

**Metrovacesa, S.A.**

Auditor's report  
Annual accounts at December 31, 2020  
Management report



***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 annual accounts

To the shareholders of Metrovacesa, S.A.,

### Report on the annual accounts

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#### Opinion

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

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at December 31, 2020, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in Note 2 of the notes to the annual accounts), and, in particular, with the accounting principles and criteria included therein.

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#### 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 annual accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the 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.

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#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the 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><b>Valuation of inventories</b></p> <p>The Company 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 €1,738,347 thousand and which make up approximately 61% of the Company's total assets.</p> <p>The Company values its inventories at the lower of cost, calculated as indicated in note 3.5, 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 Company'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) (notes 2biii and 3.5).</p> <p>Based on the above, at 31 December 2020 the Company has recognised net impairment in the income statement of €96,555 thousand (note 9).</p> <p>Notes 5 and 9 of the 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, 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 Company 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"> <li>• Verification of the expert's competence, capacity and independence by obtaining confirmation and corroborating its professional standing in the market.</li> <li>• Verification of the reasonableness of the procedures and methodology used and that the valuations have been performed in accordance with RICS methodology.</li> <li>• 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> <li>• Verification of the adequacy of the assumptions used, taking market conditions into account, checking comparables.</li> </ul> <p>Additionally, we assessed the sufficiency and adequacy of the information disclosed in the 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 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 5 and 9 of the 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><b>Valuation of investment property</b></p> <p>Investment properties make up 5% of the Company's assets. The Company presents investment properties at acquisition cost less the corresponding accumulated depreciation and accumulated impairment losses, as described in notes 3.1 and 5. Total investment properties recognised in non-current assets on the balance sheet amount to €135,708 thousand at 31 December 2020, which 69% corresponds to lands.</p> <p>The Company has registered an impairment of €2,102 thousand related to lands and investment properties at December 31, 2020. The fair value of investment properties is based on independent expert valuations. The Valuations are performed in accordance with the international standards whose methodology is described in note 5 to the annual accounts attached.</p> <p>Notes 5 and 9 of the 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 Company 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"> <li>• Verification of the expert's competence, capacity and independence by obtaining confirmation and corroborating its professional standing in the market.</li> <li>• Verification of the reasonableness of the procedures and methodology used and that the valuations have been performed in accordance with RICS methodology.</li> <li>• 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> <li>• Verification of the adequacy of the assumptions used, taking market conditions into account, checking comparables.</li> </ul> <p>Additionally, we assessed the sufficiency and adequacy of the information disclosed in the 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 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 5 and 9 of the consolidated annual accounts attached, are reasonable. We also consider the information disclosed in the annual accounts about this matter enough.</p>
<p><b>Other information: Management report</b></p>	

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

Our audit opinion on the annual accounts does not cover the management report. Our responsibility regarding the 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 management report and the annual accounts as a result of our knowledge of the Company 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 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 management report is consistent with that contained in the annual accounts for the 2020 financial year, and its content and presentation are in accordance with applicable regulations.

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#### **Responsibility of the directors and the audit committee for the annual accounts**

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The Company's directors are responsible for the preparation of the accompanying annual accounts, such that they fairly present the equity, financial position and financial performance of Metrovacesa, S.A., in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as the directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

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

The audit committee is responsible for overseeing the process of preparation and presentation of the annual accounts.

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#### **Auditor's responsibilities for the audit of the annual accounts**

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Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's directors.
- 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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the 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 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 Company's audit committee, we determine those matters that were of most significance in the audit of the 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**

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### **Report to the audit committee**

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



Metrovacesa, S.A.

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### **Appointment period**

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The General Ordinary Shareholders' Meeting held on 25 May 2020 appointed us as auditors 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.

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### **Services provided**

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Services provided to the Company for services other than the audit of the accounts are detailed in note 23 to the annual accounts.

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PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by  
Gonzalo Sanjurjo Pose (18610)

February 22, 2021

This version of this annual financial statements and Director's 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 annual financial statements takes precedence over this translation.

## METROVACESA, S.A.

Annual Accounts and Management Report  
for the year ended 31 December 2020



## METROVACESA, S.A.

### BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in thousand euro)

ASSETS	Note	2020	2019
<b>NON-CURRENT ASSETS</b>		<b>760,856</b>	<b>831,308</b>
<b>Intangible assets</b>		<b>695</b>	<b>740</b>
<b>Property, plant and equipment</b>		<b>477</b>	<b>521</b>
<b>Investment property</b>	5	<b>135,708</b>	<b>138,796</b>
<b>Long-term investments in Group companies and associates</b>			<b>528,047</b>
Equity instruments	6	528,039	521,446
Loans to Group	7,8 & 20	8	62,583
<b>Long-term investments</b>	7	<b>6,712</b>	<b>6,916</b>
Derivatives		64	10
Other financial assets	8	6,648	6,906
<b>Deferred tax assets</b>	15	<b>89,217</b>	<b>100,306</b>
 <b>CURRENT ASSETS</b>		 <b>2,090,656</b>	 <b>1,857,613</b>
<b>Inventories</b>	9	<b>1,738,347</b>	<b>1,655,101</b>
<b>Trade and other receivables</b>	8	<b>19,499</b>	<b>19,056</b>
Trade receivables for sales and services rendered	7	2,659	14,243
Trade receivables in group companies and associates	7	86	54
Other debtors	7	157	274
Other receivables from Public Administrations		16,597	4,485
<b>Short-term investments in group companies and associates</b>	7,8 & 20	<b>94,169</b>	<b>75,278</b>
Loans to companies		87,778	25,203
Other financial assets		6,391	50,075
<b>Short-term investments</b>	7, 8	<b>9,744</b>	<b>6,607</b>
Loans to companies		186	-
Other financial assets		9,558	6,607
<b>Prepayments and accrued income</b>		<b>9,689</b>	<b>6,355</b>
<b>Cash and cash equivalents</b>	10	<b>219,208</b>	<b>95,216</b>
 <b>TOTAL ASSETS</b>		 <b>2,851,512</b>	 <b>2,688,921</b>

Notes 1 to 23 form part of these annual accounts.

**METROVACESA, S.A.**
**BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2020**

(Expressed in thousand euro)

<b>EQUITY AND LIABILITIES</b>	<b>Note</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
<b>EQUITY</b>		<b>2,141,077</b>	<b>2,287,180</b>
<b>Shareholders' funds</b>		<b>2,141,858</b>	<b>2,287,955</b>
Share capital	11	1,092,070	1,092,070
Share premium	11	1,328,680	1,328,680
Reserves		(786)	(735)
(Treasury shares)		(2,696)	(2,801)
Prior-year losses		(140,642)	(111,012)
Other shareholder contributions	1.c	12,881	10,995
Profit /(loss) for year	12	(148,282)	(29,629)
Other equity instruments		633	387
<b>Value adjustments</b>		<b>(781)</b>	<b>(775)</b>
<b>NON-CURRENT LIABILITIES</b>		<b>255,147</b>	<b>117,832</b>
<b>Long-term provisions</b>	13	<b>16,650</b>	<b>12,030</b>
<b>Long-term payables</b>	7, 14	<b>217,540</b>	<b>95,134</b>
Bank borrowings		217,389	94,983
Other financial liabilities		151	151
<b>Non-current trade payables</b>	7, 14	<b>20,957</b>	<b>10,668</b>
<b>CURRENT LIABILITIES</b>		<b>455,288</b>	<b>283,909</b>
<b>Short-term provisions</b>	13	<b>25,252</b>	<b>16,809</b>
<b>Short-term payables</b>	7, 14	<b>204,151</b>	<b>47,256</b>
Bank borrowings		188,001	47,210
Other financial liabilities		16,150	46
<b>Short-term payables to Group companies and associates</b>	7, 14 & 20	<b>1,337</b>	<b>99,840</b>
<b>Trade and other payables</b>	14	<b>224,548</b>	<b>120,004</b>
Trade payables	7	69,064	46,209
Employees	7	3,519	3,394
Other payables to the Public Administrations		11,458	9,569
Customer advances		140,507	60,832
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,851,512</b>	<b>2,688,921</b>

Notes 1 to 23 form part of these annual accounts.

**METROVACESA, S.A.**

**INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020**

<b>CONTINUING OPERATIONS</b>	<b>Note</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
<b>Revenue</b>	<b>16</b>	<b>142,294</b>	<b>74,712</b>
Sales		141,055	74,189
Services rendered		1,239	523
<b>Changes in inventories of finished products and work in progress</b>	<b>16</b>	<b>192,538</b>	<b>291,463</b>
<b>Own work capitalised</b>		<b>(1,290)</b>	<b>(7,073)</b>
<b>Raw materials and other consumables</b>	<b>16</b>	<b>(400,798)</b>	<b>(346,969)</b>
Consumption of raw materials and other consumables		(26,221)	(186,971)
Subcontracted work		(293,254)	(159,203)
Impairment of goods for resale, raw materials and other		(81,323)	(795)
<b>Other operating income</b>		<b>1,049</b>	<b>866</b>
<b>Staff costs</b>	<b>17</b>	<b>(14,427)</b>	<b>(14,775)</b>
Wages, salaries and similar		(10,863)	(11,757)
Staff welfare costs		(3,564)	(3,018)
<b>Other operating expenses</b>	<b>16</b>	<b>(19,284)</b>	<b>(19,405)</b>
External services		(18,289)	(19,057)
Taxes		(198)	(348)
Losses, impairment and variation in trade provisions		(278)	-
Other expenses		(519)	-
<b>Fixed asset amortisation/ depreciation</b>		<b>(860)</b>	<b>(788)</b>
<b>Excess / (appropriations) provisions</b>	<b>13</b>	<b>(14,191)</b>	<b>(3,936)</b>
<b>Impairment and profit/(loss) on fixed asset disposals</b>	<b>5</b>	<b>(2,085)</b>	<b>3,565</b>
Impairment and losses		(2,102)	(359)
Profit/(loss) on disposals and other		17	3,924
<b>OPERATING PROFIT/(LOSS)</b>		<b>(117,054)</b>	<b>(22,340)</b>
<b>Financial income</b>		<b>1,886</b>	<b>1,902</b>
<b>Financial expenses</b>		<b>(12,674)</b>	<b>(8,952)</b>
<b>Impairment and profit/(loss) on disposal of financial instruments</b>		<b>(6,504)</b>	<b>(170)</b>
<b>FINANCIAL INCOME/(EXPENSE)</b>		<b>(17,292)</b>	<b>(7,220)</b>
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>(134,346)</b>	<b>(29,560)</b>
Corporate income tax	<b>17</b>	<b>(13,936)</b>	<b>(69)</b>
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>(148,282)</b>	<b>(29,629)</b>

Notes 1 to 23 form part of these annual accounts.

**METROVACESA, S.A.**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020**

**A. STATEMENT OF RECOGNISED INCOME AND EXPENSES**

	<b>2020</b>	<b>2019</b>
<b>Profit/(loss) recognised in the income statement</b>	<b>(148,282)</b>	<b>(29,629)</b>
Total income and expense allocated directly to equity		
-On cash-flow hedges.	(8)	(275)
-Tax effect	2	69
Total transfers to the income statement	-	-
<b>TOTAL RECOGNISED INCOME AND EXPENSES</b>	<b>(148,288)</b>	<b>(29,835)</b>

Notes 1 to 23 form part of these annual accounts.

**METROVACESA, S.A.**
**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020**
**B. TOTAL STATEMENT OF CHANGES IN EQUITY**

	Share capital (Note 11)	Share premium (Note 11)	Reserves	Treasury shares	Prior-year losses	Shareholder contributions	Profit/(Loss) for the year (Note 12)	Other equity instruments	Value adjustments	TOTAL
<b>ADJUSTED BALANCE, BEGINNING 2019</b>	<b>1,092,070</b>	<b>1,378,654</b>	<b>(542)</b>	<b>(3,732)</b>	<b>(105,028)</b>	<b>9,109</b>	<b>(5,983)</b>	<b>575</b>	<b>(569)</b>	<b>2,364,554</b>
<b>Total recognised income and expenses</b>	-	-	-	-	-	-	<b>(29,629)</b>	-	<b>(206)</b>	<b>(29,835)</b>
<b>Operations with shareholders or owners</b>	-	<b>(49,974)</b>	-	<b>931</b>	-	-	-	<b>(188)</b>	-	<b>(49,231)</b>
- Capital increases	-	26	-	-	-	-	-	-	-	26
-Employee share scheme	-	-	-	-	-	-	-	(188)	-	(188)
- Contributions of equity	-	(50,000)	-	-	-	-	-	-	-	(50,000)
-Acquisition of treasury shares	-	-	-	931	-	-	-	-	-	931
	-	-	-	-	-	-	-	-	-	-
<b>Other changes in equity:</b>	-	-	<b>(193)</b>	-	<b>(5,984)</b>	<b>1,886</b>	<b>5,983</b>	-	-	<b>1,692</b>
-Distribution of results	-	-	-	-	(5,983)	-	5,983	-	-	-
-Other movements	-	-	(193)	-	(1)	1,886	-	-	-	1,692
<b>ENDING BALANCE 2019</b>	<b>1,092,070</b>	<b>1,328,680</b>	<b>(735)</b>	<b>(2,801)</b>	<b>(111,012)</b>	<b>10,995</b>	<b>(29,629)</b>	<b>387</b>	<b>(775)</b>	<b>2,287,180</b>
<b>ADJUSTED BALANCE, BEGINNING 2020</b>	<b>1,092,070</b>	<b>1,328,680</b>	<b>(735)</b>	<b>(2,801)</b>	<b>(111,012)</b>	<b>10,995</b>	<b>(29,629)</b>	<b>387</b>	<b>(775)</b>	<b>2,287,180</b>
<b>Total recognised income and expenses</b>	-	-	-	-	-	-	<b>(148,282)</b>	-	<b>(6)</b>	<b>(148,288)</b>
<b>Operations with shareholders or owners</b>	-	-	-	<b>105</b>	-	-	-	-	-	<b>105</b>
- Capital increases	-	-	-	-	-	-	-	-	-	-
-Employee share scheme	-	-	-	-	-	-	-	246	-	246
- Contributions of equity	-	-	-	-	-	-	-	-	-	-
-Acquisition of treasury shares	-	-	-	105	-	-	-	-	-	105
	-	-	-	-	-	-	-	-	-	-
<b>Other changes in equity:</b>	-	-	<b>(51)</b>	-	<b>(29,630)</b>	<b>1,886</b>	<b>29,629</b>	-	-	<b>1,834</b>
-Distribution of results	-	-	-	-	(29,629)	1,886	29,629	-	-	1,886
-Other movements	-	-	(51)	-	(1)	-	-	-	-	(52)
<b>ENDING BALANCE 2020</b>	<b>1,092,070</b>	<b>1,328,680</b>	<b>(786)</b>	<b>(2,696)</b>	<b>(140,642)</b>	<b>12,881</b>	<b>(148,282)</b>	<b>633</b>	<b>(781)</b>	<b>2,141,077</b>

