



Metrovacesa, S.A. and subsidiaries

Report on limited review of condensed interim consolidated financial statements

Free translation of the report on limited review of condensed interim consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Report on limited review of condensed consolidated interim financial statements

To the shareholders of Metrovacesa, S.A.

Introduction

We have performed a limited review of the accompanying condensed consolidated interim financial statements (hereinafter, the interim financial statements) of Metrovacesa, S.A. (hereinafter, the Parent company) and its subsidiaries (hereinafter, the Group), which comprise the balance sheet as at 30 June 2023, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity, cash flow statement and related notes, all condensed and consolidated, for the six-month period then ended. The Parent company's directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standards (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of condensed interim financial statements, as provided in Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with legislation governing the Audit practice in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our limited review, that cannot be considered as an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2023 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, as provided in Article 12 of Royal Decree 1362/2007, for the preparation of condensed interim financial statements.



Emphasis of matter

We draw attention to note 2, in which it is mentioned that these interim financial statements do not include all the information required in a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and therefore the accompanying condensed consolidated interim financial statements should be read together with the consolidated annual accounts of the Group for the year ended 31 December 2022. Our conclusion is not modified in respect of this matter.

Other matters

Consolidated interim management report

The accompanying consolidated interim management report for the six-month period ended 30 June 2023 contains the explanations which the Parent company's directors consider appropriate regarding the principal events of this period and their impact on the interim financial statements presented, of which it does not form part, as well as the information required under the provisions of Article 15 of Royal Decree 1362/2007. We have verified that the accounting information contained in this management report is in agreement with that of the interim financial statements for the six-month period ended 30 June 2023. Our work as auditors is limited to checking the consolidated interim management report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from Metrovacesa, S.A. and its subsidiaries' accounting records.

Preparation of this review report

This report has been prepared at the request of Board of Directors in relation to the publication of the half-yearly financial report required by Article 119 of Royal Legislative Decree 4/2015 of 23 October, approving the revised text of the Securities Market Law developed by Royal Decree 1362/2007, of 19 October.

PricewaterhouseCoopers Auditores, S.L.

Goretty Álvarez González

25 July 2023

**METROVACESA, S.A.
AND SUBSIDIARIES**

Condensed Interim Consolidated Financial Statements
and interim consolidated Director's Report for
the six-month period ended 30 June 2023



Torre Living (Málaga)

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET
(Expressed in thousand euro)

ASSETS	Note	30/06/2023	31/12/2022
Non-current assets			
Property, plant, equipment and intangible assets		2,196	2,274
Investment property	6	233,439	240,372
Investments in associates	7	50,955	54,229
Receivables	8, 10	31,219	30,964
Deferred tax assets	15	79,104	79,614
Total non-current assets		396,913	407,453
Current assets			
Inventories	9	1,917,125	1.842,927
Trade and other receivables	8, 10	4,552	16,021
Taxation authorities, taxes receivable	15	26,136	25,450
Other financial assets	8, 10	14,001	20,025
Cash and cash equivalents	11	196,098	202,014
Total current assets		2,157,912	2,106,437
Total assets		2,554,825	2,513,890

The accompanying notes 1 to 19 are an integral part of the Condensed Consolidated Interim Financial Statements.

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET
(Expressed in thousand euro)

	<u>Note</u>	<u>30/06/2023</u>	<u>31/12/2022</u>
EQUITY			
Equity attributable to the Company's shareholders			
Share capital	12	1,092,070	1,092,070
Share premium	12	906,810	956,818
Legal Reserve	12	1,848	1,848
Other reserves		(795)	(795)
Retained earnings	12	(291,427)	(256,238)
Treasury shares		(1,875)	(2,556)
Other shareholder contributions		12,881	12,881
Other equity instruments		898	1,522
Total equity		1,720,411	1,805,550
LIABILITIES			
Non-current liabilities			
Provisions	13	13,241	12,651
Borrowings	8, 14	253,208	273,145
Trade and other payables	8, 14	32,353	32,849
Deferred tax liabilities	15	7,337	7,584
Total non- current liabilities		306,139	326,229
Current liabilities			
Provisions	13	24,810	26,514
Borrowings	8, 14	159,247	74,381
Trade and other payables	8, 14	329,836	261,962
Taxation authorities, taxes payable	15	14,382	19,254
Total current liabilities		528,275	382,111
Total liabilities		834,413	708,340
Total equity and liabilities		2,554,825	2,513,890

The accompanying notes 1 to 19 are an integral part of the Condensed Consolidated Interim Financial Statements.

