders is the highest decision-making and control body of the Company in the matters within its competence, through which the right of the shareholder to intervene in the Company's essential decision-making is articulated.

The Board of Directors is competent for any matters not attributed by the Articles of Bylaws to the General Meeting of Shareholders. The Board of Directors, which has the broadest powers and authority to manage, direct, administer and represent the Company, shall, as a general rule, delegate the day-to-day management of the Company to the delegated administrative bodies and the management team, establishing the content, limits and modalities of the delegation, and shall concentrate its activity on the general supervisory function and on the consideration of those matters of particular importance to the Company.

The Board of Directors is made up of 12 members (3 women and 9 men), of whom 4 are independent, 6 are proprietary, 1 is an external member and 1 is an executive. It is regulated by the Regulations of the Board of Directors which aim to determine the principles of action of the Board of Directors, as well as the basic rules of its organization and operation and the rules of conduct of its members and their competences. These regulations were approved by the Board of Directors itself.

Composition of the Board of Directors



The following committees report to the Board of Directors:

Audit and Control Committee made up of three directors, two of whom are independent directors, one of whom is the chairman of the committee, and one of whom is a proprietary director. Article 14 of the Regulations of the Board of Directors regulates the Audit Committee and Control, its composition, powers and operation.

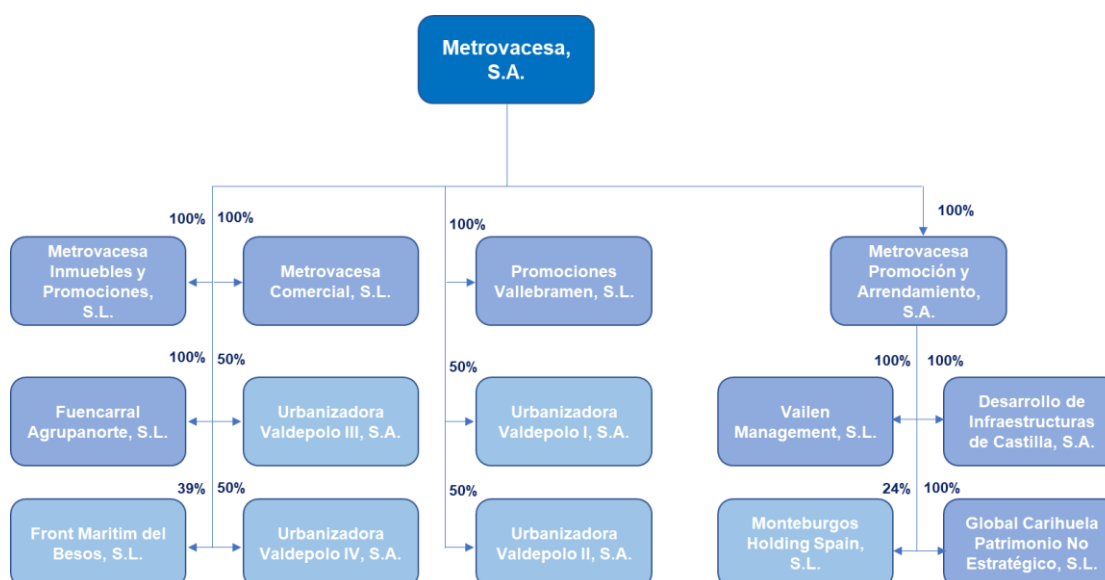
The Nomination and Remuneration Committee is composed of four directors, two of whom are independent directors, one of whom is the chairman of the committee, one is a proprietary director and one is an external director. Article 15 of the Regulations of the Board of Directors regulates the Appointments and Remuneration Committee, its composition, competencies and operation.

There is also a Management Committee within the Group, made up of company executives, regulated by its own regulations, which have been approved by the Group's Chief Executive Officer and which govern its composition, powers and operation. Likewise, the Group has a Compliance Committee made up of the Finance Department, the Legal Department and the Media Manager, whose composition, competencies and operation are regulated in the Compliance Policy and Manual approved by the Board of Directors. There is also an Internal Control Body (ICB) in the area of CBP/TF, whose composition, competencies and operation are regulated in the CBP/TF Manual approved by the ICB.

In 2019, the Equality Committee was set up, a body responsible for providing information and suggestions for the preparation of the Equal Opportunities Plan, and for channeling contributions and suggestions from other staff. The creation of this commission has as its ultimate goal to have a team of people responsible for promoting Equal Opportunities in the company. For its part, the equality plan aims to establish and develop practices that integrate equal treatment and opportunities between women and men. Metrovacesa has applied for the "equality in the company" distinction awarded by the Ministry of Health, Services and Equality.