**METROVACESA, S.A.****CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020**

	<b>2020</b>	<b>2019</b>
<b>1. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/ (loss) for the period before tax	(134,346)	(29,560)
<b>Adjustments to results:</b>	<b>131,261</b>	<b>3,117</b>
Impairment of inventories	96,555	(5,092)
Impairment and profit/(loss) on disposal of financial instruments	6,504	170
Profit/(loss) on fixed asset disposals and write-offs	278	-
Change in other provisions	2,085	(3,565)
Change in the fair value of financial instruments	14,191	3,936
Fixed asset amortisation/ depreciation	860	788
Financial income	(1,886)	(1,902)
Financial expenses	12,674	8,952
<b>Adjusted profit /(loss)</b>	<b>(3,085)</b>	<b>(26,273)</b>
Changes in working capital:		
- Inventories	(180,299)	(112,138)
-Accounts receivable	6,263	(13,102)
- Accounts payable	106,398	45,041
- Other current liabilities	-	(5,249)
Other cash flows from operating activities:	-	3,936
-Interest paid (-)	(9,483)	(8,487)
- Interest collected	-	16
- Income tax received (paid)	-	(3,097)
-Other receipts (payments)	-	-
<b>Total net cash flows from operating activities</b>	<b>(80,206)</b>	<b>(119,353)</b>
<b>2. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Payments for investments:</b>	<b>(99,709)</b>	<b>(3,252)</b>
Property, plant and equipment and intangible fixed assets	(370)	(717)
Investment property	(1,229)	(635)
Group companies and associates	(92,417)	(101)
Financial investments	(5,693)	(1,799)
<b>Receipts from divestment:</b>	<b>25,967</b>	<b>105,801</b>
Other financial liabilities	25,426	96,163
Investment property	541	9,638
<b>Total net cash flows from investing activities</b>	<b>(73,742)</b>	<b>102,549</b>
<b>3. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issue of equity instruments	-	439
Share premium distribution	-	(49,974)
Other shareholder contributions	-	-
Repayment of debts with credit institutions	(95,871)	(47,107)
Debt issue with credit institutions	357,711	110,150
Issue of other financial liabilities	19,400	-
Debt issue with credit institutions	(3,300)	-
<b>Total net cash flows from financing activities</b>	<b>277,940</b>	<b>13,508</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>123,992</b>	<b>(3,296)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>95,216</b>	<b>98,512</b>
<b>Cash and cash equivalents at end of the year</b>	<b>219,208</b>	<b>95,216</b>

## METROVACESA, S.A.

### NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 2020 (Expressed in thousand euros)

#### 1. INTRODUCTION

##### a) General information

Metrovacesa Suelo y Promoción, S.A. was incorporated on 18 February 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 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 en 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.

The Company is the parent of the Metrovacesa Group (formerly Metrovacesa Suelo y Promoción Group) (hereinafter the Group).

The Company's registered office is located at Parque Vía Norte, calle Quintanavides 13, 28050 Madrid.

According to article 2 of its bylaws, the Company's objects are mainly 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 objects are similar to those described above.

These annual accounts were formally prepared and authorised for issue by the Board of Directors on 27 February 2020.

The figures set out in these annual accounts are expressed in thousand euro, unless indicated otherwise.

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, S.A. which form part of the asset and liability spin-off. The Company therefore assumes the position of the former Metrovacesa, SA in respect of the latter's relations, rights and obligations at the time of the spin-off.

Ownership of the Assets and Liabilities spun off pertains to the Company, 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 handing over of the Assets and Liabilities spun off was formalised on 18 February 2016 through the public document for the non-monetary capital increase and therefore, following compliance with the condition precedent that consisted of the effective execution of the three capital increases in the split company.

The assets and liabilities that were included in the Company on that date were as follows:

<b>ASSETS</b>	<b><u>18/02/2016</u></b>
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
<b>Total assets</b>	<b>1,149,635</b>
<b>LIABILITIES</b>	
Accounts payable to group companies and associates	43,699
Other liabilities	66,081
<b>Total liabilities</b>	<b>109,780</b>
<b>Net assets and liabilities</b>	<b>1,039,855</b>

c) 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 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 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 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 2020, the Company has distributed 12,279 shares among beneficiaries.

The Company registered these contributions 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 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 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 has recorded a provision of €337 thousand in the income statement to assume the cost of the LTIP.

Based on Company management's best estimates, the amount recognised in the annual accounts is €436 thousand, in the item “Other equity instruments”.

- Sale of tertiary land

In March 2020, the 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 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 has 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 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 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

During 2020, the Company continued with the share buyback program of its subsidiary Metrovacesa Promoción y Arrendamiento, S.A. At 31 December 2020, the Company owns 100% of the shares of the subsidiary company.

- Equity Swap

At 2 November 2020, the 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 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 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.

d) 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 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 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 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 Company distributed 12,279 shares among beneficiaries.

These contributions were registered in the Equity and Staff expenses.

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 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 Company has registered an expense of €70 thousand in the income statement related to the cost of LTIP.

Based on Company management's best estimates, the amount recognised in the annual accounts was €100 thousand, in the item "Other equity instruments".

- Shareholders contribution

At 31 December 2019, a receivable with Main Shareholders of €3,772 thousand was registered (€1,886 thousand in the 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

At 4 June 2019, the Company 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.

- Purchase of land via payment in kind (exchange)

At 30 December 2019, the Company acquired some plots to shareholders and it has transmitted the possession of some dwellings for the same amount of 12,892 thousand.

## 2. BASIS OF PRESENTATION

### a) Fair presentation

The annual accounts have been prepared on the basis of the Company's accounting records and are presented in accordance with prevailing commercial legislation and the provisions of the Chart of Accounts approved by Royal Decree 1514/2007 as amended by Royal Decree 1159/2010 and Royal Decree 602/2016 so as to present fairly the Company's equity, financial position and results and accurately reflect cash flow in the cash flow statement.

In accordance with Transitional Provision Five of Royal Decree 1514/2007, the Company continues to apply, where not contrary to current commercial legislation, the sector adaptation plan of the General Chart of Accounts applicable to Real Estate Companies, that was approved by the Order of the Ministry of Finance of 28 December 1994.

These annual accounts were drawn up by the Company's Board of Directors on 22 February 2021 and are expected to be approved without changes.

### b) Critical measurement issues and estimation of uncertainty

The preparation of the annual accounts requires the use by the Company of certain estimates and judgements in relation to the future that are assessed constantly and are based on historical experience and other factors, including expectations of future events considered reasonable under the circumstances.

The resulting accounting estimates, by definition, rarely equal real results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### i. Provisions

Provisions are recognised when it is likely that a present obligation, the result of past events, will give rise to a future outflow of funds, and if the amount of the obligation can be reliably estimated. Significant estimates are required to fulfil the applicable accounting requirements. By evaluating all relevant information and events, Company management makes estimates of the probability of a contingency and the amount of the liability to be settled in the future.

#### ii. Corporate income tax

The calculation of income tax requires interpretation of tax legislation applicable to the Company. There are several factors mainly, but not exclusively, linked to changes in tax laws and changes in the interpretation of tax laws already in force, which require the application of estimates by Company management.

When the final tax result differs from the amounts which were initially recognised, such differences will have an effect on income tax and the provisions for deferred taxes in the year in which they are deemed to arise. In this respect, there are no significant matters involving estimates which may have a significant impact on the Company's position.

#### 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 Company'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 Company's business plan.

Said business plan is based on the assumptions relating to the growth in income and the related increase in margins for the next 2 years, mainly driven by the development of the Company's land portfolio (approximately 89% of land is residential and 11% commercial) and the sold 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 Company has a stock of land with capacity for 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 Company has investment properties under leasing with a market value of €42,050 thousand at December 31, 2020 (€44,000 thousand in 2019).

iii. Estimation of fair value of real estate assets

The market value of inventories and investment property was obtained from the valuations carried out by independent experts at 31 December 2020. Such valuations are made based on the criteria established by "The Royal Institution of Chartered Surveyors" (RICS).

iv. Classification of real estate assets

The Company 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 Company 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 3.1 and 3.5. are applied.

c) Comparability

In accordance with Spanish Corporate Law, the Directors have presented, for comparative purposes only, for each item in the balance sheet, income statement, cash-flow statement and statement of changes in equity, the corresponding amounts for the previous year as well as the amounts for 2019.

d) Groupings of items

For clarity, the items presented in the balance sheet, the income statement, the statement of changes in equity and the cash flow statement are grouped together and, where necessary, a breakdown is included in the relevant notes.

e) Correction of errors

There are no significant corrections of errors in the annual accounts at 31 December 2020.

f) Seasonality of the Company's transactions

Given the activities carried out by the Company, its transactions are not significantly cyclical or seasonal in nature. Therefore, there are no specific disclosures in these notes to the annual accounts at 31 December 2020 in this regard.

g) Materiality

When determining which information from the different captions of the financial statements or other matters should be itemised, the Company has considered the materiality of such information in relation to the annual accounts.

h) Functional currency

The euro is the presentation currency of the annual accounts as this is the functional currency of the environment in which the Company operates.

### 3. ACCOUNTING AND MEASUREMENT STANDARDS

In preparing the Company's separate annual accounts, the following accounting principles and measurement standards have been applied:

#### 3.1 Investment property

Investment properties include land and work in progress for tertiary use, for development and subsequent lease to third parties and certain already constructed assets also for exploitation under third-party lease. Investment properties are held to obtain long-term rental income and are not occupied by the Company.

The items included in this heading are presented at acquisition cost plus the restatements applied in accordance with the provisions of the relevant legislation and less the corresponding accumulated depreciation and accumulated impairment losses.

Depreciation of investment property is charged on a straight-line basis over the asset's estimated useful life. Most investment properties currently relate to land for development and subsequent lease, barring a leased property and a golf course amounting to €41,041 thousand (Note 5). Land is not depreciated. Buildings are depreciated at an annual rate of 2% (50 years). The depreciation charge for the year amounts to €401 thousand (€401 thousand in 2019).

At the year end, Managements assesses whether there is potential impairment (Note 3.3).

When there is a change in the use of an investment property, evidenced by the start of development work on the investment 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 Company 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, the Company has classified land held for currently unspecified future use as investment property.

If an investment property is converted into owner occupied property, it is reclassified to property, plant and equipment.

The estimated fair values and classification of real estate assets is detailed in Note 2.b, paragraph "iii" and "iv", respectively.

#### Measurement

Assets are tested for impairment whenever events or changes in circumstances indicate that carrying amount may not be recoverable.

In keeping with the above, the Company has had its assets valued at 31 December 2020 and 31 December 2019.

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 the 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 residential land classified as investment property has been the residual method (dynamic), using the same methodology as that described in Note 3.5. 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-use 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.

The key assumptions identified in the valuations of leased real estate assets and land for commercial purposes are the discount rates and exit yields.

- 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.

### **3.2 Interest expense**

Financial expense directly attributed to the acquisition or construction of property, plant and equipment requiring more than one year to be ready for use is recognised at cost until such assets are ready for use.

### **3.3 Impairment losses on non-financial assets**

Assets are tested for impairment provided that an event or change in circumstances indicates that their carrying amount might not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, understood as the asset's fair value less the higher of costs to sell and value in use. For the purposes of assessing impairment losses, assets are grouped together at the lowest level for which there are separately identifiable cash flows (Cash Generating Units). Impaired non-financial assets other than goodwill are reviewed for possible reversal of the impairment at each reporting date.

### **3.4 Financial assets**

#### a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. They are included in current assets except for assets maturing in more than 12 months of the balance sheet date which are classified as non-current assets. Loans and receivables are included in "Loans to companies" and "Trade and other receivables" on the 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. Nevertheless, trade receivables due within less than twelve months from the end of the reporting period are carried at nominal value upon initial recognition and for subsequent measurement purposes, so long as the effect of not discounting the cash flows is not material.