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT
(Expressed in thousand euro)

CONTINUING OPERATIONS	Nota	30/06/2023	30/06/2022
Income from sale of promotions	16.a	163,499	240,811
Direct cost per sale of promotions	16.b	(127,152)	(190,024)
Gross margin - promotions		36,347	50,787
% gross margin - promotions		22%	21%
Income from land sales	16.a	1,565	5,793
Direct cost of land sales	16.b	(2,043)	(5,584)
Gross margin - soils		(478)	209
% gross margin - soils		-31%	3.6%
Sales revenue	16.a	165,064	246,604
Direct costs of sales	16.b	(129,195)	(195,608)
GROSS MARGIN		35,869	50,996
% GROSS MARGIN		21.7%	20.7%
Marketing		(2,998)	(2,260)
Commercialization		(3,870)	(6,683)
Other direct expenses promotions		(2,227)	(2,011)
Tributos promociones		(1,866)	(2,517)
NET MARGIN		24,908	37,525
% NET MARGIN		15%	15.2%
Personal expenses	16.c	(9,733)	(9,122)
External services		(4,869)	(5,154)
Other operating income		325	584
Other operating expenses		(940)	(652)
EBITDA		9,691	23,181
%EBITDA		5.9%	9.6%
Provisions and amortizations		(1,470)	(848)
Variation in inventory value	16.d	(27,816)	(5,862)
Variations in the value of investment properties	6	(1,983)	3,713
Operating results		(21,578)	20,184
Financial income		2,872	2,080
Financial expenses	14	(13,512)	(7,180)
Capitalized financial expenses		694	1,220
FINANCIAL RESULTS		(9,946)	(3,880)
Result of entities valued by the equity method	7	(3,448)	344
RESULT BEFORE TAX		(34,972)	16,647
Income tax	15	(264)	(4,622)
PROFIT / (LOSS) FOR THE PERIOD		(35,236)	12,025
Owners of the parent		(35,236)	12,025

Earnings / (losses) per share (Euro)

- Basic	4	(0.2326)	0.0793
- Diluted		(0.2326)	0.0793

The accompanying notes 1 to 19 are an integral part of the Condensed Consolidated Interim Financial Statements.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Expressed in thousand euro)

	6 month period ended 30 June 2023	6 month period ended 30 June 2022
Profit/(los) for the year	(35,236)	12,025
Items that may be reclassified subsequently to profit or loss	-	-
Cash flow hedges	-	-
Other comprehensive income for the year, net of tax	-	-
Total other comprehensive income for the year	(35,236)	12,025
Profit / loss attributable to external partners	(35,236)	12,025

The accompanying notes 1 to 19 are an integral part of the Condensed Consolidated Interim Financial Statements.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX - MONTH PERIODS ENDED 30 JUNE 2023 AND 2022

(Expressed in thousand euro)

	Share capital	Share premium	Legal reserve	Other reserves	Retained earnings	Treasury shares	Other shareholder contributions	Other equity instruments	Total equity
Balance at 1 January 2023	1,092,070	956,818	1,848	(795)	(256,238)	(2,556)	12,881	1,522	1,805,550
Total other comprehensive income for the year	-	-	-	-	(35,236)	-	-	-	(35,236)
Transactions with Shareholders	-	(50,007)	-	-	-	681	-	(624)	(49,950)
Share Premium distribution	-	(50,007)	-	-	-	-	-	-	(50,007)
Treasury stock transactions	-	-	-	-	-	681	-	(624)	57
Other movements	-	-	-	-	47	-	-	-	47
Others	-	-	-	-	47	-	-	-	47
Balance at 30 June 2023	1,092,070	906,811	1,848	(795)	(291,427)	(1,875)	12,881	898	1,720,411

The accompanying notes 1 to 19 are an integral part of the Condensed Consolidated Interim Financial Statements.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX - MONTH PERIODS ENDED 30 JUNE 2023 AND 2022

(Expressed in thousand euro)

	Share capital (Note 12)	Share premium (Note 12)	Legal Reserve (Nota 12)	Other reserves	Retained earnings (Note 12)	Treasury shares (Note 12)	Other shareholder contributions	Other equity instruments	Total equity
Balance at 1 January 2022		1,207,846	-	(795)		(2,696)			2,079,638
Total other comprehensive income for the year	-	-	-	-	12,025	-	-	-	12,025
Transactions with owners in their capacity as such	-	(90,868)	-	-	-	-	-	-	(90,868)
Dividends	-	(90,868)	-	-	-	-	-	-	(90,868)
Other movements	-	-	1,848	-	(1,818)	-	-	-	30
Distribution of profit for year 2022	-	-	1,848	-	(1,848)	-	-	-	-
Others	-	-	-	-	30	-	-	-	30
Balance at 30 June 2022	1,092,070	1,116,978	1,848	(795)	(220,749)	(2,696)	12,881	1,288	2,000,825

The accompanying notes 1 to 19 are an integral part of the Condensed Consolidated Interim Financial Statements.

**CONSOLIDATED INTERIM CASH-FLOW STATEMENTS FOR THE SIX-MONTH PERIODS
ENDED 30 JUNE 2023 AND 2022**
(Expressed in thousand euro)