6. Corporate Structure of the Group

The corporate structure comprises the parent Company (Metrovacesa, S.A.), the sub-holding companies and the operating companies.



7. Share Price and liquidity

2019 has been a positive year for the international financial markets with high returns across the equity and fixed income markets. On the other hand, expectations of a more sustained recovery in global economic growth, the consolidation of monetary policies aimed at normalization by the main Central Banks and a return to positive real interest rates have not been met. In October, the IMF estimated world growth for 2019 at 3%, six-tenths of a point lower than in 2018 and the lowest rate in the last decade after the financial crisis.

In the European economy and the euro area in particular, the slowdown that was already visible at the end of 2018 has become more acute with the slowing down of German industry and the uncertainty generated by the Brexit. In Spain, the economy has confirmed that it has entered a more mature phase of the cycle, which has been slowed down to a large extent by the global and European slowdown, the tensions and reduction in international trade and internal and external political uncertainty. However, according to the IMF's autumn forecasts, Spain will maintain expected growth above that of the main European economies: GDP will grow by almost 2% in 2019 and 1.8% in 2020 compared to 1.2% and 1.4%, respectively, in the Eurozone.

The Spanish stock market prices have evolved positively, with the IBEX 35 rising by 13% and the IBEX with Dividends achieving a yield of 13.59%, both up to December. The IBEX Small Cap, made up of 30 companies, gained just over 10% until December, where Metrovacesa has a weighting close to 3% of the index.

However, the real estate development sector was one of the hardest hit during the year by uncertainties relating to interest rate increases, geopolitical instability, Brexit in second homes, the evolution of the global economy, etc.

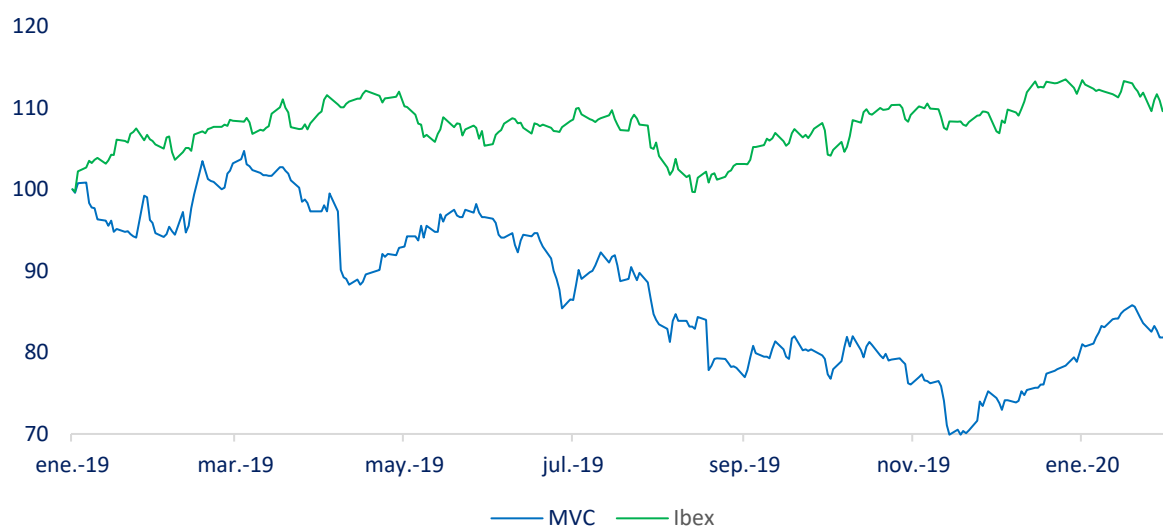
The price of Metrovacesa shares began the year at 11.10 euros/share, reaching its annual maximum of 11.62 euros/share on March 5, 2019, and ended the year at 8.75 euros/share, which meant a year-on-year decrease of 21.17%, after having distributed a dividend of €50 million (0.3297 euros/share).

With regard to share liquidity, at year-end the free float was 15.03% of the company's capital, and during 2019 more than 20,706,000 shares of the company were traded, equivalent to 90.80% of the total (13.65% of the total shares).

	2019
Quotation at the end of the period	8.75
Average price for the period	9.78
Average daily volume (shares)	81,202
Maximum daily volume (shares)	1,042,313
Minimum daily volume (shares)	12,433
Market capitalisation closing (Mm euros)	1,327
Shareholder remuneration (euros)	0.3297

On December 31, 2019, the Company has notified Spanish Stock Market Commission (CNMV) a significant event about the end of the liquidity contract with Sabadell, S.A. Bank due to the Equity Swap Contract signed with Golman Sachs.