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.

b) Investments in the equity of group and jointly-controlled companies and associates

Investments are carried at cost less, where appropriate, accumulated value adjustments for impairment. Nonetheless, when there is an investment prior to its classification as a group company, jointly-controlled entity or associate, its carrying amount prior to that classification is regarded as the investment cost. Previous value adjustments accounted for directly in equity are carried under this heading until they are derecognised.

c) Available-for-sale financial assets

This category includes debt securities and equity instruments that are not classified in any of the above categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

They are measured at fair value insofar as fair value can be determined reliably and any changes in fair value are recognised directly in equity until the asset is sold or deemed impaired, at which point the accumulated fair value adjustments recognised in equity are reclassified in profit or loss. Otherwise, they are carried at cost less impairment losses.

For available-for-sale financial assets, value adjustments are made if there is objective evidence of impairment as a result of a reduction or delay in estimated future cash flows in the case of debt instruments acquired or owing to the non-recoverability of the asset's carrying amount in the case of investments in equity instruments. The adjustment is the difference between their cost or amortised cost less, if appropriate, any value adjustment previously recognised in the income statement, and fair value at the time at which measurement takes place. For equity investments measured at cost because their fair value cannot be determined reliably, impairment losses are calculated in the same way as for equity investments in group companies, jointly controlled entities and associates.

If there is objective evidence of impairment, the Company recognises accumulated losses previously recognised under equity as a reduction in fair value. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

The fair values of quoted investments are based on prevailing bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value using valuation techniques. These include the use of recent arm's length transactions between knowledgeable, willing parties, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market observable inputs and relying as little as possible on subjective judgements.

### 3.5 Inventories

This balance sheet heading reflects the assets that the Company:

1. Holds for sale in the ordinary course of its business;
2. Has under production, construction or development for such purpose or
3. Expects to consume in the production process or in the provision of services.

The Company considers that its inventories do not meet the requirements of NRV 4 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. Marketing expenses are charged to the income statement for the year in which they are incurred.

Financial expenses capitalised at 31 December 2020 amount to €4,104 thousand (€2,531 thousand in 2019) and are recognised in the income statement as a decrease in financial results relating to expenses associated with property developments in progress.

It is Company policy to transfer those developments or parts thereof for which construction work is complete from "Construction work in progress" to "Finished Property".

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 Company's inventories at 31 December 2020 is calculated based on the valuations performed by independent experts not related to the Company, namely, "Savills Consultores Inmobiliarios" and "CBRE Group". Valuations are performed in accordance with the Appraisal and Valuation Standards published by the 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 comparison or discounted cash flow method, and this value is reduced by subtracting development costs which include urbanisation and construction costs, fees, rates etc and the developer's profit in order to estimate 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.

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.b, 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 Board of Directors, the Company 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 third-party valuations 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 - offplan) 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 it may take 30 to 36 months to draw up the project and obtain the building permit and deliver the project and complete the marketing and sale of the units.

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 territorial authority. A special assumption has been made that a new general plan is approved the content and development of which are similar

to that declared 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 €15,415 thousand (€15,793 thousand in 2019).

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.

### **3.6 Equity**

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 Company's acquires treasury shares, the price paid, including any directly attributable incremental cost, is deducted from equity until the treasury shares are redeemed, reissued or sold. When treasury shares are subsequently sold or reissued, any amount received is taken to equity net of directly attributable incremental costs.

### **3.7 Financial liabilities**

#### **a) Creditors 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.

Should any existing liabilities be renegotiated, no substantial modification to financial liabilities is deemed to exist when the new lender is the same party that granted the initial loan and the present value of cash flows, including net commissions, does not differ by more than 10% of the present value of the cash flows pending payment with respect to the original liability calculated using the same method.

#### **b) Financial liabilities held for trading and other financial liabilities at fair value through profit or loss**

All those liabilities held for trading issued to be repurchased in the short term or that form part of a financial instrument portfolio, identified and managed jointly to obtain short-term gains, are considered financial liabilities at fair value through profit or loss together with the financial liabilities designated by the Company upon initial recognition for inclusion in this category for the purposes of a more relevant presentation.

These financial liabilities are measured at both initial recognition and subsequent measurement at fair value and any changes in that value are reflected in the income statement for the year. Transaction costs directly attributable to the issue are recognised in the income statement in the year in which they arise.

### **3.8 Current and deferred taxes**

Income tax expense (income) is that amount of income tax that accrues during the period. It includes both current and deferred tax expense (income).

Both current and deferred tax expense (income) is recognised in the income statement. However, the tax effect of items recorded directly in equity is recognised in equity.

Current tax assets and liabilities are carried at the amounts that are expected to be payable to or recoverable from the tax authorities, in accordance with prevailing legislation or regulations that have been approved and are pending publication at the year end.

Deferred tax is calculated using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

However, if the deferred taxes arise from the initial recognition of a liability or an asset on a transaction other than a business combination and have no effect on the tax or accounting gain or loss at the time of the transaction, they are not recognised. The deferred tax is determined by applying tax regulations and rates enacted or substantively enacted at the balance sheet date and which are expected to be applied when the corresponding deferred tax asset is realised or deferred tax liability is settled.

Deferred tax assets are recognised insofar as future tax profits will probably arise against which to offset the temporary differences.

In 2017 the 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. Additionally, the meeting of the Board of Directors of 22 March 2018 agreed to apply the special VAT scheme for corporate groups and the special monthly VAT refund scheme.

The tax consolidation group is formed by Metrovacesa, S.A. and all subsidiaries, whether public or private limited companies, resident in Spanish territory and in which the parent company has a direct or indirect interest of at least 75% of capital.

### 3.9 Provisions and contingent liabilities

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, an outflow of funds will probably be necessary to settle the obligation, and the amount may be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are carried at the present value of the payments that are expected to be required to settle the obligation, using a rate before taxes that reflects the current market assessment of the time value of money and the specific risks of the obligation. Adjustments to the provision due to discounting are recognised as a financial expense as they accrue.

Provisions due within one year or for which the effect of the time value of money is not material are not discounted.

Where some of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised separately when, and only when, it is virtually certain that reimbursement will be received.

Contingent liabilities are considered to be potential liabilities deriving from past events, the existence of which is subject to the occurrence of one or more future events that lie outside the control of the Company. Such contingent liabilities are not recognised for accounting purposes.

### 3.10 Revenue recognition

Revenue comprises the fair value of the consideration receivable and represents amounts receivable for goods delivered and services rendered in the ordinary course of the Company's activities, net of returns, rebates, discounts and VAT.

The Company recognises revenue when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the specific conditions applicable to each of its activities are met. A reliable calculation of the amount of revenue is not deemed possible until all sale-related contingencies have been settled. The Company's estimates are based on historical data, taking into account customer type, transaction type and the specific terms of each agreement.

Revenue recognition criteria for each of the Company's core activities are as follows:

1. Revenues from property sales: Revenues are recognised when legal ownership is transferred to the buyer provided that this entails the transfer of all significant risks and rewards. Commissions on asset sales are recognised as an expense at the time the related revenue is recognised.
2. Revenue from sales of land and plots: Revenue is recognised when the asset is handed over and legal ownership is transferred, irrespective of the level of development of the asset, the relevant provision being established for costs not yet incurred as if the company were to be required to incur them.

### 3.11 Leases

#### a) When the Company 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. Operating lease payments (net of any incentive received) are charged to the income statement for the year in which they accrue on a straight- line basis over the lease period.

### 3.12 Related party transactions

As a general rule, intragroup transactions are initially recognised at fair value. Where the agreed price differs from fair value, the difference is recognised based on the economic reality of the transaction. Subsequent measurement is made in accordance with prevailing standards.

Nonetheless, in mergers, splits or non-monetary contributions of lines of business, the assets making up the business acquired are measured at their carrying amounts in the annual accounts once the operation has been completed.

When the parent of the group or subgroup of the subsidiary does not intervene, the annual accounts used for this purpose are those of the highest-level Spanish-parented group or subgroup to recognise the assets and liabilities.

In these cases, any difference between the acquiree's net assets and liabilities, adjusted for grants, donations and bequests received, valuation adjustments and any equity (capital or share premium) issued by the acquiring company, is recognised in reserves.

## 4. FINANCIAL RISK FACTORS

The Company's activities are exposed to various financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on uncertainty in financial markets and seeks to minimise the potential adverse impact on its financial profitability.

Risk management is controlled by the Company's Treasury Department which identifies, evaluates and hedges against financial risks in accordance with the policies approved by the Board of Directors. The Board provides written policies for overall risk management and for specific areas such as foreign currency risk, interest rate risk, and liquidity risk, use of derivatives and non-derivatives and investment of surplus liquidity.

### **Market Risk**

#### a) Price risk:

This risk focuses on the possibility of a significant decline in the value of the products developed by the Company. Although the country is currently in a stable economic situation, the valuation reports indicate that current selling prices are within market limits with sales expected to rise.

#### b) 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 Company's exposure to such risks.

At 31 December 2020 Company management considers that there is no such risk as the assets and liabilities involved are not significant.

### **Credit risk**

A large proportion of trade and other balances receivable relates to operations with Spanish public entities, with whom the Company considers the credit risk to be limited.

### **Liquidity risk**

The Company 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 Company'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 Company's available cash position at 31 December 2020 amounts to €93,670 thousand (€35,978 thousand at 31 December 2019).

The Company has committed financing not used at 31 December 2020 amounting to €390,754 thousand, (Note 14) (€400,780 thousand at 31 December 2019).

In light of the review of the 12 month cash budget and the sensitivity analyses performed by the Company, it may be concluded that in the following year the Company will be able to reasonably finance its operations, even in the event of harder conditions on the property and lending markets.

#### **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 interim 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 interim 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.

## 5. INVESTMENT PROPERTY

Set out below is a breakdown of and movements in the items recorded under investment properties:

2020	Thousand euro			
	Land	Buildings	Work in progress	Total
<b>Balance at 01-01-2020:</b>				
Cost	117,095	41,845	-	158,940
Accumulated depreciation	-	(968)	-	(968)
Impairment	(19,176)	-	-	(19,176)
<b>Carrying amount</b>	<b>97,919</b>	<b>40,877</b>	-	<b>138,796</b>
Additions-Cost	-	1,229	-	1,229
Derecognition – Cost	(747)	-	-	(747)
Transfers to inventories	(1,067)	-	-	(1,067)
Depreciation	-	(401)	-	(401)
Impairment	(2,102)	-	-	(2,102)
<b>Balance at 31-12-2020:</b>				-
Cost	115,281	43,074	-	158,355
Accumulated depreciation	-	(1,369)	-	(1,369)
Impairment	(21,278)	-	-	(21,278)
<b>Carrying amount</b>	<b>94,003</b>	<b>41,705</b>	-	<b>135,708</b>

2019	Thousand euro			
	Land	Buildings	Work in progress	Total
<b>Balance at 01-01-2019:</b>				
Cost	133,597	41,041	-	174,638
Accumulated depreciation	-	(567)	-	(567)
Impairment	(22,062)	-	-	(22,062)
<b>Carrying amount</b>	<b>111,535</b>	<b>40,474</b>	-	<b>152,009</b>
Additions-Cost	635	-	-	635
Derecognition – Cost	(9,260)	-	-	(9,260)
Transfers to inventories	(7,073)	-	-	(7,073)
Other transfers to cost	(804)	804	-	-
Depreciation	-	(401)	-	(401)
Derecognition- Depreciation	-	-	-	-
Impairment	(359)	-	-	(359)
Derecognition- Impairment	2,945	-	-	2,945
Transfers to inventories-Depreciation	300	-	-	300
<b>Balance at 31-12-2019:</b>				
Cost	117,095	41,845	-	158,940
Accumulated depreciation	-	(968)	-	(968)
Impairment	(19,176)	-	-	(19,176)
<b>Carrying amount</b>	<b>97,919</b>	<b>40,877</b>	-	<b>138,796</b>

Investment property currently comprises land for development for subsequent lease by third parties and rental assets acquired within the context of the non-monetary capital increase carried out by the Company in 2017. In addition, investment property 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.

Of total assets recognised as investment property, 70% (86% in 2019) relates to land, of which 67% (49% in 2019) 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.

Transfers for 2020 and 2019 relate to the reclassification to inventories of land for development and subsequent sale and which is currently under development or on which residential development work is set to begin.

The fair value of the assets recognised under "Investment Property" at 31 December 2020 amounted to €151,553 thousand and €156,312 thousand at 31 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. 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.

## 6. INTERESTS IN GROUP COMPANIES AND ASSOCIATES

### a) Interests in Group companies

Name	Address	Activity	Percentage of capital <sup>1</sup> Direct %
Promociones Vallebramen, S.L.	Spain	Real estate promotion and development	100.00%
Fuencarral Agrupanorte, S.L.	Spain	Real estate promotion and development	100.00%
Metrovacesa Inmuebles y Promociones, S.L.	Spain	Real estate promotion and development	100.00%
Metrovacesa Comercial, S.L (*)	Spain	Real estate promotion and development	100.00%
Metrovacesa Promoción y Arrendamiento, S.A.	Spain	Real estate promotion and development	100.00%

<sup>1</sup> The Company holds the same voting rights as percentage of capital..

(\*) Company purchased in 2019.

None of the Group companies in which the Company has an interest is listed on a stock exchange.