	Note	6 month period ended 30 June 2023	6 month period ended 30 June 2022
1. CASH FLOW FORM OPERATING ACTIVITIES			
Profit/ (loss) for the period before tax		(34,972)	16,647
Adjustments to results:			
Impairment losses on inventories	16.d	27,816	5,862
Amortization and provisions		1,470	848
Impairment of inventories and investment properties	6	1,983	(3,713)
Financial income		(2,871)	(2,080)
Capitalized expenses		(694)	(1,220)
Financial expenses	14	13,512	7,180
Result of entities valued by the equity method.		3,448	-
Adjusted Results		9,692	23,524
Changes in working capital:			
- Inventories		(97,333)	61,345
- Trade and other receivables		10,832	2,069
- Other financial assets		6,296	(1,249)
- Trade and other payables		61,541	24,717
- Other non-current assets and liabilities		(3,002)	(3,997)
Other cash flows from operating activities.			
- Interest paid (-)		(11,497)	(5,333)
- Interest collected		2,871	-
- Other collections/ (payments) due to income taxes		-	(2,471)
Total net cash flows from operating activities		(20,600)	98,604
2. CASH FLOWS FORM INVESTING ACTIVITIES			
Payments for Investments in:			
Property, plant equipment		-	(307)
Investments properties	6	267	(1,491)
Credits to associated companies		(174)	(686)
Derivative financial instruments		-	(860)
Total net cash flows from investing activities		93	(3,344)
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Collections/Payments for equity instruments in:			
Proceeds			
From borrowings	14	99,398	57,625
Debt obligations and other securities	14	65,998	28,500
Payments			
From borrowings		(41,697)	(88,997)
Debt obligations and other securities		(59,101)	(32,800)
Other debts			
Payments for dividends and other equity instruments			
Dividends		(50,007)	(90,868)
Total net cash flows from financing activities		14,591	(126,540)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	11	(5,916)	(31,280)
Cash and cash equivalents at beginning of the period		202,014	299,554
Cash and cash at end of the period		196,098	268,274

The accompanying notes 1 to 19 are an integral part of the Condensed Consolidated Interim Financial Statements.

Notes to the Condensed Interim Consolidated Financial Statements for the six months period ended June 30, 2023

(Expressed in thousand euro)

1. GENERAL INFORMATION

a) General information

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

On 11 January 2016 the General Shareholders' Meeting approved the partial split, without extinction, of Metrovacesa, S.A. consisting of the spin-off of the assets and liabilities pertaining to its land and property development business and constituting an independent economic unit, in favour of a new company "Metrovacesa Suelo y Promoción, S.A.", owned by the shareholders of old Metrovacesa, S.A., in the same proportion they held at the time the split was completed.

As a result of that split, Metrovacesa Suelo y Promoción, S.A. and subsidiaries form a group which acquired through universal succession the assets and liabilities pertaining to the land and development business of old Metrovacesa, S.A. As a result of this capital restructuring, Metrovacesa, S.A. contributed assets amounting to €1,149,635 thousand and liabilities amounting to €109,780 thousand to the new company.

On 30 June 2017, the General Shareholder's meeting of the Parent Company agreed to change its corporate name to Metrovacesa, S.A. subject to compliance with certain suspensory conditions. This change has been registered in the Mercantile Registry of Madrid on 29 November 2017.

Metrovacesa S.A. (formerly named Metrovacesa Suelo y Promoción, S.A.) is the parent of the Metrovacesa Group (the Group), comprising the subsidiaries detailed in Appendix 1.

Its registered office is currently located at calle Quintanavides, number 13, Parque Empresarial Vía Norte, Madrid.

The corporate purpose of Metrovacesa, S.A., as the parent, and subsidiaries are mainly as indicated in Article 2 of the Bylaws:

- The acquisition or building of all kinds of properties and structures for building or improvement for subsequent sale.
- The promotion, development and segmentation of buildings in general.
- The acquisition of land, land for development or any kind of real property rights for sale. The performance of actions, directly or through subsidiaries, related to:
 - i. Property management on its own behalf or in favour of third parties.
 - ii. Promotion and management of homeowners 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.
- Participate, as determined by the Board of Directors, in the capital of other companies with analogous objects to those described above.

The condensed interim consolidated financial statements (hereinafter interim financial statements) have been prepared by the Board of Directors during its meeting on 25 July 2023. The interim financial statements have been reviewed but not audited.

b) Relevant operations during the period 1 January to 30 June 2023

- Long-term Incentive Plan

On 19 December 2017, the Extraordinary General Shareholders' Meeting approved the launch of a Long-Term Incentive Plan ("LTIP") targeting current and future Executive Directors, members of the Management Committee, Department Directors, Territorial Directors and key employees. The maximum amount approved is €6,080 Thousand and will be settled in shares at the end of each of the three plan cycles. The main features of the plan are set out in the admission to listing prospectus, which is available in the parent company's website and at the Spanish National Securities Market Commission (CNMV).

The total maximum amount to be delivered during the life of the plan (assuming 150% compliance with the performance parameters) to all the beneficiaries in aggregate form will amount to €9.1 million. The shares will be delivered to each beneficiary once each of the cycles has ended.

The first and second cycle of LTIP 1 ended on December 31, 2020 and December 31, 2021, respectively, without accruing any amount in favor of the beneficiaries.

The third cycle of LTIP 1 ended on December 31, 2022, having accrued an amount of 984 thousand euros in favor of the beneficiaries. Said amount was paid through the allocation of shares of the Parent Company during the month of May of the financial year 2023.

Likewise, the General Shareholders' Meeting held on 5 May 2021, approved the implementation of a New Long Term Incentive Plan (hereinafter "LTIP2" or "New Plan"), aimed at Executive Directors, members of the Management, Department Directors, Territorial Directors and key employees, current or future. The maximum amount approved amounts to €7,300 thousand and will be paid in shares once the annual accounts for financial year 2023 are approved.

The purpose of the Plan will be: (i) to be aligned with the long-term interests of the parent company's shareholders; (ii) serve as a motivation and retention tool for the management team; (iii) help create a competitive remuneration system; (iv) that is challenging for the beneficiaries and is, in turn, realistic according to the situation of the market and of the parent company; and (v) that it is aligned with market practices in terms of remuneration. The settlement will be made in cash and in shares of the Parent Company.