Stock market and IBEX 35 evolution



8. Significant events

Date	Type of significant event	Information description	Register Number
12/02/2020	Notice of meetings or information events	Notice of Q4 2019 results	49
03/01/2020	Programs for the repurchase of shares, stabilisation and treasury shares Liquidity contracts and counterparties	Purchase and sales transactions executed during Q4 2019 under the liquidity contract	285610
31/12/2019	Programs for the repurchase of shares, stabilisation and treasury shares	Temporary suspension of the liquidity contract due to the signature of an equity swap agreement	285578
14/11/2019	Notice of results	Notice of 30 September 2019 results	283669
14/11/2019	Interim financial statements	Notice of 3Q 2019 results	283667
14/11/2019	Notice of results	Notice of 30 September 2019 results	283665
08/11/2019	Notice of meetings or information events	Notice of Q3 2019 results	283465
11/10/2019	Liquidity Counterparty and counterparty	Acquisition performed during third trimester 2019 under Liquidity Contract (Correction)	282536
02/10/2019	Liquidity Counterparty and counterparty	Acquisition performed during third trimester 2019 under Liquidity Contract	282248
30/07/2019	Interim financial statements	Notice of 1Q 2019 results	280906
30/07/2019	Notice of results	Notice of 1S2019 results	280890
29/07/2019	Notice of meetings or information events	Notice of Q2 2019 results	280782
05/07/2019	Notice of meetings or information events	Notice of Q2 2019 results	279923
04/07/2019	Liquidity Counterparty and counterparty	Acquisition performed during 2Q 2019 under Liquidity Contract	279906
16/05/2019	Interim financial statements	Notice of 1Q 2019 results	278287
15/05/2019	Notice of results	Notice of 1T 2019 results	278265
13/05/2019	Notice of meetings or information events	Notice of Q1 2019 results	278195
29/04/2019	Notice of Dividends	Notice of dividends distribution estimated date and amount	277576

Date	Type of significant event	Information description	Register Number
29/04/2019	Notices and resolutions of General Meetings and Assemblies	Information on the resolutions adopted by the General Shareholders' Meeting	277574
25/04/2019	Notice of results	Notice of Q1 2019 results	277407
05/04/2019	Liquidity Counterparty and counterparty	Acquisition performed during 1Q 2019 under Liquidity Contract	276886
20/03/2019	Notice of meetings or information events	Notice of General Shareholders' Meeting	276243
28/02/2019	Annual Corporate Governance Report	Annual Corporate Governance Report 2018	275560
28/02/2019	Directors' Remuneration Annual	Directors' Remuneration Annual	275304
27/02/2019	Dividends information	Share premium distribution of €50.000.000 proposal	275303
27/02/2019	Notice of results	Notice of FY 2018 results	275302
27/02/2019	Notice of meetings or information events	Notice of FY 2018 results	275300
27/02/2019	Interim financial statements	Notice of FY 2018 results	275299
16/01/2019	Notice of meetings or information events	Notice of FY 2018 results	273865
15/01/2019	Liquidity Counterparty and counterparty	Acquisition performed during 4Q 2018 under Liquidity Contract	273828

9. Risk Management and Control System

The **Risk Management** Model adopted by Metrovacesa is **comprehensive** and considers all significant risks to which the Company may be exposed and, in particular, those that may affect compliance with the Business Plan, whether of a strategic nature, operational, financial or compliance with the most relevant applicable regulations.

Metrovacesa defines **risk** as any event, whether caused by internal or external factors, that hinders or prevents the achievement of its strategic and operational objectives and classifies risks into four categories:

- **Strategic**: Associated with the key long-term objectives, they may arise from the actions of other key market participants (customers, competitors, regulators, investors or others), changes in the competitive environment or the business model itself. These include:

- Real estate market
- Regulatory changes
- Soil and project portfolio

- **Operational**: Related to the usual operations carried out in Metrovacesa, including all risks related to operational procedures and the business itself. These include:

- Production planning and management
- Soil transformation
- Marketing

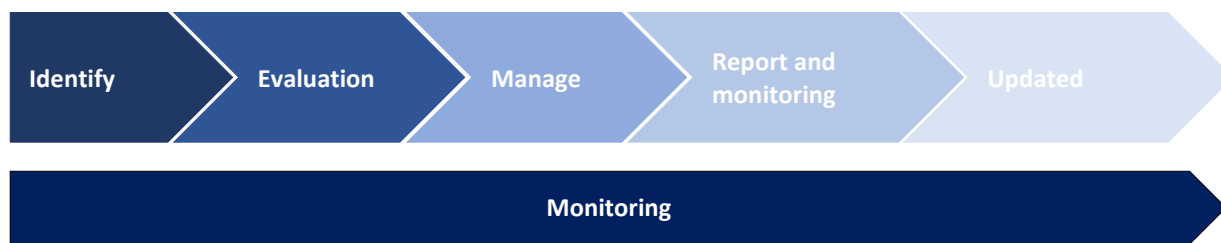
- **Financial:** Related to the economic and financial management of Metrovacesa, as well as the processes for obtaining financial information. Among those included:

- Availability of financing
- Valuation of assets
- Reliability of financial and management information and forecasts.