The share capital, reserves, profit/(loss) for the year and other related information, according statutory anual accounts is as follows:

2020 Company	Equity			Profit/(loss) for the year(*)	Carrying amount of investment
	Share capital	Reserves	Other items		
Promociones Vallebramen, S.L. (**)	3,019	(21,484)	13,000	(3,026)	13,000
Fuencarral Agrupanorte, S.L. (**)	6,721	93,670	-	1,434	100,691
Metrovacesa Inmuebles y Promociones, S.L. (**)	3	24,510	-	(2,422)	22,091
Metrovacesa Comercial, S.L.	4	(3)	100	(63)	38
Metrovacesa Promoción y Arrendamiento, S.A.	307,525	27,632	-	(1,710)	339,957
					<b>475,777</b>

(\*) Profit/(loss) for the year before tax.

(\*\*) Unaudited entities.

2019 Company	Equity			Profit/(loss) for the year(*)	Carrying amount of investment
	Share capital	Reserves	Other items		
Promociones Vallebramen, S.L. (**)	3,019	(22,792)	-	1,308	-
Fuencarral Agrupanorte, S.L. (**)	6,721	93,387	-	3,151	100,005
Metrovacesa Inmuebles y Promociones, S.L. (**)	3	24,399	-	148	24,454
Metrovacesa Comercial, S.L. (**)	4	-	100	-	104
Metrovacesa Promoción y Arrendamiento, S.A.	307,528	21,130	-	4,302	339,861
					<b>464,424</b>

(\*) Profit /(loss) for the year before tax

(\*\*) Unaudited companies

The movement in investments in group companies is as follows:

Company	Thousand euro				
	Carrying amount of investment 2019	Additions	Derecognitions	Impairment	Carrying amount of investment 2020
Promociones Vallebramen, S.L.	-	13,000	-	-	13,000
Fuencarral Agrupanorte, S.L.	100,005	-	-	686	100,691
Metrovacesa Inmuebles y Promociones, S.L.	24,454	-	-	(2,363)	22,091
Metrovacesa Comercial, S.L.	104	-	-	(66)	38
Metrovacesa Promoción y Arrendamiento, S.A.	339,861	96	-	-	339,957
	<b>464,424</b>	<b>13,096</b>	-	<b>(1,743)</b>	<b>475,777</b>

Company	Thousand euro				
	Carrying amount of investment 2018	Additions	Derecognitions	Impairment	Carrying amount of investment 2019
Inmobiliaria Das Avenidas Novas, S.A.	6	-	(6)	-	-
Promociones Vallebramen, S.L.	-	-	-	-	-
Fuencarral Agrupanorte, S.L.	100,691	-	-	(686)	100,005
Metrovacesa Inmuebles y Promociones, S.L.	24,454	-	-	-	24,454
Metrovacesa Comercial, S.L.	-	104	-	-	104
Metrovacesa Promoción y Arrendamiento, S.A.	339,858	3	-	-	339,861
	<b>465,009</b>	<b>107</b>	<b>(6)</b>	<b>(686)</b>	<b>464,424</b>

b) Investments in associates

The breakdown of investments in associates is as follows:

2020

Name	Address	Activity	Percentage of capital 1
			Direct %
Urbanizadora Valdepolo I, S.A.	Spain	Real estate promotion and development	50.00%
Urbanizadora Valdepolo II, S.A.	Spain	Real estate promotion and development	50.00%
Urbanizadora Valdepolo III, S.A.	Spain	Real estate promotion and development	50.00%
Urbanizadora Valdepolo IV, S.A.	Spain	Real estate promotion and development	50.00%
Front Maritim del Besós, S.L.	Spain	Real estate promotion and development	38.63%

2019

Name	Address	Activity	Percentage of capital 1
			Direct %
Urbanizadora Valdepolo I, S.A.	Spain	Real estate promotion and development	50.00%
Urbanizadora Valdepolo II, S.A.	Spain	Real estate promotion and development	50.00%
Urbanizadora Valdepolo III, S.A.	Spain	Real estate promotion and development	50.00%
Urbanizadora Valdepolo IV, S.A.	Spain	Real estate promotion and development	50.00%
Front Maritim del Besós, S.L.	Spain	Real estate promotion and development	38.63%

<sup>1</sup> The Company holds the same voting rights as percentage of capital.

None of the associates in which the Company holds an interest is listed on a stock exchange.

Set out below are the figures for capital, reserves and results for the year together with other relevant information as per the companies' separate annual accounts:

2020	Thousand euro					
	Company	Equity			Profit/(loss) for the year(*)	Carrying amount of investment
		Share capital	Reserves	Other items		
	Urbanizadora Valdepolo I, S.A. (**)	786	(27)	-	4	-
	Urbanizadora Valdepolo II, S.A. (**)	786	(21)	-	4	-
	Urbanizadora Valdepolo III, S.A. (**)	786	(10)	-	4	-
	Urbanizadora Valdepolo IV, S.A. (**)	786	(22)	-	4	-
	Front Maritim del Besós, S.L. (**)	6	149,777	2,098	(16,592)	52,262
						<b>52,262</b>

2019	Thousand euro					
	Company	Equity			Profit/(loss) for the year(*)	Carrying amount of investment
		Share capital	Reserves	Other items		
	Urbanizadora Valdepolo I, S.A. (**)	786	(1,555)	-	4	-
	Urbanizadora Valdepolo II, S.A. (**)	786	(1,561)	-	3	-
	Urbanizadora Valdepolo III, S.A. (**)	786	(1,572)	-	3	-
	Urbanizadora Valdepolo IV, S.A. (**)	786	(1,560)	-	4	-
	Front Maritim del Besós, S.L. (**)	6	150,028	2,098	(270)	57,022
						<b>57,022</b>

(\*) Profit /(loss) before tax

(\*\*) Unaudited companies

There are no companies where an interest of less than 20% is held and where it is concluded that there is nevertheless significant influence and nor are there any investments of over 20% in any investees where it is concluded that there is no significant influence.

The Company has no contingencies in relation to associates.

At 31 December 2020 the Company's Directors consider that the recoverable amount of investments in associates does not differ significantly from carrying amount.

#### c) Value adjustments for impairment

In 2020, the Company has registered valuation corrections for impairment of holdings in group companies and associates amounting to €7,190 thousand (€686 thousand in 2019).

## 7. FINANCIAL INSTRUMENTS

### a) Analysis by category

	Thousand euro					
	Long-term financial assets					
	Equity instruments		Loans & Other		Total	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Loans and receivables (Note 8)	6,656	69,489	6,656	69,489	6,656	69,489
Derivatives	64	10	64	10	64	10
	<b>6,720</b>	<b>69,499</b>	<b>6,720</b>	<b>69,499</b>	<b>6,720</b>	<b>69,499</b>

	Thousand euro					
	Short-term financial assets					
	Equity instruments		Loans & Other		Total	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Loans and receivables (Note 8)	-	-	106,815	96,456	106,815	96,456
	-	-	<b>106,815</b>	<b>96,456</b>	<b>106,815</b>	<b>96,456</b>

	Thousand euro					
	Long-term financial liabilities					
	Bank borrowings		Other		Total	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Loans and payables (*) (Note 14)	217,389	94,983	21,108	10,819	238,497	105,802
	<b>217,389</b>	<b>94,983</b>	<b>21,108</b>	<b>10,819</b>	<b>238,497</b>	<b>105,802</b>

	Thousand euro					
	Short-term financial liabilities					
	Bank borrowings		Other		Total	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Loans and payables (*) (Note 14)	188,001	47,210	90,070	149,489	278,071	196,699
	<b>188,001</b>	<b>47,210</b>	<b>90,070</b>	<b>149,489</b>	<b>278,071</b>	<b>196,699</b>

(\*) Excluding advances and balances with public administrations.

b) Classification by maturity

At 31 December 2020, financial instruments having fixed or determinable maturities are shown below by year of maturity:

	Thousand euro					
	Financial assets					
	2020	2021	2022	2023	Subsequent years	Total
<b>Investments in Group companies and associates (Note 20):</b>						
- Loans to companies	87,778	8	-	-	-	87,786
- Other financial assets	6,391	-	-	-	-	6,391
	<b>94,169</b>	<b>8</b>	-	-	-	<b>94,177</b>
<b>Investments:</b>						
- Other financial assets	9,744	-	-	-	6,648	16,392
	<b>9,744</b>	-	-	-	<b>6,648</b>	<b>16,392</b>
<b>Trade and other receivables:</b>						
- Trade receivables for sales and services rendered	2,659	-	-	-	-	2,659
- Group company customers	86	-	-	-	-	86
- Sundry receivables	157	-	-	-	-	157
	<b>2,902</b>	-	-	-	-	<b>2,902</b>
<b>Derivatives</b>						
	-	64	-	-	-	64
	<b>106,815</b>	<b>72</b>	-	-	<b>6,648</b>	<b>113,543</b>

	Thousand euro					
	Financial liabilities					
	2020	2021	2022	2023	Subsequent years	Total
<b>Payables:</b>						
-Bank borrowings (*)	92,120	139,129	-	-	-	231,249
- Other financial liabilities	16,150	-	-	-	151	16,301
	<b>108,270</b>	<b>217,389</b>	-	-	<b>151</b>	<b>247,550</b>
<b>Amounts payable to Group companies and associates (Note 21)</b>						
-Bank borrowings (*)	95,881	78,260	-	-	-	174,141
- Other financial liabilities	1,337	-	-	-	-	1,337
	<b>97,218</b>	<b>78,260</b>	-	-	-	<b>175,478</b>
<b>Trade and other payables:</b>						
- Trade payables	69,064	-	-	-	20,957	90,021
- Employees	3,519	-	-	-	-	3,519
	<b>72,583</b>	-	-	-	<b>20,957</b>	<b>93,540</b>
	<b>278,071</b>	<b>217,389</b>	-	-	<b>21,108</b>	<b>516,568</b>

At 31 December 2019, financial instruments having fixed or determinable maturities are shown below by year of maturity:

	Thousand euro					
	Financial assets					
	2020	2021	2022	2023	Subsequent years	Total
<b>Investments in Group companies and associates (Note 20):</b>						
- Loans to companies	25,203	62,583	-	-	-	87,786
- Other financial assets	50,075	-	-	-	-	50,075
	<b>75,278</b>	<b>62,583</b>	-	-	-	<b>137,861</b>
<b>Investments:</b>						
- Other financial assets	6,607	-	-	-	6,906	13,513
	<b>6,607</b>	-	-	-	<b>6,906</b>	<b>13,513</b>
<b>Trade and other receivables:</b>						
- Trade receivables for sales and services rendered	14,243	-	-	-	-	14,243
- Group company customers	54	-	-	-	-	54
- Sundry receivables	274	-	-	-	-	274
	<b>14,571</b>	-	-	-	-	<b>14,571</b>
Derivatives	-	-	10	-	-	10
	<b>96,456</b>	<b>62,583</b>	<b>10</b>	-	<b>6,906</b>	<b>165,955</b>

	Thousand euro					
	Financial liabilities					
	2020	2021	2022	2023	Subsequent years	Total
<b>Payables:</b>						
-Bank borrowings (*)	12,415	60,444	-	-	-	72,859
- Other financial liabilities	46	-	-	-	151	197
	<b>12,461</b>	<b>60,444</b>	-	-	<b>151</b>	<b>73,056</b>
<b>Amounts payable to Group companies and associates (Note 21)</b>						
-Bank borrowings (*)	34,795	34,539	-	-	-	69,334
- Other financial liabilities	99,840	-	-	-	-	99,840
	<b>134,635</b>	<b>34,539</b>	-	-	-	<b>169,174</b>
<b>Trade and other payables:</b>						
- Trade payables	46,209	-	-	-	10,668	56,877
-Sundry payables	-	-	-	-	-	-
- Employees	3,394	-	-	-	-	3,394
	<b>49,603</b>	-	-	-	<b>10,668</b>	<b>60,271</b>
	<b>196,699</b>	<b>94,983</b>	-	-	<b>10,819</b>	<b>302,501</b>

(\*) The amount of realtor loans 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 to 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.

## 8. LOANS AND RECEIVABLES

Loans and receivables are included in:

	Thousand euro	
	31/12/2020	31/12/2019
<b>Non-current:</b>		
<b>Long-term investments in Group companies and associates (Note 20)</b>	<b>8</b>	<b>62,583</b>
- Loans to associates (a)	8	62,583
<b>Long-term investments</b>	<b>6,648</b>	<b>6,906</b>
- Other financial assets	6,648	6,906
	<b>6,656</b>	<b>69,489</b>

This excludes the balance of derivative instruments amounting to €64 thousand and €10 thousand at 31 December 2020 and 2019, respectively.

	Thousand euro	
	31/12/2020	31/12/2019
<b>Current:</b>		
<b>Trade and other receivables</b>	<b>19,499</b>	<b>19,056</b>
- Trade receivables and bills receivable (b)	2,659	14,243
- Trade receivables in Group companies and associates.	86	54
- Sundry receivables	157	274
- Other receivables from public administrations(c)	16,597	4,485
<b>Short-term investments in Group companies and associates (Note 22)</b>	<b>94,169</b>	<b>75,278</b>
-Loans to group companies	87,778	25,203
- Other financial assets	6,391	50,075
<b>Financial investments</b>	<b>9,744</b>	<b>6,607</b>
- Other financial assets	9,744	6,607
	<b>123,412</b>	<b>100,941</b>
	<b>130,068</b>	<b>170,430</b>

Loans and receivables are carried at face value which does not differ significantly from fair value since the discounting of future flows is not significant.