The New Plan will have a total duration of five (5) years, and will extend from 1 January 2021, with effect from the date of approval of the Plan by the General Shareholders' Meeting to which it is submitted for approval. this agreement, until the settlement of the last Cycle of the Plan.

The New Plan will consist of three independent cycles and will have three Target Incentive granting dates, each of which will take place in the years 2021, 2022 and 2023, respectively. Each of the Cycles will contemplate a period of measurement of objectives of three (3) years duration each, beginning on 1 January of the year in which each Cycle begins and ending after a period of three (3) years. from the Start Date of the Measurement Period, that is 31 December of the year in which each Cycle ends.

After the end of the Measurement Period, the Incentive that each of the beneficiaries will be entitled to receive will be determined based on the degree of achievement of the objectives.

The settlement corresponding to each of the Cycles of the New Plan will take place after the formulation of the Annual accounts corresponding to the year in which the Measurement Period of each Cycle ends.

The first cycle of the LTIP 2 has a maximum approved amount of €1,801 thousand. Its compliance is subject to referenced metrics i) 10% to net launches, ii) 20% units delivered, iii) 50% generation of cash delivered and iv) 20% to the evolution of the price of the Company's shares in absolute and relative compared to other companies in the sector. The irrevocability period ends on 31 December 2023.

Based on the best estimates made by the Company's Management, the amount recorded in the financial statements amounts to 1,030 thousand euros, recorded under the heading "Other equity instruments" and "Trade creditors and other accounts payable".

The second cycle of the LTIP 2 has an approved maximum amount of 1,846 thousand euros. Its compliance is subject to reference metrics i) 10% net launches, ii) 20% units delivered, iii) 50% cash flow generation delivered and iv) 20% to the evolution of the price of the Company's shares in absolute and relative values compared to other companies in the sector. The irrevocability period ends on December 31, 2024.

Based on the best estimates made by the Company's Management, the amount recorded in the financial statements amounts to 438 thousand euros, recorded under the heading "Other equity instruments" and "Trade creditors and other accounts payable".

The third cycle of LTIP 2 has a maximum approved amount of 1,966 thousand euros. Its compliance is subject to referenced metrics i) 10% to net launches, ii) 20% delivered units, iii) 45% generation of cash deliveries, iv) 20% to the evolution of the Company's share price in absolute and relative compared to other companies in the sector and v) 5% for compliance with the ESG objectives set out in the sustainability plan. The irrevocability period ends on December 31, 2025. Based on the best estimates made by the Company's Management, the amount recorded in the financial statements amounts to 328 thousand euros, recorded under the heading "other equity instruments" and "trade creditors and other accounts payable".

c) Variations in the consolidation perimeter

The subsidiaries of the Group as of June 30, 2023 and 2022 are detailed in Annex I of these condensed interim consolidated financial statements.

d) Sale of tertiary land.

In March 2020, the Group's parent company signed a deed of sale of a plot located in Madrid for 47,676 thousand euros, having collected €15,378 thousand at the time of the deed, and €23,067 thousand was deferred to August 2020 and €9,231 thousand to the approval of a detailed study. As a guarantee of the payment, a resolute condition was included in the deed. At August 2020, the buyer could not meet his payment obligations, so the procedures for the execution of the resolute condition began, as well as an agreed exit.

The Administrators reversed the sale of the plot in 2020 and again registered the land in the assets of the Parent Company.

From the moment of non-payment by the buyer, the Parent Company has carried out different actions to recover the registered ownership of the land and the execution of the resolute condition.

As of June 30, 2023, the land is recorded on the Parent Company's balance sheet.

2. BASIS OF PRESENTATION

These interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) adopted by the European Union (referred to together as IFRS-EU), in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council and successive amendments.

The condensed interim consolidated financial statements for the six-month period ended 30 June 2023, which have been obtained from the accounting records of the parent company and the other companies forming the Group at 30 June 2023, have been drawn up in compliance with IAS 34 "Interim financial reporting" and must be read together with the consolidated annual financial statements for the year ended 31 December 2022, prepared under the International Financial Reporting Standards adopted by the European Union (IFRS-EU).

The preparation of these interim consolidated financial statements under IFRS-EU requires the use of certain critical accounting estimates. Management must also exercise judgement in the process of applying the Group's accounting policies. Note 2.2 discloses the areas that require a higher level of judgement or entail greater complexity, and areas where assumptions and estimates have a significant effect on the interim consolidated financial statements.

The figures contained in these condensed interim consolidated financial statements are expressed in thousands of euros, unless otherwise indicated.

The Group's accounting policies are consistent with those applied in the annual financial year and the relevant interim reporting period and the adoption of new and amended standards as indicated below.

2.1. International Financial Reporting Standards adoption

The accounting policies used in the preparation of these consolidated financial statements correspond, unless expressly mentioned in this note, with those applied in the consolidated annual accounts for the year ended December 31, 2022.

None of the standards, amendments to standards and interpretations published to date are applicable to the Group or have a significant impact on its financial statements.

2.2 Changes to accounting policies and estimates made

The preparation of condensed interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the amounts presented in assets, liabilities, income and expenses. Actual results may differ from these estimates. During the preparation of these interim financial statements, significant judgements made by Management when applying the Group's accounting policies and the key sources of uncertainty in estimates are the same as for the consolidated annual accounts for the year ended 31 December 2022.