- **Compliance:** Those that may imply compliance with external and internal regulations by the management or employees of the Company. These include:

- Failure to comply with criminal regulations.
- Failure to comply with other civil or administrative regulations.

Metrovacesa's methodology for risk management is a continuous process that is developed in the next stages:



Based on this continuous process of risk control and management, during the year the Company's Risk Map was updated, involving the entire organization, from the Management Committee to those directly responsible for risk management.

For the risks with the greatest impact and probability, with special attention to those of a strategic and operational nature, Metrovacesa has mechanisms for identifying risk events that help to have continuous monitoring and also has management plans for their prevention or mitigation. In addition, risk indicators and controls have been defined for each identified risk event and guidelines have been established to identify and maintain critical risks within approved tolerance limits, so that the Board of Directors can decide on the acceptable risk level for the Company at any given time. To this end, during the 2019 financial year, the Company has continued to identify and define the quantitative and qualitative indicators of the most critical risks, facilitating the work of monitoring, supervising and setting tolerance levels and reporting to the Audit Committee and the Management Committee on the respective action plans.

Likewise, for certain risks, zero tolerance has been defined, mainly those related to fraud, corruption, money laundering, physical security or non-compliance with regulations.

Throughout 2019, Metrovacesa has strengthened its IFRS with the implementation of new management procedures and controls in the Billing and Accounts Receivable, Treasury and Financing, Real Estate Inventory and Investment and Asset Valuation cycles. Likewise, work has been undertaken to supervise the operational efficiency of controls belonging to cycles considered key due to their relevance in quantitative and qualitative terms. Thus, the Company has an updated risk and control matrix with defined responsible parties, an evidence repository, as well as an ad hoc IFRS policy and specific procedures related to the review of financial information approved by the Board of Directors

With regard to compliance risks, and specifically those related to the prevention of criminal offences, in 2019 Metrovacesa has updated the model to adapt it to changes deriving from the Criminal Code Reform of February 2019. Additionally, an in-depth review of the Risk and Control Matrix has been carried out, verifying the operational effectiveness of the latter and its due alignment with the risks.

Bodies responsible for the development and implementation of the Risk Management System

As a pillar of the Comprehensive Risk Management System, Metrovacesa has a Risk Control and Management Policy approved by the Board of Directors, the aim of which is to define the principles for identifying, analysing, evaluating, managing and communicating the risks associated with Metrovacesa's strategy and operations,

ensuring a general framework for managing the threats and uncertainties inherent in the business processes and the environment in which the Group's companies operate.

All Metrovacesa's executives and employees are responsible for complying with the Risk Control and Management Policy in their area of management and for coordinating their actions in response to risks with those of other affected departments and directorates, where applicable.

The functions and responsibilities of the different bodies and persons involved in risk management are as follows:

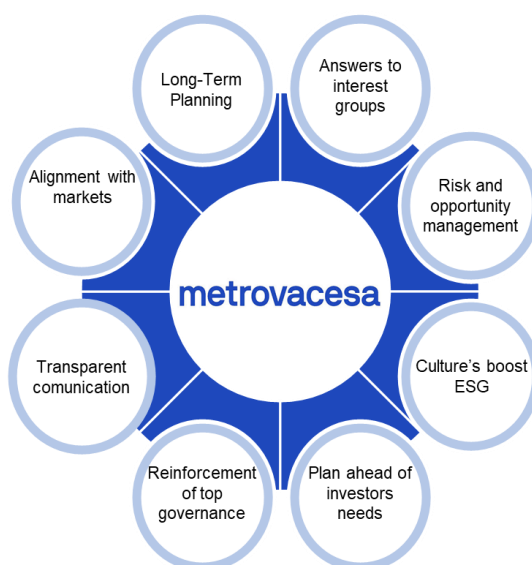
Authority	Roles and responsibilities
Board of Directors	<ul style="list-style-type: none"> Determine the Risk Control and Management Policy, including fiscal risks.
Audit Committee	<ul style="list-style-type: none"> To supervise the internal information and control systems (SCIIF). To supervise the effectiveness of the internal control of the Company and its group, the internal audit and the risk management systems.
Management	<ul style="list-style-type: none"> To keep the Board of Directors informed of all matters which, as a result of the monitoring and supervision of the system, may affect the management of the Company. To define a plan to identify and evaluate the risks, assign responsibilities for the risks identified, confirm the results of the evaluations in order to determine the criticality of these Approve and implement the actions proposed by those responsible for each risk in order to assess in depth and implement response plans To facilitate the functions to be carried out by Internal Audit, providing it with the necessary resources To periodically inform the Audit Committee about the control and management of risks carried out in the Company
Internal Audit	<ul style="list-style-type: none"> To support the Audit Committee in the fulfilment of its responsibilities through the following functions <ul style="list-style-type: none"> o Coordinate and supervise the operation of the risk management and control system o Standardize and consolidate the reports on risk identification and assessment, and the results of the corresponding management plans, prepared by each of the risk managers o To ensure the proper functioning of the risk management and control system by providing methodological support to risk managers in the identification and assessment of risks o Monitor the results of the planned risk management and report on them to the Audit Committee
Risk Managers (business, operational, legal and financial areas)	<ul style="list-style-type: none"> Thoroughly assess the risks under your area of responsibility Proposing and reporting indicators for monitoring Propose and implement action plans for their mitigation Report on the effectiveness of these plans