- a) \*Loans to associates" include a loan granted by the Company to the investees "Urbanizadora Valdepolo I a 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 these companies is more than zero. No interest accrued during 2020 or 2019. Of the €90,000 thousand, €2,940 thousand was transformed into participating loans in order to restore the investees' share capital / equity ratio.

During 2015 the Company recognised a value correction amounting to €27,416 thousand as a result of the development problems in the area and delays in planning approval, deriving from the fair value measurement of the loan granted. As a result of the spin-off operation detailed in Note 1 to the accompanying accounts, as the spin-off values were added at carrying amount (€62,584 thousand), no reversal of provisions can be recognised despite the change in the situation. Management considers that no additional impairment is applicable currently.

During 2020 the loan was reclassified from non-current to current assets in the balance sheet of the Company

In 2020 and 2019 there was no movement in the provision for impairment losses.

At 31 December 2020 and 2019 there are no assignments of customer loans to banks.

#### Ageing analysis

The ageing analysis of Trade receivables for sales and services rendered is as follows:

	31/12/2020	31/12/2019
Up to 3 months	2,225	14,041
Between 3 and 6 months	434	202
More than 6 months	-	-
	<b>2,659</b>	<b>14,243</b>

## 9. INVENTORIES

At 31 December 2020 inventories break down as follows:

	Thousand euro	
	2020	2019
Land	1,133,198	1,160,247
Construction work in progress	707,041	534,385
Finished property	125,537	87,322
Advance payments to suppliers	2,006	6,320
Other	397	104
Impairment losses on land	(200,716)	(119,507)
Impairment losses construction work in progress	(25,671)	(11,442)
Impairment losses on finished property	(3,445)	(2,328)
	<b>1,738,347</b>	<b>1,655,101</b>

At 31 December 2020 and 31 December 2019, the Company's finished property inventories mainly relate to plots and land for residential development to be used as homes and second homes together with related constructions, where appropriate, such as parking spaces and commercial premises.

In 2020, the Company capitalised interest on inventories amounting to €4,104 thousand (2019: €2,531 thousand).

At 31 December 2020 there are assets included in "Inventories" for a total gross cost amount of €496,264 thousand (2019: €196,962 thousand), mortgaged to secure several loans, subject to subrogation or not, linked to certain developments and plots of land, the balance of which amounts to €171,706 thousand at 31 December 2020 (2019: €42,565 thousand) (Note 15).

There are no other assets included in inventories securing loans other than the above.

Commitments for sales of developments entered into with customers at 31 December 2020 amount to €721,960 thousand (2019: €573,939 thousand), of which €113,876 thousand have given rise to receipts and bills receivable, recognised under "Customer advances" in current liabilities at 31 December 2020 (2019: €58,028 thousand).

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 Company 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. Because of this and based on experience in the last few years, the Company does not expect this to have an impact on the annual accounts for 2020 and 2019. Similarly, presales generally include indemnities in favour of the Company in the event of cancellation by customers although no amount is recognised until it is collected.

At 31 December 2020 and 2019 there are firm commitments for the purchase of plots of land, documented through private purchase agreements or down payment agreements.

The Company has arranged several insurance policies to cover the risks to which inventories are exposed. The coverage provided by these policies is considered to be sufficient.

The market value of the Group's land, developments in progress and finished properties at 31 December 2020, calculated based on the valuations performed by independent experts, in accordance with the Appraisal and Valuation Standards published by the 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 €2,002,272 thousand (€2,012,913 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.

13% 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.

a) Inventory impairment

At 31 December 2020 inventory impairment breaks down as follows:

	Thousand euro	
	2020	2019
<b>Inventory impairment</b>		
- Impairment land and plots	(200,716)	(119,507)
- Impairment work-in-progress	(25,671)	(11,442)
- Impairment of finished property	(3,445)	(2,328)
	<b>(229,832)</b>	<b>(133,277)</b>

The movement in the gross value of inventories and inventory impairment in 2020 was as follows:

	Thousand euro					
	Land and plots	Other supplies	Work in progress	Finished property	Prepayments to suppliers	Total
<b>Gross value of inventories</b>						
Carrying amount at the beginning of 2020	1,160,247	104	534,385	87,322	6,320	1,788,378
Additions	20,303	293	275,572	13,133	-	309,301
Disposals	(20,460)	-	-	(106,158)	(4,314)	(130,932)
Transfers	(26,892)	-	(102,916)	131,240	-	1,432
Carrying amount at year-end 2020	<b>1,133,198</b>	<b>397</b>	<b>707,041</b>	<b>125,537</b>	<b>2,006</b>	<b>1,968,179</b>
<b>Inventory impairment</b>						
Carrying amount at the beginning of 2020	(119,507)	-	(11,442)	(2,328)	-	(133,277)
Additional provisions recognised	(86,488)	-	(17,443)	(2,331)	-	(106,262)
Additional reversals recognised	5,166	-	1,802	2,739	-	9,707
Transfers of provisions	113	-	1,412	(1,525)	-	-
Carrying amount at year-end 2020	<b>(200,716)</b>	<b>-</b>	<b>(25,671)</b>	<b>(3,445)</b>	<b>-</b>	<b>(229,832)</b>
	<b>932,482</b>	<b>397</b>	<b>681,370</b>	<b>122,092</b>	<b>2,006</b>	<b>1,738,347</b>

	Thousand euro					
	Land and plots	Other supplies	Work in progress	Finished property	Prepayments to suppliers	Total
<b>Gross value of inventories</b>						
Carrying amount at the beginning of 2019	1,321,184	576	305,899	38,085	3,937	1,669,681
Additions	28,454	(472)	143,673	11,240	2,383	185,278
Disposals	(27,860)	-	-	(45,793)	-	(73,653)
Transfers	(161,531)	-	84,813	83,790	-	7,072
Carrying amount at year-end 2019	<b>1,160,247</b>	<b>104</b>	<b>534,385</b>	<b>87,322</b>	<b>6,320</b>	<b>1,788,378</b>
<b>Inventory impairment</b>						
Carrying amount at the beginning of 2019	(126,610)	-	(7,652)	(4,752)	-	(139,014)
Additional provisions recognised	(13,686)		(5,699)	(1,004)	-	(20,389)
Additional reversals recognised	7,003		4,250	3,079	-	14,332
Aplicaciones	7,000			5,095	-	12,095
Transfers of provisions	6,786		(2,341)	(4,746)	-	(301)
Carrying amount at year-end 2019	<b>(119,507)</b>	<b>-</b>	<b>(11,442)</b>	<b>(2,328)</b>	<b>-</b>	<b>(133,277)</b>
	<b>1,040,740</b>	<b>104</b>	<b>522,943</b>	<b>84,994</b>	<b>6,320</b>	<b>1,655,101</b>

## 10. CASH AND CASH EQUIVALENTS

Cash and equivalents include the Company's cash and banks. The carrying amount of these assets approximates their fair value.

	Thousand euro	
	31/12/2020	31/12/2019
Cash on hand	1	1
Bank accounts and cash equivalents	219,207	95,215
	<b>219,208</b>	<b>95,216</b>

At 31 December 2020 there are restrictions on availability amounting to €125,538 thousand (2019: €59,418 thousand).

## 11. CAPITAL AND SHARE PREMIUM

### a) Capital

As mentioned in Note 1, the Company results following 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, S.A, under which two new groups were incorporated, the former Metrovacesa retaining the lease business and a new company being created to handle the real estate development business (current Metrovacesa, S.A), whose properties constitute an independent economic unit.

As a result of the operations detailed in Note 1 to these annual accounts, the share capital of, Metrovacesa, S.A. consists of 151,676,341 bearer shares at 31 December 2020 and 2019, 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 and 2019 amounts to €1,092,070 thousand (€1,092,070 thousand at 31 December 2019).

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:

	31 December 2020			
	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%
<b>Total</b>	<b>89,393,694</b>	<b>62,282,647</b>	<b>151,676,341</b>	<b>100.00%</b>

	31 December 2019			
	Shares			% capital
	Direct	Indirect	Total	
Grupo Banco Santander	48,443,127	26,426,709	74,869,836	49.37%
Grupo Banco Bilbao Vizcaya Argentaria	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	-	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	15.02%
<b>Total</b>	<b>86,143,803</b>	<b>65,502,538</b>	<b>151,646,341</b>	<b>100%</b>

(\*) Banco Santander has an indirect interest of 49% in Quasar Investment, S.a.r.l.

b) Share premium account

The share premium at 31 December 2020 amounts to €1,328,680 thousand (€1,328,680 thousand in 2019).

No dividends or share premium were distributed in 2020. In 2019, a share premium of €49,974 thousand was distributed.

The share premium account is unrestricted.

## 12. PROFIT/(LOSS) FOR THE YEAR

### a) Proposal for the distribution of results

	Thousand euro	
	31/12/2020	31/12/2019
<b>Available for distribution</b>		
Profit/(loss)	(148,282)	(29,629)
	<b>(148,282)</b>	<b>(29,629)</b>
<b>Application</b>		
Prior-year losses	(148,282)	(29,629)
	<b>(148,282)</b>	<b>(29,629)</b>

## 13. PROVISIONS

### a) Non-current provisions

The breakdown of the balance of non-current provisions in 2019 is as follows:

	Thousand euro	
	31/12/2020	31/12/2019
<b>Non-current provisions</b>		
-Litigation and other provisions	16,650	12,030
	<b>16,650</b>	<b>12,030</b>

Litigations and other provisions mainly relate to the following:

- a) Judicial claims amounting to €8,100 thousand (2019: €9,664 thousand).

Although the total amount could be significant, these claims are immaterial on a stand-alone basis. In this respect, the Company provides for probable litigation risks in accordance with the assessment performed by its legal department.

The movement in non-current provisions in 2020 is as follows:

	Litigation and other provisions	Total
Carrying amount at the beginning of 2020	12,030	12,030
<b>Charged/(credited) to the income statement:</b>		
- Additional provisions recognised	(7,063)	(7,063)
-Amounts not used reversed against	1,384	1,384
<b>Movements with no impact on results</b>		
- Amounts used during the year	10,299	10,299
Carrying amount at year-end 2020	<b>16,650</b>	<b>16,650</b>

In 2020, there were no significant movements.

The movement in non-current provisions in 2019 is as follows:

	Litigation and other provisions	Total
Carrying amount at the beginning of 2020	12,191	12,191
<b>Charged/(credited) to the income statement:</b>		
- Additional provisions recognised	723	723
-Amounts not used reversed against	(139)	(139)
<b>Movements with no impact on results</b>		
- Amounts used during the year	(745)	(745)
Carrying amount at year-end 2020	12,030	12,030

The Company's directors consider that the provisions established are adequate to cover the probable risks that could result from the outcome of the litigations under way and that if the risks that crystallise exceed the provision, the additional liabilities should not significantly affect the Company's financial statements.

#### b) Current provisions

The breakdown of the balance of current provisions in 2020 and 2019 is as follows:

	Thousand euro	
	2020	2019
<b>Current provisions</b>		
-Other current provisions	25,252	16,809
	<b>25,252</b>	<b>16,809</b>

This heading records the provisions established to cover contractor settlement costs and guarantee costs, mainly after-sales service costs and the amount of other construction costs not yet incurred. They are recognised at the date of sale of the relevant products, according to the best estimate of the expense calculated by the Company's Directors and for the necessary amount to settle its liabilities.

The movement in current provisions in 2020 and 2019 is as follows:

	Completion of work and other provisions	Total
Carrying amount at the beginning of 2020	16,809	16,809
<b>Charged/(credited) to the income statement:</b>		
- Additional provisions recognised	-	-
-Amounts not used reversed	-	-
<b>Movements with no impact on results</b>		
- Amounts used during the year	8,443	8,443
Carrying amount at year-end 2020	25,252	25,252

	Completion of work and other provisions	Total
Carrying amount at the beginning of 2019	12,753	12,753
<b>Charged/(credited) to the income statement:</b>		
- Additional provisions recognised	9,462	9,462
-Amounts not used reversed	-	-
<b>Movements with no impact on results</b>		
- Amounts used during the year	(5,406)	(5,406)
Carrying amount at year-end 2019	16,809	16,809

#### 14. CREDITORS AND PAYABLES

This heading breaks down as follows at 31 December 2020 and 2019:

	Thousand euro	
	2020	2019
<b>Non-current:</b>		
<b>Long-term payables</b>	<b>139,280</b>	<b>60,594</b>
-Bank borrowings (a)	139,129	60,444
- Deposits	151	151
<b>Long-term payables to group companies and associates</b>	<b>78,260</b>	<b>34,539</b>
- Bank borrowings (a) and (Note 20)	78,260	34,539
<b>Non-current trade payables</b>	<b>20,957</b>	<b>10,668</b>
-Sundry payables	20,957	10,668
	<b>238,497</b>	<b>105,802</b>

	Thousand euro	
	2020	2019
<b>Current:</b>		
<b>Short-term payables</b>	<b>108,270</b>	<b>12,462</b>
-Loans with credit institutions (a)	92,120	12,415
- Other financial liabilities (b)	16,150	47
<b>Short-term payables to Group and related companies and associates (Note 20)</b>	<b>97,218</b>	<b>134,635</b>
- Other financial liabilities	1,337	99,840
- Bank borrowings related parties (a)	95,881	34,795
<b>Trade and other payables</b>	<b>224,548</b>	<b>120,004</b>
- Trade payables	69,064	46,209
- Employees	3,519	3,394
- Other payables to the public administrations	11,458	9,569
- Advances payments from customers	140,507	60,832
<b>Total current</b>	<b>430,036</b>	<b>267,100</b>
<b>Total non current and current</b>	<b>668,533</b>	<b>372,902</b>

(\*) According to Annual Remuneration Report, the Chairman of the Group has an indemnity right of €500 thousand in case of termination. This amount has been registered in "Employees".