As part of Management's estimates, a sensitivity analysis was performed on the main assumptions included in the valuations of real estate assets (Notes 6 and 9).

This sensitivity analysis was carried out on the portfolio of residential land, treating as key assumptions the selling prices and internal rates of return, which implicitly include the time variable. In the case of the internal rates of return, sensitivity was set at +/- 100 basis points. Selling price sensitivities were estimated at +/- 100, 500 and 1,000 basis points.

Assumptions	Internal rates of return		Selling prices					
	1%	-1%	1%	5%	10%	-1%	-5%	-10%
Market value	1,889,105	2,063,508	2,012,773	2,173,179	2,372,285	1,931,109	1,764,278	1,557,704
Change in market value	(83,480)	90,923	40,187	200,593	399,699	(41,476)	(208,307)	(414,881)

Management also performed sensitivity work on the tertiary land portfolio, using as key assumptions the internal rates of return, which implicitly include the time variable. In the case of the internal rates of return, sensitivity was set at +/- 100 basis points.

Assumptions	Internal rates of return	
	1%	-1%
Market value	522,347	565,301
Change in market value	(20,868)	22,085

In any event, the current and future situation in the property market could give rise to differences between the market value of the Group's real estate assets and their actual realizable value, which will be addressed prospectively.

2.3 Seasonality of the Group's transactions

Because of the type of work the Group companies do, there are no significant cyclical or seasonal transactions. No specific disclosures are therefore provided in these Notes to the consolidated interim financial statements at 30 June 2023.

2.4 Materiality

When determining which information from the different captions of the financial statements should be itemised, the Group, according to IAS 34, has considered the materiality of such information in relation to the consolidated interim financial statements.

2.5 Going concern

The parent company's directors have drawn up these condensed half-yearly consolidated financial statements on a going concern basis.

2.6 Condensed consolidated cash flow statements

The terms employed in the condensed interim consolidated cash flow statement have the following meanings:

- Cash flows are inflows and outflows of cash and cash equivalents.
- Operating activities are the entity's main sources of ordinary revenue and other activities that may not be classed as investing or financing activities.
- Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities are those that bring about changes in the size and composition of shareholders' funds and of loans obtained by the entity.

For the purposes of preparing the condensed consolidated cash flow statement, "cash and cash equivalents" are deemed to include cash on hand and demand bank deposits, as well as highly-liquid short-term investments that may be easily converted into specific amounts of cash and are subject to immaterial risk of value changes.

2.7 Functional currency

The euro is the presentation currency of the consolidated interim financial statements as this is the functional currency of the environment in which the Group operates.

2.8 Accounting principles

The accounting principles adopted by the Group are the same as in the consolidated annual accounts for the year ended 31 December 2022.

2.9 Modification of the Group's structure

Additionally, it is worth mentioning that the structure of the consolidated interim financial statements corresponding to the six-month period ended 30 June 2023 and its comparison for the six-month period ended 30 June 2022 has been modified, in order to facilitate their understanding for the Group's investors.

3. RISK EXPOSURE

The Group manages capital to ensure that the Group companies are able to continue as profitable businesses while maintaining the return for shareholders through the optimum debt/ equity balance.

In the first six months of 2022 the Group's overall strategy was marked by prudence, the focus being on managing the generation of cash by retaining its recurring business.

The Group's capital structure comprises debt, cash and equivalents and shareholders' funds, which include capital, reserves and retained earnings.

The Finance Department, that is responsible for financial risk management, reviews the capital structure and the ratio of net debt (defined as cash less third-party debt classified as bank borrowings) to gross asset value (GAV). In this respect, according to the Group's long-term forecast, the level of borrowings for this ratio does not exceed 25%.

Net financial debt (thousand of euro)	30/06/2023	31/12/2022
(+) Bank borrowings	(350,027)	(291,882)
(+) Bonds and Notes (MARF) (*)	(30,000)	(30,000)
(-) Available cash (Note 11) (*)	(35,800)	(29,000)
(-) Other financial assets	114,215	124,062
	(301,612)	(226,820)
Market value of assets (GAV) (**)	2,346,593	2,350,745

(*) Debt for promissory notes and MARF bond is included as it is considered comparable to bank debt (promoter loan).

(**) Does not include the market value of the assets owned by equity method companies and that have a market value of €69,208 thousand (€71,998 thousand on 31 December 2022).

The Group basically differentiates between two types of financial risk:

Liquidity risk: this relates to the Group's possible inability to cover the payments it has already committed to make and/or commitments deriving from new investments.

Market risk:

1. Interest rate risks: this relates to the potential impact of an increase in interest rates on financial expenses in the consolidated interim income statement.
2. Credit risk: this relates to the impact of the non-payment of receivables on the consolidated interim income statement.
3. Exchange rate risk: this relates to the impact of variations in the exchange rate on the interim consolidated income statement.

Set out below are the control systems in place to mitigate these risks:

Liquidity risk

The Group determines its cash needs using basic tools:

1. Cash budgets with a 12-month timeline, with a monthly breakdown, updated monthly, prepared based on each area's cash budgets.
2. Cash budgets with a 30-day timeline, with a daily breakdown, updated daily, prepared based on payment commitments included in the Financial Reporting System.