10. Sustainability Policy

Metrovacesa understands sustainability as a vision that goes beyond the fulfilment of applicable legal, fiscal or labour obligations. Therefore, the identification of the lines of action are aimed at creating economic, environmental and social value in the short and long term, so that the organization can contribute to the improvement of the welfare of society and its stakeholders

The Group's Strategic Sustainability Plan pursues several objectives, including

- To contribute to strengthening the mechanisms of good governance and transparency and to make progress in complying with the main recommendations and requirements applicable in this area.
- To guarantee the correct identification of risks and opportunities in ESG and to define specific measures to manage them.
- To promote ESG's internal culture, extending corporate commitments and progress to all employees, aligning corporate strategy with the principles adopted as a sustainable company that respects our environment.
- To position the Company in this respect, anticipating future demands from the investment world.



The strategic lines have been identified, among others, as relevant to Metrovacesa:

- Equality and conciliation
- Personal development
- Local communities
- Collaborating in people's lives
- Supplier confidence
- Cooperation with suppliers
- Innovation applied to the product
- Process systematization

Moreover, within the sustainability plan, Metrovacesa has made the following commitments:

- Continuous improvement. Metrovacesa is committed to identifying, evaluating and periodically reviewing its processes, assessing its performance and establishing risk control mechanisms to achieve the proposed strategic objectives. We are also committed to being self-critical, anticipating the changing conditions of our environment.

- [Environment. Metrovacesa](#), will protect the environment, working under a preventive approach, in order to reduce the negative impact of its operations, and trying to carry out an efficient use of resources. For this reason, METROVACESA will set itself the obligation of designing projects that will make it possible to mitigate the contribution to climate change and that will also enable society to adapt to the possible effects of this change, by means of clean and environmentally sustainable technologies.
- [Innovation](#). Metrovacesa is committed to technological innovation, through direct collaboration with start ups, with which new business opportunities and new distribution channels will be created. Likewise, it will promote innovative initiatives that will allow us to adapt our offer to the new needs of our customers and apply new construction processes that will allow us to be more efficient.
- [Transparency and Ethical Behavior](#). All relations with third parties will be governed by honest, upright and transparent behaviour. Likewise, Metrovacesa will ensure compliance with the legal requirements in force, and those others that the organization subscribes to as a requirement or good practice, reporting in any case possible illegal conduct through the channel enabled for this function.

Finally, and with respect to the stakeholders, the Sustainability Plan is focused on:

- [Investors and shareholders](#). Metrovacesa is committed to increasing the value of the Company, and that it will return to our shareholders and investors. To this end, it will carry out its activity by optimising resources in order to provide this benefit, based, in any case, on a policy of total information transparency, and the economic sustainability of all the projects it sets in motion.
- [Employees](#). Metrovacesa will ensure equal opportunities among its employees, the incorporation of talent, and their personal and professional development. It is committed to maintaining a safe and healthy working environment, both in its facilities and those in which it has any kind of influence.
- [Customers](#). Commitment to meet the needs and exceed the expectations of all its customers, through the customer experience processes, and throughout the business value chain, from an honest and loyal media and communication strategy.
- [Suppliers](#). Metrovacesa will transmit its sustainable development criteria to the entire supply chain, requiring them to adopt a policy of continuous improvement in relation to the integration of sustainable development criteria and responsible behaviour in their lines of business, including both environmental aspects and aspects related to compliance with labour regulations and human rights.
- [Local development of the areas in which we operate](#). In all its projects, Metrovacesa will have measures for collaboration with local public and private institutions, as well as the communities in the areas involved. Promoting their economic and social development, paying special attention to the most disadvantaged groups.
- [Competitors](#), from which the company differentiates itself by its capabilities, always from a total respect based on compliance with competition and antitrust laws.