"Trade and other payables" mainly include the amounts payable on purchases of goods for resale and related costs and the amounts on account received from customers prior to the recognition of the sale of land. 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. Arrangement fees had been negotiated at market rates.

During 2020, the Group used €135,000 thousand (€50,000 thousand in 2019) and repaid €13,956 thousand (€24,499 thousand in 2019 thousand).

Accrued interest amounts to €6,866 thousand at 31 December 2020 (€5,153 thousand in 2019). The impact of the amortised cost during 2020 amounted to a negative figure of €1,362 thousand, leaving an amount of €2,611 thousand pending amortisation in respect of this item (€3,974 thousand in 2019).

This agreement is subject to compliance with certain financial ratios which are usual in the sector in which the Group operates. The main ratios included in the agreement are as follows:

- 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 and 2019 all ratios are considered to have been complied with.

b) Other financial liabilities

This heading includes €16,100 thousand related to the MARF listing securities detailed in Note 1 of these annual accounts.

The detail of the information required in relation to the average supplier payment period is as follows:

	2020	2019
	Days	Days
Average supplier payment period	41	58
Ratio operations paid	41	57
Ratio of transactions pending payment	39	64

	Thousand euro	
	2020	2019
Total payments made	(184,820)	(155,233)
Total payments pending	(40,646)	(24,219)

## 15. DEFERRED TAXES

The detail of deferred taxes is as follows:

	Thousand euro	
	2020	2019
<b>Deferred tax assets</b>		
- Temporary differences	53,364	64,453
- Credits on tax loss carryforwards	35,853	35,853
	<b>89,217</b>	<b>100,306</b>

Under the heading of "Temporary Differences", the impact of article 11.6 of the Corporate Tax Law is mainly included in the amount of €32,477 thousand (2019: €40,479 thousand) and non-deductible portfolio provisions amounting to €19,145 (2019: €19,145 thousand).

2020	Temporary differences	Credits on tax loss carryforwards	Total
<b>Deferred tax assets</b>			
<b>Balance at 1 January 2020</b>	<b>64,453</b>	<b>35,853</b>	<b>100,306</b>
Debited/ (credited) to income statement	(11,089)	-	(11,089)
<b>Balance at 31 December 2020</b>	<b>53,364</b>	<b>35,853</b>	<b>89,217</b>

2019	Temporary differences	Credits on tax loss carryforwards	Total
<b>Deferred tax assets</b>			
<b>Balance at 1 January 2019</b>	<b>67,824</b>	<b>35,860</b>	<b>103,684</b>
Other movements	-	-	-
Debited/ (credited) to income statement	(3,371)	(7)	(3,378)
<b>Balance at 31 December 2019</b>	<b>64,453</b>	<b>35,853</b>	<b>100,306</b>

Movements during the year in deferred tax assets are largely attributable to the impact resulting from the application of article 11.6 of the Corporate Income Tax Law non-deductible portfolio impairment and the non-deductibility of finance costs.

## 16. INCOME AND EXPENSES

### a) Revenue

Revenues from the Company's ordinary activities may be analysed as follows:

	Thousand euro	
	2020	2019
-Sales of developments	125,242	51,350
-Sales of land	15,813	22,839
- Services provided and other	1,239	523
	<b>142,294</b>	<b>74,712</b>

All sales during the year were made in Spain.

b) Change in inventories, goods for resale sold, raw materials and other consumables

The breakdown of the variation in inventories and supply expenses at 31 December 2020 and 2019 is as follows:

	2020	2019
<b>Change in inventories of finished products and work in progress</b>	<b>192,538</b>	<b>291,463</b>
- Change in inventories of work in progress	206,481	278,503
- Change in inventories of finished property	1,290	7,073
- (Impairment)/reversal work in progress and finished products	(15,233)	5,887
<b>Raw materials and consumables</b>	<b>(400,798)</b>	<b>(346,969)</b>
-Purchases of raw materials and other consumables	(1,020)	(20,488)
-Change in inventories of plots of land and land	(25,201)	(166,483)
-Subcontracted work	(293,254)	(159,203)
-Impairment of goods for resale, raw materials and other	(81,323)	(795)
	<b>(208,260)</b>	<b>(55,506)</b>

c) Staff costs

At 31 December 2020 and 2019 the Company's staff costs break down as follows:

	Thousand euro	
	2020	2019
-Wages, salaries and similar	(10,863)	(11,757)
-Staff welfare charges		
-Employer's Social Security contributions	(2,394)	(2,083)
Contributions and transfers to pension schemes	(273)	(220)
Other employee welfare expenses	(897)	(715)
	<b>(14,427)</b>	<b>(14,775)</b>

The average number of employees by category during the year was as follows:

	2020		
	Men	Women	Total
Executives	13	6	19
Heads of department and technicians	60	30	90
Administration and sales staff	30	42	72
	<b>103</b>	<b>78</b>	<b>181</b>

	2019		
	Men	Women	Total
Executives	13	6	19
Heads of department and technicians	53	28	81
Administration and sales staff	27	32	59
	<b>93</b>	<b>66</b>	<b>159</b>

The average number of employees at 31 December 2020 and 31 December 2019 is as follows:

	2020		
	Men	Women	Total
Executives	13	5	18
Heads of department and technicians	60	29	89
Administration and sales staff	31	43	74
	<b>104</b>	<b>77</b>	<b>181</b>

	2019		
	Men	Women	Total
Executives	13	6	19
Heads of department and technicians	57	30	87
Administration and sales staff	31	43	74
	<b>101</b>	<b>79</b>	<b>180</b>

b) Other operating expenses

	Thousand euro	
	2020	2019
External services		
- Independent professional services (*)	(10,597)	(9,786)
- Other expenses	(7,692)	(9,271)
Taxes	(198)	(348)
Losses, impairment and variation in trade provisions	(278)	-
	<b>(18,765)</b>	<b>(19,405)</b>

## 17. INCOME TAX AND TAX SITUATION

Set out below is the reconciliation between net income and expense for 2020 and the income tax base:

Thousand euro	Income Statement		Total
	Increases	Decreases	
Income and expenses for the year (pre-tax)			<b>(134,346)</b>
<b>Corporate income tax</b>			
Permanent differences	47,974	-	<b>47,974</b>
Temporary differences:			
-arising during the year	-	(44,356)	<b>(44,356)</b>
-arising in prior years	-	-	-
-Offset of tax losses	-	-	-
<b>Total tax base (prior to tax consolidation adjustments)</b>			<b>(130,728)</b>

Additionally, temporary differences of €2,977 thousand have not been recorded in the balance sheet.

The main permanent increases and decreases in 2020 are due to the following:

- Increases

- Reversion of deductible impairment losses that belong from main shareholders, while shareholders are considered as group companies, according to Transitional Provision 16 of Corporate Income Tax Act, amounting to €12,346 thousand.
- Adjustments for impairments of representative values of equity stakes or funds derived from the application of article 13.2b. amounting to €18,175 thousand.

The income tax expense breaks down as follows:

	31/12/2020	31/12/2019
Current tax (expense)/income	-	-
Deferred tax (expense)/income	(11,089)	(3,372)
Application of tax credits	-	-
Recognition of tax credits	-	(7)
Other adjustments (*)	(2,847)	3,310
<b>Total tax (expense)/income</b>	<b>(13,936)</b>	<b>(69)</b>

(\*) Tax consolidation group:

Metrovacesa S.A. is the parent of tax consolidation Group 0485/16, that includes Metrovacesa, S.A., Promociones Vallebramen S.L., Fuencarral Agrupanorte, S.L., Metrovacesa Inmuebles y Promociones S.L., Metrovacesa Promoción y Arrendamiento, S.A., Global Carihuela Patrimonio No Estratégico, S.L., Vailén Management, S.L. and Desarrollo de Infraestructuras de Castilla, S.A.

Set out below are the details of the preliminary tax bases of the other companies contributing to the tax group.

Company	31/12/2020	31/12/2019
Promociones Vallebramen, S.L.	(3,024)	1,751
Fuencarral Agrupanorte, S.L.	(13)	4,203
Metrovacesa Promoción y Arrendamiento, S.A.	(5,810)	6,235
Global Carihuela Patrimonio No Estratégico, S.L.	-	(4)
Vailén Management, S.L.	(166)	(164)
Desarrollo de Infraestructuras de Castilla, S.A.	108	(34)
Metrovacesa Comercial, S.L.	(63)	-
Metrovacesa Inmuebles y Promociones, S.L.	(2,422)	149
<b>Total</b>	<b>(11,391)</b>	<b>12,136</b>

The consolidation group's preliminary tax base amounts to €142,119 thousand (negative) (€4,984 thousand negative in 2019).

Tax payable

The income tax payable to the tax authorities is as follows:

	31/12/2020	31/12/2019
<b>Tax payable of the Tax Group</b>	-	-
Withholdings and prepayments	95	(14)
<b>Tax payable</b>	<b>95</b>	<b>(14)</b>

### Tax inspections

In 2020, the Company 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, SA) 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 annual accounts, the required information has been submitted to the Tax Administration without having received new communications in this regard.

As a result, among other things, of the different interpretations to which Spanish tax legislation lends itself, additional tax assessments may be raised in the event of a tax inspection. In any event, the Directors consider that any such liabilities will not have a significant effect on the annual accounts.

Tax credits of the tax consolidation group break down as follows (excluding year 2020):

	Recognised	Not recognised
2007 and previous years	69	-
2008	20	-
2009	27,607	-
2010	65,134	-
2011	29,216	-
2012	21,366	23
2019	-	4,983
	<b>143,412</b>	<b>5,006</b>

In addition, the provision calculated for 2020 generated €142,119 thousand of unrecognised tax losses (€4,984 thousand in 2019).

Set out below is an analysis of the tax credits of Metrovacesa, S.A.:

	Recognised	Not recognised
2009	19,601	-
2011	16,379	-
2019	-	17,120
	<b>35,980</b>	<b>17,120</b>

## 18. GUARANTEES GIVEN TO THIRD PARTIES AND OTHER CONTINGENCIES

At 31 December 2020 and 2019 the Company has the following guarantees with respect to third parties:

	31.12.2020	31.12.2019
Amounts delivered on account by customers	123,208	60,727
Outstanding liabilities on land and developments	30,085	12,700
<b>Total</b>	<b>153,293</b>	<b>73,427</b>

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.

## 19. COMMITMENTS

### a) Operating lease commitments (where the company is the lessee)

The amount incurred by the Company in 2020 in respect of leases and common expenses for buildings and other facilities connected with its activities totals €694 thousand (€636 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 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	
	2020	2019
Less than one year	184	184
One to five years	100	97
More than five years	-	-
	<b>284</b>	<b>281</b>

## 20. RELATED-PARTY TRANSACTIONS

In addition to the subsidiaries, associates and jointly controlled companies, related parties 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 Company 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.

	Thousand euro			
	31 December 2020			
	Significant shareholders	Directors and Executives	Persons, Companies, Group Entities	Total
<b>Expenses:</b>				
Purchase of inventories (a)	-	-	-	-
Commissions and bank interest	(9,661)	-	-	(9,661)
Other expenses	(130)	-	-	(130)
<b>Income:</b>				
Shareholder contributions	1,886	-	-	1,886
Sale of inventories	-	-	-	-
Interest on loans	-	-	-	-
Other income	-	-	90	90

	Thousand euro			
	31 December 2019			
	Significant shareholders	Directors and Executives	Persons, Companies, Group Entities	Total
<b>Expenses:</b>				
Purchase of inventories (a)	(12,892)	-	-	(12,892)
Commissions and bank interest	(9,565)	-	-	(9,565)
Other expenses	-	-	-	-
<b>Income:</b>				
Sale of inventories (a)	12,892	-	-	12,892
Interest on loans	-	-	-	-
Other income	-	-	412	412

a) Purchase of land via payment in kind (exchange):

At 30 December 2019, the parent Company has acquired some plots to shareholders. The price has been €12,892 thousand. The price has been paid with some properties.