These tools enable treasury needs to be identified in terms of amount and time, while planning for new financing needs.

The Group's liquidity policy consists of arranging committed credit facilities and temporary investments for an amount sufficient to cover forecast needs for a period based on the situation and expectations of debt and capital markets.

The Group's available cash position as of June 30, 2023 amounts to 114,215 thousand euros (124,085 thousand euros as of December 31, 2022) (Note 11).

The Group has committed and undrawn financing as of June 30, 2023 amounting to 547,504 thousand euros (547,117 thousand euros as of December 31, 2022).

The review of the treasury budget corresponding to the 12-month horizon and the sensitivity analyzes carried out by the Group allow us to conclude that during the second half of 2023, the Parent Company will be able to reasonably finance its operations, even if the real estate and financing market conditions continue to tighten.

Market risk

Interest rate risk

Interest rate fluctuations affect the fair value of assets and liabilities that bear a fixed rate of interest and future flows of assets and liabilities that bear a floating rate of interest. The risk resulting from shifts in interest rates is managed by arranging derivatives, the aim of which is to cover the Group's exposure to such risks.

As of June 30, 2023, the Group had contracted derivative instruments of the "spread cap" type, as established in the corporate loan, for a nominal amount of 255,000 thousand euros, with the same maturity as the associated loan and strikes of 1.00% and 3.00%.

The Parent Company's Directors consider that a variation in the Euribor to which the bank debt currently drawn down is referenced would not have a significant impact on the consolidated income statement.

Credit risk

The Group's credit risk arises basically from trade receivables. The estimated recoverable amounts of those that are regarded as doubtful are revised periodically through write-downs of results for the year.

A high proportion of debtors are national public entities with which the Group considers credit risk to be very limited.

With respect to private customers, management believes that credit risk is very limited because advance payments are requested from customers before any sale is made.

Transactions with financial institutions included in cash and cash equivalents and other financial assets consisting of short-term bank deposits are contracted with reputable banks.

Foreign exchange risk

At 30 June 2023, the Group has no exposure to the foreign exchange risk.

Fair value estimation

As regards assets and liabilities measured at fair value, the Group has followed the classification hierarchy defined in IFRS 13 based on the input data used to measure them and on market observability.

- Level 1: Quoted prices (unadjusted) in active markets for assets or liabilities identical to those that the entity may access at the measurement date.
- Level 2: Data distinguished from the quoted prices included in Level 1 that are observable for the assets or liabilities, directly or indirectly by means of valuation techniques employing observable market data.
- Level 3: Inputs not observable in the market for the asset or liability.

In accordance with the new IFRS 13, the hierarchical level at which an entire asset or liability is classified (Level 1, Level 2 or Level 3) is determined based on the lowest level input data used in the measurement, within the fair value hierarchy. Should it be possible to classify the input data used to measure the fair value of an asset or liability in different levels, the fair value measurement is entirely classified at the same fair value hierarchy level as the lowest level input data that is relevant to the measurement.

- Calculation of fair values, values in use and present values

Calculations of fair value, value in use and present value involve the determination of future cash flows and the use of assumptions related to the future values of the flows and to applicable discount rates. The estimates and assumptions made are based on past experience and on various other factors that are deemed reasonable in the circumstances.

The only assets carried at fair value by the Group are investment properties (Note 6).

4. EARNINGS/(LOSS) PER SHARE

- a) Diluted earnings/(loss) per-share

Basic earnings or loss per share are calculated by dividing the net results attributed to the Group (after tax and minority interests) by the average weighted number of shares during that year.

	30/06/2023	30/06/2022
Profit/(loss) for the period	(35,236)	12,025
Weighted average number of shares outstanding (thousands)	151,463	151,676
Basic earnings/(loss) per share (euro)	(0.2326)	0.0793

- a) Diluted earnings/(loss) per-share

Diluted earnings or loss per share are calculated in a similar manner to basic earnings or loss per share. However, the weighted average number of shares is adjusted to take into account the potentially dilutive effect of share options, warrants and convertible debt in effect at the end of each reporting period.

During the periods 1 January to 30 June 2022 and 2021 diluted earnings and loss per share of the Group agree with basic earnings and loss per share.

5. SEGMENT REPORTING

a) Segment criteria

The Company structures information by segment based on the Group's different lines of business.

The lines of business which are described below have been established based on the Group's organizational structure in place at 30 June 2023 and taking into account the nature of the products (residential, commercial and other) and the customers involved.

The Group's operations mainly focus on the development and sale of residential property on land classified as suitable for development (results are included in "Residential property development"). These are distinguished from profit or loss generated by the line of business not considered strategic such as commercial land promotion, the results of which are recognized under "Commercial property development".

Income and expenses which cannot be specifically assigned to any operational line or which result from decisions affecting the Group overall - including, expenses relating to activities affecting several lines of business- are allocated to a Corporate unit / other to which reconciling items will also be assigned and which will be included in Other.

When carrying out its operations in Spain, the Group does not regard geography as a segment for reporting purposes.

b) Bases and methodology of information by business segments

Segment reporting is based on the monthly reports prepared by Group management which are generated by the same IT application used to obtain all the Group's accounting data (SAP). It is reviewed by the management committee (comprising representatives of Management and the Board of Directors through the CEO) in order to take decisions on the assignment of resources and assess performance.