11. Group and associates companies information

Note 19 to the consolidated annual accounts details the transactions carried out with related parties.

Most of these transactions are financing contract and related financial expenses with financial institutions which own part of the parent company capital, and financial transactions with other Group companies.

12. Treasury

The Group's cash position at December 31, 2019 and December 31, 2018 amounted to €72,328 thousand and €120,500 thousand, respectively. This liquidity, together with the control of the expenses that the Group is incurring and the generation of cash from the development and sale of the Group's residential developments, means that the Parent's authorities are confident that sufficient resources will be available to meet cash requirements.

13. Treasury shares



In 2019, the Parent carried out transactions with treasury shares under a liquidity agreement signed with Banco Sabadell, S.A. in which the latter acts as the liquidity provider. On December 31, 2019, this contract was suspended as a result of the signing of a swap contract with an international entity, as explained above.

At December 31, 2019, the Parent held 240,847 treasury shares.

14. Premium share distribution

During the year 2019, the share premium distribution amounted to €49,975 thousand.

In 2018, dividends distribution was limited because of group loans signed on December 1, 2017. Since 1 January 2018, dividends distributions are permitted if some financial ratios are fulfilled.

15. Research and Development

In the year ended December 31, 2019 no significant investments were made in research and development, due to the characteristics of the Group's activity.

16. Average period for payment to suppliers

Note 14 to the consolidated Annual Accounts details the average period for payment to suppliers.

17. Subsequent events

At the date of signing these consolidated annual accounts, the parent company had arranged mortgage loans to finance property projects currently under construction amounting to €72,100 thousand, of which €55,700 thousand relate to related parties or similar.

In February 2020, the Parent use €25,000 thousand of the loan.

18. Significant shareholders

The shareholders that hold significant interests in the capital of Metrovacesa, S.A., both direct and indirect, of more than 3% of share capital at the date of preparation of these accounts, are as follows:

	Shares			% of Capital
	Direct	Indirect	Total	
Banco Santander Group	48,443,127	26,426,709	74,869,836	49.37%
Banco Bilbao Vizcaya Argentaria Group	14,321,573	17,301,265	31,622,838	20.85%
Schroders, PLC	-	7,441,468	7,441,468	4.91%
Julius Baer Group, Ltd	-	7,173,161	7,173,161	4.73%
Quasar Investment, S.a.r.l	217,389	5,773,159	5,990,548	3.95%
Inversora de Carso, S.A. de C.V.	-	4,619,910	4,619,910	3.05%
Treasury shares	240,847	-	240,847	0.16%
Directors and Officers	151,970	-	151,970	0.10%
Other shareholders (stock exchange)	19,535,763	-	19,535,763	12.88%
Total	82,910,669	68,735,672	151,646,341	100.00%

19. Alternative Performance Measures

As indicated in Notes 1 and 2 to the consolidated annual accounts, the Group prepares its consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU). In addition, it presents certain Alternative Performance Measures ("APMs") to provide additional information that enhances the comparability and understanding of its financial information and facilitates decision-making and the evaluation of the Group's performance. The APMs should be considered by the user of the financial information as complementary to the aggregates presented in accordance with the basis of presentation of the consolidated financial statements, but in no case as a substitute for them.

The most significant APMs are as follows:

Gross Margin

Definition: Inventory sales – Variation in inventories of supplies - Cost of sales

Reconciliation: the reconciliation of this APM to the consolidated financial statements is as follows:

	31/12/2019	31/12/2018
Inventory sales (Note 16)	159,808	189,461
Cost of inventory sales and related costs (Note 16)	(140,044)	(158,348)
Gross Margin	19,764	31,113

Explanation of use: the profit or gross margin from promotions is considered by the Parent's directors to be a measure of the performance of its activity, since it provides information on the profit or gross margin from promotional projects, which is obtained from external sales and by subtracting the cost incurred in achieving these sales. In addition, the impairments applied to real estate assets that have been sold during the period have been taken into account for this calculation. The net margin includes the returns arising from the sale of land, which is considered to be a significant part of the Group's business activity.

Comparison: The Group had a gross margin of €19,764 thousand at December 31, 2019, compared with a gross margin of €31,113 thousand at December 31, 2018, representing a negative variation of €11,349 thousand due to the temporary delay in the delivery of homes.

Net Margin

Definition: Gross margin – Commercial and marketing cost directly related to homes, which are included in line Other operating expenses.