Outstanding balances with related parties break down as follows:

Ejercicio 2020	Assets			Liabilities		Total
	Credit facilities	Current accounts debtor balance	Other receivables	Loans granted	Current accounts creditor balance	
<b>Group company, associate or related company</b>						
Promociones Vallebramen, S.L.	251	-	-	-	(684)	(433)
Fuencarral Agrupanorte, S.L.	24,943	-	-	-	(6)	24,937
Metrovacesa Inmuebles y Promociones, S.L.	-	-	-	-	(606)	(606)
Desarrollo de Infraestructuras de Castilla, S.A.	-	23	-	-	-	23
Vailén Management, S.L.	-	-	-	-	(41)	(41)
Metrovacesa Comercial, S.L.	-	44	-	-	-	44
Front Maritim del Besós, S.L.	-	468	-	-	-	468
Urbanizadora Valdepolo I, S.A. (*)	15,648	-	-	-	-	15,648
Urbanizadora Valdepolo II, S.A. (*)	15,648	-	-	-	-	15,648
Urbanizadora Valdepolo III, S.A. (*)	15,648	-	-	-	-	15,648
Urbanizadora Valdepolo IV, S.A. (*)	15,648	-	-	-	-	15,648
Metrovacesa Promoción y Arrendamiento, S.A.	-	1,688	-	-	-	1,688
Socios, accionistas y otras partes vinculadas (a)	-	395	3,773	(188,001)	-	(183,833)
	<b>87,786</b>	<b>2,618</b>	<b>3,773</b>	<b>(188,001)</b>	<b>(1,337)</b>	<b>(95,161)</b>

2019	Assets		Liabilities		Total
	Credit facilities	Current accounts - debtor balance	Loans granted	Current accounts - creditor balance	
<b>Group company, associate or related company</b>					
Promociones Vallebramen, S.L.	259	18,278	-	(4,603)	13,934
Fuencarral Agrupanorte, S.L.	24,943	8,265	-	(9,833)	23,375
Metrovacesa Inmuebles y Promociones, S.L.	-	796	-	(2,546)	(1,750)
Desarrollo de Infraestructuras de Castilla, S.A.	-	366	-	(88)	78
Vailén Management, S.L.	-	152	-	(91)	61
Global Carihuela Patrimonio No Estratégico, S.L.	-	65	-	(1)	64
Front Maritim del Besós, S.L.	-	-	-	-	-
Urbanizadora Valdepolo I, S.A. (*)	15,646	-	-	-	15,646
Urbanizadora Valdepolo II, S.A. (*)	15,646	-	-	-	15,646
Urbanizadora Valdepolo III, S.A. (*)	15,646	-	-	-	15,646
Urbanizadora Valdepolo IV, S.A. (*)	15,646	-	-	-	15,646
Metrovacesa Promoción y Arrendamiento, S.A	-	17,898	-	(82,609)	(64,711)
Shareholders and other related parties (a)	-	4,255	(69,334)	(69)	(65,148)
	<b>87,786</b>	<b>50,075</b>	<b>(69,334)</b>	<b>(99,840)</b>	<b>(31,313)</b>

a) "Shareholders and other related parties" mainly record borrowings with credit institutions received from the Company's majority shareholders (Note 14).

Additionally, and in line with the financing received, “Cash and equivalents” on the Company’s balance sheet include a total of €81,665 thousand (€76,608 in 2019) in cash from majority shareholder liquidity.

### **Loans with Group companies, jointly-controlled entities and associates**

The principal long-term loan with associates relates to a loan granted by Metrovacesa, S.A to the investees consolidated under the equity method, Urbanizadora Valdepolo I, S.L.; Urbanizadora Valdepolo II, S.L.; Urbanizadora Valdepolo III, S.L. and Urbanizadora Valdepolo IV, S.L. The loan’s main characteristics are detailed in Note 8 to the annual accounts.

In September 2015 Metrovacesa S.A granted a long-term participating loan to Promociones Vallebramen S.L., amounting to €31,200 thousand, in order to avoid that company fulfilling one of the causes for mandatory dissolution envisaged in commercial legislation concerning the decrease in shareholders’ funds brought about by losses. That loan, that matures on 31 December 2019, generates interest at a variable rate based on results, equal to 2.5% of the net profit obtained by the company in the year before the calculation period, as from the first year in which the borrower reports a profit. As a result of the spin-off detailed in Note 1 to the accompanying accounts, as the spin-off values were added at carrying amount, no reversal of provisions can be recognised despite the change in the situation. Management considers that no additional impairment is applicable. The carrying amount of the loan at year end 2020 is fully provided for.

For the same reason as mentioned above, in September 2011 Metrovacesa, S.A. granted a long-term participating loan to Habitatrix, S.L amounting to €600 thousand. This loan, that matured on 30 June 2014 and was renewed, with the new maturity date being 30 June 2019, generates variable interest based on results, equal to 2.5% of the net profit obtained by the company in the year before the calculation period, taking as a basis the net profit reported by the company in 2010. As a result of the spin-off detailed in annual accounts of 2017 and 2018, debt was offset against the loan of Metrovacesa, S.A.

Additionally, the Company presents two loans with Fuencarral Agrupanorte, S.L. amounting to €13,729 thousand and €9,708 thousand, respectively, that relate to the participating loan that in 2006, Alqlunia 8, S.R.L. and Habitatrix, S.L. granted jointly to Alqlunia 13, S.L. (currently Fuencarral Agrupanorte, S.L.) amounting to €24,300 thousand, the lenders contributing 58% and 42% of the loan capital, respectively. The purpose of these loans was largely to finance the acquisition of the land owned by Clesa and cover the economic and financial needs of the borrower. Following the partial split of Metrovacesa, S.A on 18 February 2016, the Company acquired the right relating to 58% of the capital originally contributed by Alqlunia 13, S.L. This loan, which is automatically renewed for periods of one year, generates variable interest based on results, equal to 5% of the net profit obtained by the lender ??? during the year from its operations, on condition that it may never exceed 10% of the loan principal pending amortisation. The loan of €9,708 thousand is included in the Company as a result of the merger of the year 2017. Accrued interest at 31 December 2020 amounts to €0 thousand (€0 thousand in 2019)

### **Movements in current accounts in group companies, jointly-controlled companies and associates deriving from the tax consolidation**

During 2020 and 2019 the Company recognised the following amounts deriving from the contributions that each company has made to corporate income tax as a result of the existence of the tax group (Note 17).

	31/12/2020	31/12/2019
Metrovacesa Promoción y Arrendamiento, S.L.	1,459	(1,559)
Global Carihuela Patrimonio No Estratégico, S.L.	-	1
Metrovacesa Inmuebles y Promociones, S.L.	606	(37)
Vailén Management, S.L.	41	41
Fuencarral Agrupanorte, S.L.	3	(1,051)
Promociones Vallebramen, S.L.	756	(438)
Metrovacesa Comercial, S.L.	16	-
Desarrollo de Infraestructuras de Castilla, S.A.	(27)	9
	<b>2,848</b>	<b>(3,034)</b>

The Company’s current accounts with other related companies accrued no interest during 2020 and 2019.

## 21. BOARD OF DIRECTORS AND SENIOR MANAGEMENT

### a) Remuneration of the members of the Board of Directors

The most significant salary and benefit information for the twelve-month period ended 31 December 2020 and 2019 is summarised below:

	Thousand euro	
	31/12/2020	31/12/2019
<b>Members of the Board of Directors:</b>		
Remuneration item		
Fixed and variable remuneration	944	1,418
Benefits in kind	34	36
Gifts per bylaws	1,148	1,159
<b>Other benefits - Board of Directors</b>		
Life insurance premiums	12	18
Pension funds and plans	63	63
<b>Executives:</b>		
Total remuneration accrued by senior management (*)	1,947	2,145
	<b>4,148</b>	<b>4,839</b>

(\*) Figures do not include Pension Plan or Life Insurance.

The Company's Board members have not received any remuneration with respect to profit sharing or bonuses. No shares or stock options were received by them during the year, no options were exercised and no options yet to be exercised remain outstanding.

As mentioned in Note 1.c.5, 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, the directors and parties related to them, have not come under the provisions of conflict of interests in Article 229 of this law, except where the pertinent authorisation was obtained.

It is common policy for Board members to abstain during the meetings of the Board or executive committees in connection with operations and/or agreements giving rise to conflicts of interest in the terms recorded in the minutes for 2020. In any event, this has no effect with respect to article 229 concerning situations of conflicts of interest.

## 22. 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 commercial paper 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 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.

- 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 2020			
	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%
<b>Total</b>	<b>89,393,694</b>	<b>62,282,647</b>	<b>151,676,341</b>	<b>100.00%</b>

## 23. AUDITORS' FEES

In 2020 and 2019 the fees for the audit services provided by the auditors PricewaterhouseCoopers Auditores S.L., and the fees for services invoiced by the Company's auditors were as follows:

	2020	2019
Audit services	131	122
Other authentication services	44	45
<b>Total audit and related services</b>	<b>175</b>	<b>167</b>
<b>Total other income</b>	<b>-</b>	<b>-</b>
<b>Total professional services</b>	<b>175</b>	<b>167</b>

No fees have accrued at 31 December 2020 or at 31 December 2019 for work performed by other companies of the PwC network.

**Management report for the  
year ended 31 December 2020**



## MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

## 1. Significant events during the period

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 €142,194 thousand mainly because of the contribution to revenues of sales of property developments and land (€125,242 thousand and €15,813 thousand respectively). During the year ended 31 December 2019 sales amounted to €74,712 thousand mainly due to the contribution to revenues of sales of property developments (€51,350 thousand and €22,839 thousand respectively).

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 €141,072 thousand and the related cost net of impairments amounting to €111,703 thousand, totalled €29,369 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 sales totalling €78,113 thousand and the related cost net of impairments amounting to €55,507 thousand, totalled €60,599 thousand.

- [Structural costs](#)

Structural costs amount to €32,716 thousand and include staff costs amounting to €14,427 thousand for the year ended 31 December 2020. At 31 December 2019 structural costs amount to €34,180 thousand and include staff costs amounting to €14,775 thousand.

- [Results for the period](#)

Accumulated losses at 31 December 2020 and 2019 amounted to €148,282 thousand and €29,629 thousand, respectively.

- [Covid-19](#)

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.

## MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

- [Relevant transactions in the year](#)

Relevant transactions 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 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 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 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 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 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 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 has 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 Company.

**MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

- 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 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 Company continued with the share buyback program of its subsidiary Metrovacesa Promoción y Arrendamiento, S.A. At 31 December 2020, the Company owns 100% of the shares of the subsidiary company.

- Equity Swap

At 2 November 2020, the 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 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 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.

## 1. Market evolution and 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.

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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.

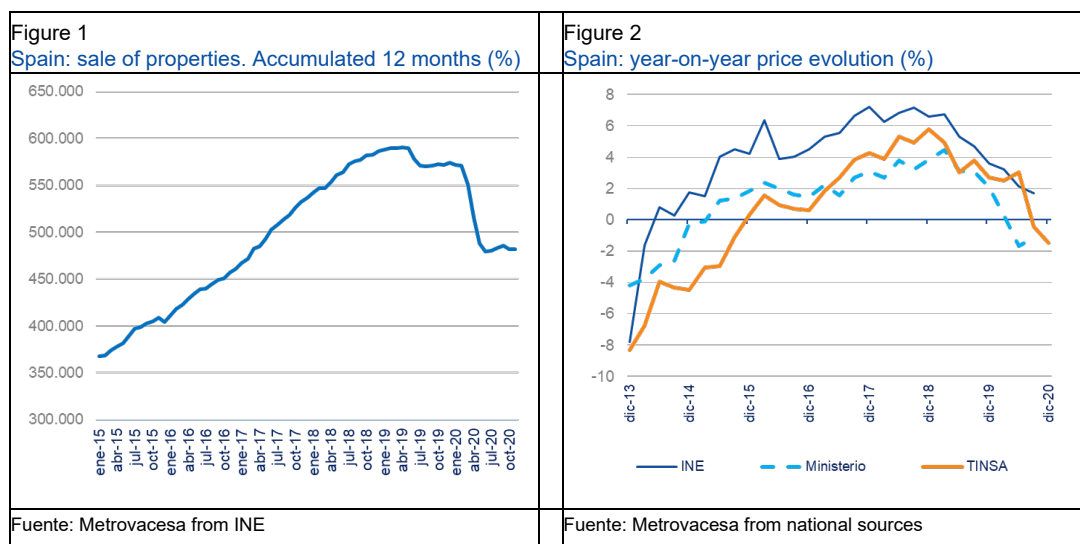
Finally, 2020 has been a particularly difficult year in terms of tertiary business, and worse in terms of the retail and office sector than that of warehouses. Home confinements and restrictions on social consumption activities generated a significant contraction in demand, the partial or total closure 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.

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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.



**2. 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.

## MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

## Values



### 3. 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](http://www.metrovacesa.com)

### 4. 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.

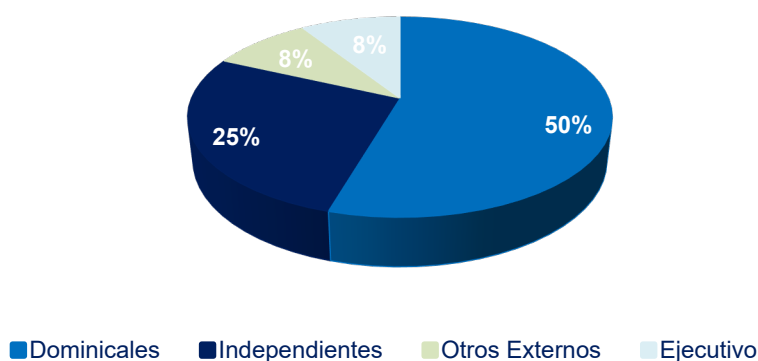
## MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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.