Segment revenue relates to revenue directly attributable to the segment. A segment's revenue includes sales resulting from promotions and developments of land and the profit / loss on sales of land made in the ordinary course of business. It does not include gains on the sale of investment property.

Segment expenses are the amounts arising from operating activities and directly attributable to the segment (such as costs to sell, external services and changes in trade provisions).

The information used by the management committee to take decisions includes the consolidated income statement (before tax).

Segment assets and liabilities are those directly related to the segment's exploitation, together with those assets and liabilities which may be directly allocated in accordance with the aforementioned distribution criteria. Nonetheless, Taxation authorities - payables and Cash and equivalents, are assigned to the line Corporate unit /Other, irrespective of their origin. The liabilities assigned to the segment do not include income tax payable.

	30/06/2023			
	Residential	Commercial	Other	Total
Non-current assets	246,652	59,338	90,923	396,913
Current assets	1,534,420	401,001	222,491	2,157,912
Non-current liabilities	(43,730)	(1,864)	(260,545)	(306,139)
Current liabilities	(445,342)	(2,861)	(80,072)	(528,275)
Net assets	1,292,000	455,614	(27,203)	1,720,411

	31/12/2022			
	Residential	Commercial	Other	Total
Non-current assets	228,087	87,427	91,939	407,453
Current assets	1,420,360	449,024	237,053	2,106,437
Non-current liabilities	(18,635)	(26,865)	(280,729)	(326,229)
Current liabilities	(296,470)	(27,159)	(58,482)	(382,111)
Net assets	1,333,342	482,427	(10,219)	1,805,550

		Six-month period ended 30 June 2023			
CONTINUING OPERATIONS	Note	Residential	Commercial	Other	Total
Income from sale of promotions	16.a	163,499	-	-	163,499
Direct cost per sale of promotions	16.b	(127,152)	-	-	(127,152)
Gross margin - promotions		36,347	-	-	36,347
% gross margin - promotions					
Income from land sales	16.a	1,565	-	-	1,565
Direct cost of land sales	16.b	(2,043)	-	-	(2,043)
Gross margin - soils		(478)	-	-	(478)
% gross margin - soils					
Sales revenue	16.a	165,064	-	-	165,064
Direct costs of sales	16.b	(129,195)	-	-	(129,195)
GROSS MARGIN		35,869	-	-	35,869
% GROSS MARGIN					
Marketing		(2,998)	-	-	(2,998)
Commercialization		(3,870)	-	-	(3,870)
Other direct expenses promotions		(2,227)	-	-	(2,227)
Tributes		(1,866)	-	-	(1,866)
NET MARGIN		24,908	-	-	24,908
% NET MARGIN					
Personal expenses	16.c	(5,353)	(876)	(3,504)	(9,733)
External services		-	-	(4,869)	(4,869)
Other management income		-	-	325	325
Other management expenses		-	-	(940)	(940)
EBITDA		19,555	(876)	(8,988)	9,691
%EBITDA					
Provisions and amortizations		-	-	(1,470)	(1,470)
Variation in inventory value	16.d	(13,976)	(13,840)	-	(27,816)
Variations in the value of real estate investments	6	(731)	(1,252)	-	(1,983)
Operating results		4,848	(15,968)	(10,458)	(21,578)
Financial income		-	-	2,872	2,872
Financial expenses		-	-	(13,512)	(13,512)
Capitalized financial expenses		-	-	694	694
FINANCIAL RESULTS		-	-	(9,946)	(9,946)
Result of entities valued by the equity method	7	(2,879)	(569)	-	(3,448)
RESULT BEFORE TAX		1,969	(16,537)	(20,404)	(34,972)
Income tax	15	-	-	(264)	(264)
PROFIT / (LOSS) FOR THE PERIOD		1,969	(16,537)	(20,668)	(35,236)
Owners of the parent		1,969	(16,537)	(20,668)	(35,236)

		Six-month period ended 30 June 2022			
CONTINUING OPERATIONS	Note	Residential	Commercial	Other	Total
Income from sale of promotions	16.a	240,811	-	-	240,811
Direct cost per sale of promotions	16.b	(190,024)	-	-	(190,024)
Gross margin - promotions		50,787	-	-	50,787
% gross margin - promotions					
Income from land sales	16.a	5,793	-	-	5,793
Direct cost of land sales	16.b	(5,584)	-	-	(5,584)
Gross margin - soils		209	-	-	209
% gross margin - soils					
Sales revenue	16.a	246,604	-	-	246,604
Direct costs of sales	16.b	(195,608)	-	-	(195,608)
GROSS MARGIN		50,996	-	-	50,996
% GROSS MARGIN					
Marketing		(2,260)	-	-	(2,260)
Commercialization		(6,683)	-	-	(6,683)
Other direct expenses promotions		(2,011)	-	-	(2,011)
Tributes		(2,517)	-	-	(2,517)
NET MARGIN		37,525	-	-	37,525
% NET MARGIN					
Personal expenses	16.c	(5,276)	(863)	(2,983)	(9,122)
External services		-	-	(5,154)	(5,154)
Other net management income		-	-	584	584
Other management expenses		-	-	(652)	(652)
EBITDA		32,249	(863)	(8,205)	23,181
%EBITDA					
Provisions and amortizations		-	-	(848)	(848)
Variation in inventory value	16.d	(2,837)	(3,025)	-	(5,862)
Variations in the value of real estate investments	6	4,172	(459)	-	3,713
Operating results		33,515	(4,347)	(8,984)	20,184
Financial income		-	-	2,080	2,080
Financial expenses		-	-	(7,180)	(7,180)
Capitalized financial expenses		-	-	1,220	1,220
FINANCIAL RESULTS		-	-	(3,880)	(3,880)
Result of entities valued by the equity method	7	-	-	344	344
RESULT BEFORE TAX		33,515	(4,347)	(12,520)	16,647
Income tax	15	-	-	(4,622)	(4,622)
PROFIT / (LOSS) FOR THE PERIOD		33,515	(4,347)	(17,142)	12,025
Owners of the parent		33,515	(4,347)	(17,142)	12,025