Reconciliation: the reconciliation of this APM to the consolidated financial statements is as follows:

	31/12/2019	31/12/2018
Gross Margin	19,764	31,113
Commercial and marketing expenses ⁽¹⁾	(10,830)	(8,107)
Net Margin	8,934	23,006

(1) Commercial expenses directly attributable to real estate developments. According to accounting regulations they are not susceptible to capitalization. They are recognized under "External Services" in the consolidated income statement.

Explanation of use: the net margin is considered by the Parent's directors to be a measure of the performance of its activity, since it provides information on the net margin of the developments that have generated revenue during the period. This net margin is calculated on the basis of the gross margin, net of certain costs associated with the marketing and sale of the relevant promotions. The net margin includes the returns that arise from the sale of land, which is considered to be a significant part of the Group's activity.

Comparison: The group had an operating margin of 8,934 thousand euros at December 31, 2019, compared with an operating margin of 23,006 thousand euros at December 31, 2018, representing a negative variation of 14,072 thousand euros due to the temporary delay in the delivery of homes.

EBITDA

Definition: Net Margin + Sales + Operating expenses – Staff costs – Other operating expenses isolating commercial and marketing costs. (external services adjusted by commercial costs).

Reconciliation: the reconciliation of this APM to the consolidated financial statements is as follows:

	31/12/2019	31/12/2018
Real Estate net margin	8,934	23,006
Sales (Note 16.a)	1,268	374
Lease revenues (Note 16.a)	432	581
Sales (Note 16.b)	(132)	(324)
Costs related to lease (Note 16.b)	(1,236)	(1,984)
Staff costs (Note 16.c)	(14,995)	(12,842)
External services minus commercial costs	(8,106)	(8,288)
Other profit and loss	(6)	(1,222)
EBITDA	(13,841)	(699)

Explanation of use: EBITDA is considered by the Parent's directors to be a measure of the income from its activity since it provides an analysis of the profit for the year (excluding interest and taxes, and depreciation and amortization) as an approximation of the operating cash flows reflecting the generation of cash. In addition, it is widely used by investors when valuing companies, as well as by rating agencies and creditors to evaluate the level of debt by comparing EBITDA with net debt and also by comparing EBITDA with debt service.

Comparative: The Group had negative EBITDA of 13,841 thousand euro at December 31, 2019, compared with negative EBITDA of 699 thousand euro at December 31, 2018, representing a negative variation of 12,641 thousand euro due to the temporary delay in the delivery of homes and the significant investment in advertising the projects.

Net financial debt

Definition: Bank debt - available cash +/- other financial assets and liabilities.

Reconciliation: the reconciliation of this APM to the consolidated financial statements is as follows:

	31/12/2019	31/12/2018
Bank debt ⁽¹⁾	(152,424)	(81,157)
(+) Available cash (Note 11)	72,328	120,500
(+) Other financial assets and liabilities	2,488	7,110
Net financial debt	(77,608)	46,453

(1) Net amount of the advance payments made at the time of the opening of the corporate financing for an amount of 3,973 at December 31, 2019 and 5,336 thousand euros at December 31, 2018.

Explanation of use: Net financial debt is a financial measure of a company's net debt position. In addition, it is a magnitude widely used by investors to assess the net financial leverage of companies, as well as by rating agencies and creditors to evaluate the level of net indebtedness.

Comparison: At December 31, 2019, the Group had total net financial debt of -77,608 thousand euros compared to a total of 46,453 thousand euros at December 31, 2018, mainly due to the increase in projects under construction.

Leverage

Definition: Net financial debt / Total assets.

Reconciliation: the reconciliation of this APM to the consolidated financial statements is as follows:

	31/12/2019	31/12/2018
(-) Net financial debt (a)	77,608	(46,453)
Total assets (b)	2,678,923	2,593,824
Leverage (a) / (b)	2.90%	(1.79%)

Explanation of use: Leverage is an indicator that measures a company's debt position. It is widely used by investors when assessing the financial Leverage of real estate companies, as well as by rating agencies and creditors to evaluate the level of indebtedness.

Comparison: The group had a leverage of 2.90% at December 31, 2019 compared to a negative ratio of 1.79% at December 31, 2018, mainly due to the increase in the group's activity.

Return on capital employed (ROCE)

Definition: Adjusted EBITDA / (sum of average balances between December 31, 2019 and December 31, 2018 of Equity and Net Financial Debt, respectively).

Reconciliation: the reconciliation of this APM to the consolidated financial statements is as follows:

	31/12/2019	31/12/2018
EBITDA	(13,841)	(699)
Average equity*	2,366,967	2,395,233
Average net financial debt **	62,030	(27,140)
ROCE	(0.06%)	(0.03%)

(*) Equity at December 31, 2019 amounted to EUR 2,340,843 thousand and to EUR 2,393,090 thousand at December 31, 2018, being the average balance between the two amounts.