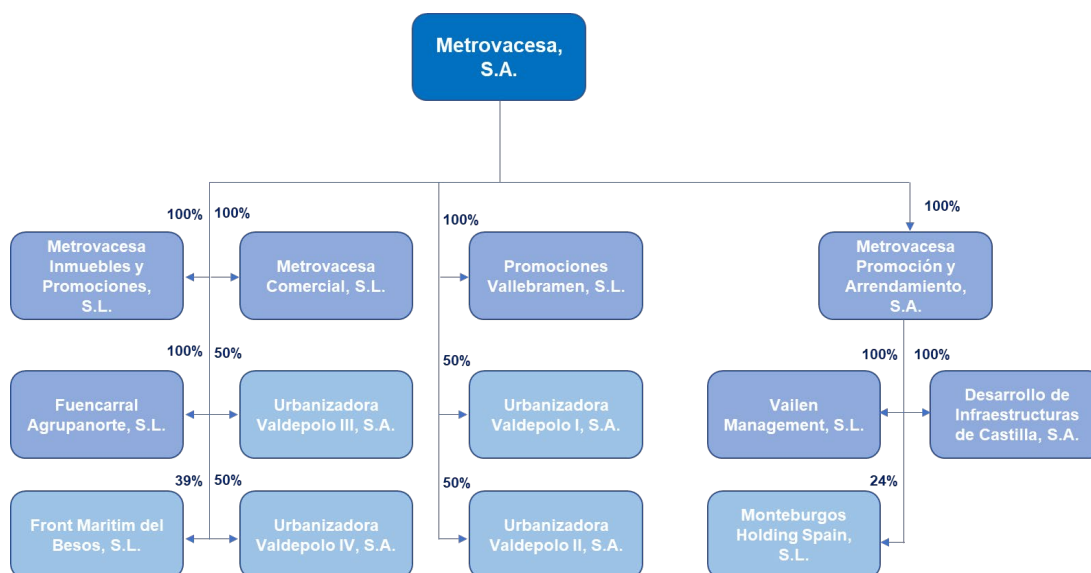
The Nomination and Remuneration Committee is composed of four directors, two of whom are independent directors, one of whom is the chairman of the committee, one is a proprietary director and one is an external director. Article 15 of the Regulations of the Board of Directors regulates the Appointments 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.

**5. Corporate Structure of the Group**

The corporate structure comprises the parent Company (Metrovacesa, S.A.), the sub-holding companies and the operating companies.



**6. 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

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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.

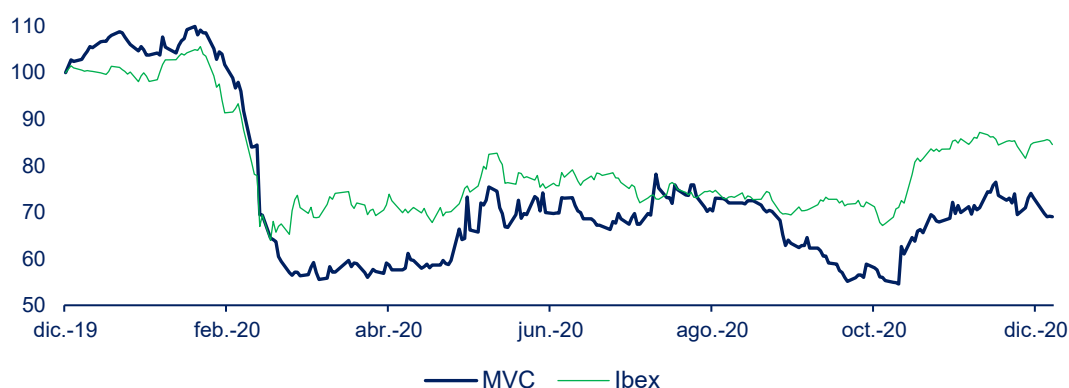
Metrovacesa's share price started the year trading at € 8.99 / share, reaching its annual maximum of € 9.62 / share at 17 February 2020 and the annual minimum of € 4.775 / share at 4 November 2020, to end the year trading at € 6.04 / share, which has meant a year-on-year decrease of 32.81%.

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).

	2020
Quotation at the end of the period	6,04
Average price for the period	6,42
Average daily volume (shares)	44,319
Maximum daily volume (shares)	367,612
Minimum daily volume (shares)	499
Market capitalisation closing (Mm euros)	916
Shareholder remuneration (euros)	-

On 31 December 2020, 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**



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7. 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

## MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Date	Type of significant event	Information description	Register Number
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
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

## 8. 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

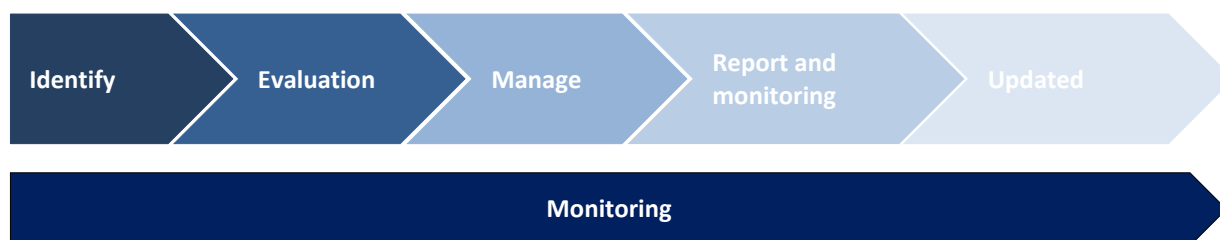
## MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

- 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 also has 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.

With regard to 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.

## MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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
<b>Board of Directors</b>	<ul style="list-style-type: none"> <li>Determine the Risk Control and Management Policy, including fiscal risks.</li> </ul>
<b>Audit Committee</b>	<ul style="list-style-type: none"> <li>To supervise the internal information and control systems (SCIIF).</li> <li>To supervise the effectiveness of the internal control of the Company and its group, the internal audit and the risk management systems.</li> </ul>
<b>Management</b>	<ul style="list-style-type: none"> <li>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.</li> <li>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</li> <li>Approve and implement the actions proposed by those responsible for each risk in order to assess in depth and implement response plans</li> <li>To facilitate the functions to be carried out by Internal Audit, providing it with the necessary resources</li> <li>To periodically inform the Audit Committee about the control and management of risks carried out in the Company</li> </ul>
<b>Internal Audit</b>	<ul style="list-style-type: none"> <li>To support the Audit Committee in the fulfilment of its responsibilities through the following functions                             <ul style="list-style-type: none"> <li>Coordinate and supervise the operation of the risk management and control system</li> </ul> </li> </ul>

**MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

- 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)**

- 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

**9. 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.



## MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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.

## MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

### 2. Group and associates companies information

Note 20 to the separate 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 company capital, and financial transactions with other Group companies.

### 3. Treasury

The cash position at 31 December 2020 and 31 December 2019 amounted to €93,670 thousand and €35,798 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.

### 4. Treasury shares

In 2020, the 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 Company held 228,420 treasury shares.

### 5. Premium share distribution

During the financial year 2020 no dividends have been distributed Share premium distribution amounting to €49,974 thousand on April 2019.

### 6. 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.

### 7. Average period for payment to suppliers

Note 15 to the consolidated Separated Accounts details the average period for payment to suppliers.

### 8. 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 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 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

## MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

postpone of the obligation to prepare and publish their annual financial reports in accordance with the ESEF for a period of one year.

### 9. 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 2020			
	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%
<b>Total</b>	<b>89,393,694</b>	<b>62,282,647</b>	<b>151,676,341</b>	<b>100.00%</b>

### 10. Annual Corporate Governance Report

The Annual Corporate Governance Report for 2019 forms part of the Management Report and since the date of publication of the annual accounts it has been available on the website of the National Securities Market Commission and on the Metrovacesa website ([www.metrovacesa.com](http://www.metrovacesa.com))

### 11. Alternative Performance Measures

The Company presents certain Alternative Measures of Performance ("APMs") to provide additional information that enhances the comparability and understanding of its financial information and facilitates decision-making and evaluation of the Group's performance. The APMs should be considered by the user of the financial information as complementary to the figures presented in accordance with the basis of presentation of the 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 separate financial statements is as follows:

	31/12/2020	31/12/2019
Inventory sales (Note 16)	141,055	74,189
(+) Cost of inventory sales and related costs (Note 16)	(208,260)	(55,507)
(-) (Impairment)/reversal of current and finished products (Note 16)	15,234	(5,887)
(-) Impairment merchandise, raw materials and other supplies (Note 17)	81,323	795
(+) Results from disposal and other	17	3,924
<b>Gross Margin</b>	<b>29,369</b>	<b>17,514</b>

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

## MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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 Company's business activity.

Comparison: The Company had a gross margin of €29,369 thousand at 31 December 2020, compared with a gross margin of €17,514 thousand at 31 December 2019, representing a positive variation of €11,855 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 separate financial statements is as follows:

	31/12/2020	31/12/2019
Gross Margin	29,369	17,514
Commercial and marketing expenses <sup>(1)</sup>	(9,971)	(11,005)
<b>Net Margin</b>	<b>19,398</b>	<b>6,509</b>

(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 separate income statement.

Explanation of use: the net margin is considered by the Company'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 Company's activity.

Comparison: The group had an operating margin of €19,398 thousand at 31 December 2020, compared with an operating margin of €6,509 thousand euros at 31 December 2019, representing a positive variation of 10,889 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 separate financial statements is as follows:

	31/12/2020	31/12/2019
Net Margin	19,398	6,509
Sales (Note 16.a)	1,239	523
Staff cost (Note 16.c)	(14,427)	(14,775)
External services minus commercial cost	(8,318)	(8,052)
<b>EBITDA</b>	<b>(2,108)</b>	<b>(15,795)</b>

Explanation of use: EBITDA is considered by the Company'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 Company had negative EBITDA of €2,108 thousand euro at 31 December 2020, compared with negative EBITDA of €15,795 thousand euro at 31 December 2019, representing a negative variation of €13,687 thousand due to the temporary delay in the delivery of homes and the significant investment in advertising the projects.

**Net financial debt**

## MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Definition: Bank debt - available cash +/- other financial assets and liabilities.

Reconciliation: the reconciliation of this APM to the separate financial statements is as follows:

	31/12/2020	31/12/2019
Bank debt	(424,101)	(142,193)
(+) Available cash (Note 6)	93,670	35,798
(+) Other financial assets and liabilities	3,772	3,772
<b>Net financial debt</b>	<b>(326,659)</b>	<b>(102,623)</b>

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 company had total net financial debt negative of €326,659 thousand compared to a total of €102,623 thousand 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)	326,659	102,623
Total Assets (b)	2,851,512	2,688,921
<b>Leverage (a) / (b)</b>	<b>11.46%</b>	<b>3.82%</b>

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.

Comparative: The Group has leverage of 3.82% as of December 31, 2020 compared to a ratio of 11.46% as of December 31, 2019, mainly due to an increase of leverage of the Company for beginning of works and project.

### 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	(2,108)	(15,795)
Average equity*	2,214,129	2,325,867
Average net financial debt **	(214,641)	(59,440)
<b>ROCE</b>	<b>(0.11%)</b>	<b>(0.66%)</b>

(\*) Equity as of December 31, 2020 amounts to 2,141,077 thousand euros and 2,287,180 thousand euros as of December 31, 2020, thus resulting in the average balance between the two amounts.

(\*\*) The net financial debt for the year as of December 31, 2020 amounts to 326,659 thousand euros and 106,622 thousand euros as of December 31, 2019, thus resulting in the average balance between the two amounts.

## MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

**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.

**Comparative:** As of June 30, 2020, the group has a negative ROCE of 0.11% compared to a ratio of 0.66%. negative. as of December 31, 2019, mainly due mainly to the negative result as a result of the drop in the value of the company's assets.

### 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 separate financial statements is as follows:

	31/12/2020	31/12/2019
(-) Deuda financiera neta	326,659	102,623
Fair value of property assets recorded in investment property	151,553	156,312
Fair value of property assets recorded in inventories (Note 10)	2,002,272	2,012,913
<b>LTV</b>	<b>15.17%</b>	<b>4.73%</b>

**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 company had a Loan to Value of 15,17% at 31 December 2020 compared to a ratio of 4,73% at 31 December 2019, mainly due to the increase in activity in the Company 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 separate financial statements is as follows:

	31/12/2020	31/12/2019
(-) Net financial debt	326,659	102,623
(+) Inventories (Note 9)	1,738,347	1,655,101
(-) Pre-payments to suppliers (Note 9)	(2,006)	(6,320)
(+) Investments properties (Note 5)	135,708	138,796
<b>LTC</b>	<b>17.45%</b>	<b>5.74%</b>

**Comparison:** The Company had a LTC of 17.45% at 31 December 2020 compared to a ratio of 5.74% at 31 December 2019, due to the increase in the group's activity during the year.

## 21. Other information

The Company, when starts listing in 2018, issued some reports mandatory for listed companies related to the good governance regulation.

**PREPARATION OF THE ANNUAL ACCOUNTS AND MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

The annual accounts for 2020 of Metrovacesa, S.A. consisting of the balance sheet at 31 December 2020, the income statement, the statement of changes in equity and the cash flow statement and the notes and management report for the year then ended, were authorised for issue by the Board of Directors of Metrovacesa, S.A. in their meeting of 22 February 2021. The separate annual accounts are for the year 2020 and are signed on the last page by all the directors.

**Madrid, 22 February 2021**

**Approved: Mr. Ignacio Moreno Martínez**

**Mr. Lucas Osorio Iturmendi**

Chairman of the Board of Directors

Secretary to the Board Directors

**PREPARATION OF THE ANNUAL ACCOUNTS AND MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

Signed Mr Ignacio Moreno Martínez

Member

Signed Mr Mariano Olmeda Sarrión

Member

Signed Mr Jorge Pérez de Leza Eguiguren

Signed Mr Javier García-Carranza Benjumea

Signed Mr Cesáreo Rey-Baltar Oramas

Signed Ms. Beatriz Puente Ferreras

Member

Signed Mr Jose Ferris Monera

Member

Signed Ms. Emma Fernández Alonso

Member

Signed Ms Ana Lucrecia Bolado Valle

Member

Signed Mr Juan Béjar Ochoa

Member

Signed Mr Vicente Moreno García-Mansilla

Member

Signed Mr Carlos Manzano Cuesta

Member