(**) The net financial debt for the year at December 31, 2019 amounted to EUR 77,608 thousand and to EUR -46,453 thousand at December 31, 2018, being the average balance between the two amounts.

Explanation of use: the return on capital employed (ROCE) is considered by the Parent's directors to be a measure of the performance of its activity, since it measures the profitability of a company by taking into account a particularly relevant issue, namely the efficiency with which the capital is used. It is widely used by investors when assessing the real profitability of a company.

Comparison: The group had a negative ROCE of 0.06% at December 3q, 2019 compared to a negative ROCE of 0.03% at December 31, 2018, mainly due to the capital increase at the beginning of 2018.

Loan to Value (LTV)

Definition: Net financial debt / (Market value of property assets recorded in investment property + market value of property assets recorded in inventories).

Reconciliation: the reconciliation of this APM to the consolidated financial statements is as follows:

	31/12/2019	31/12/2018
(-) Net financial debt	77,608	(46,453)
Market value of property assets recorded in investment property (Note 6)	334,090	340,092
market value of property assets recorded in inventories (Note 9)	2,254,153	2,227,826
LTV	3.00%	(1.81%)

Explanation of use: LTV is an indicator that measures the company's debt position in relation to the market value of its real estate assets. It is widely used by investors when assessing the financial leverage of real estate companies, as well as by rating agencies and creditors to evaluate the level of debt.

Comparison: The group had a Loan to Value of 3.00% at December 31, 2019 compared to a ratio of -1.81% at December 31, 2018, mainly due to the increase in activity in the group during the year.

Loan to Cost (LTC)

Definition: Net financial debt / (Stocks - Advances from suppliers + Real Estate Investments)

Reconciliation: the reconciliation of this APM to the consolidated financial statements is as follows:

	31/12/2019	31/12/2018
(-) Net financial debt	77,608	(46,453)
(+) Inventories (Note 9)	1,902,343	1,840,671
(-) Pre-payments to suppliers (Note 9)	(6,354)	(4,268)
(+) Investments properties (Note 6)	334,090	340,092
LTC	3.48%	(2.13%)

Explanation of use: The LTC is an indicator that measures the company's debt position. It is widely used by investors when assessing the financial leverage of real estate companies, as well as by rating agencies and creditors to evaluate the level of debt.

Comparison: The group had a LTC of 3.48% at December 31, 2019 compared to a ratio of -2.13% at December 31, 2018, due to the increase in the group's activity during the year.

20. Other information

The Company, when starts listing in 2018, issued some reports mandatory for listed companies related to the good governance regulation.

21. Annual Corporate Governance Report

The Annual Corporate Governance Report for 2019 is included in the Consolidated management Report and since the date of publication of the consolidated annual accounts it has been available on the website of the National Securities Market Commission and on the Metrovacesa website (www.metrovacesa.com).



The consolidated annual accounts and management report for the year ended December 31, 2019 of Metrovacesa, S.A. and Subsidiaries, consisting of the consolidated balance sheet at December 31, 2019, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement and the related notes, all on a summarised and consolidated basis, for the year then ended, were prepared by the Board of Directors of Metrovacesa, S.A. during its meeting of February 27, 2020. The consolidated annual accounts are for year ended December 31, 2019, all the directors signing this last page.

Madrid, February 27, 2020

V.B. D. Ignacio Moreno Martínez

D. Lucas Osorio Iturmendi

Chairman of the Board of Directors

Secretary of the Board Directors

D. Mariano Olmeda Sarrión

Vicepresident of the Board Directors

METROVACESA, S.A. AND SUBSIDIARIES

**PREPARATION OF THE CONSOLIDATED ANNUAL ACCOUNTS AND CONSOLIDATED
DIRECTORS' REPORT FOR 2018**

Fdo D. Ignacio Moreno Martínez
Member

Fdo D. Mariano Olmeda Sarrión
Member

Fdo. D. Jorge Pérez de Leza Eguiguren
Member

Fdo. D. Javier García-Carranza Benjumea
Member

Fdo D. Cesáreo Rey-Baltar Oramas
Member

Fdo. Dña. Beatriz Puente Ferreras
Member

Fdo D. Jose Ferris Monera
Member

Fdo. Dña. Emma Fernández Alonso
Member

Fdo Dña. Ana Lucrecia Bolado Valle
Member

Fdo. D. Juan Béjar Ochoa
Member

Fdo D. Vicente Moreno García-Mansilla
Member

Fdo D. Carlos Manzano Cuesta
Member