Other information

During the first six months of 2023 and the year end of 2022 no transactions took place between the Group's different segments.

6. INVESTMENTS PROPERTIES

Details are as follows:

	Thousand of euro
Balance at 1 January 2023	240,372
Additions	556
Transfers to inventories	(5,506)
Gain/ (loss) net of fair value adjustments	(1,983)
Balance at 30 June 2023	233,439

	Thousand of euro
Balance at 1 January 2022	417,023
Additions	2,119
Trasfers to inventories	(178,217)
Gain/ (loss) net of fair value adjustments	(553)
Balance at 31 December 2022	240,372

a) Income and expenses on investments properties:

At 30 June 2023, the Group recognized investment properties revenues amounting to €225 thousand and related costs amounting to €233 thousand.

b) Assets under operating leases:

The amount that the Group has incurred during the first half of 2023 in leases and common expenses for buildings and other equipment in relation to its activities amounts to 387 thousand euros (344 thousand euros during the same period of 2022).

c) Charges and guarantees

The Group has no usufructs, attachments or similar with respect to investment property.

d) Disposals

During the first half of the 2022 financial year, no sales of real estate investments have been recorded.

e) Transfers

The transfers correspond to land that has been launched and whose commercial activity will begin in the coming months

f) Valuation:

The Group has carried out valuations of its assets as of June 30, 2023 and December 31, 2022. Therefore, the market value at which the group's real estate investments are recorded on those dates is calculated based on the valuations made by independent valuers not linked to the Group (Note 2.8). The market value of the Group's investment property amounts to 233,439 thousand euros and 240,372 thousand euros, respectively.

The market value by nature and urban status registered in real estate investments is as follows

	30/06/2023		
	Residential	Commercial	Total
In urban process	139,818	464	140,282
Finalist	18,196	74,961	93,157
Total	158,014	75,425	233,439

	31/12/2022		
	Residential	Commercial	Total
In urban process	141,456	436	141,892
Finalist	21,536	76,944	98,480
Total	162,992	77,380	240,372

As provided in the registration and valuation standard for the 2022 consolidated annual accounts, the real estate investments have been adjusted to their fair value in accordance with the valuations made by the independent expert.

The valuations of real estate assets have been made under market value hypothesis. Market value is calculated based on the valuations made by the independent experts, Savills Real Estate Consultants and CBRE Group, not related to the Group. Their valuations are made in accordance with the Valuation and Appraisal 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).

The market value is defined as the estimated amount for which an asset should be able to be exchanged at the valuation date, between a seller and a purchaser willing to each other, after a reasonable commercialization period, and in which both parties have acted with knowledge, prudence and without any coercion.

The valuation methodology adopted by independent appraisers regarding the determination of the fair value has been, in case of residential land classified as real estate investments, the dynamic residual method following the same methodology as that described in Note 2.8, and in case of assets in operation and land for commercial use, the methodology adopted has been the discounted cash flow method, in addition to being comparable as a contrast method for determining the final value.

To determine the value of a property using Cash Flow Discounts (DFC), an estimate of the expenses of the property has been made, likewise the contracted rents and the market rent considered for the empty area. For those tertiary lands classified as real estate investments, the income that could be obtained when the property was developed has been estimated. Costs associated with empty spaces, re-rental costs and the future sale of the property applying a discount rate are also considered. The updating of expenses, income and the future sale value is carried out using a discount rate (IRR). This method allows you to calculate the market value of a property carrying out a market study that allows you to have comparables. Comparable is understood to be one that, having the same building typology and use, is located in the immediate surroundings or close to the property under evaluation.

In case of not having exact comparables, those sites in other locations that are similar in terms of socioeconomic status, communications, level of equipment and services, etc. will be used. Comparables should be based primarily on recent property transactions similar to the object of valuation. In these cases, the relevant discounts are applied to the prices of the selected comparables depending on the source of marketing, their experience and knowledge of the local market. The prices of these comparables are homogenized according to their characteristics (location, surface area, quality, age, state of conservation, etc.) and are subsequently weighted, eliminating subjectivities.

All fair value estimates determined for investment property are included in level 3.

7. INVESTMENTS IN OTHER COMPANIES

Gross movements in this consolidated balance sheet caption in the first six months of 2023 are as follows:

	Thousand of euro	
	30/06/2023	31/12/2022
Opening balance	54,229	57,091
Share in results for the period	(3,448)	(3,456)
Other changes	174	594
Closing balance	50,954	54,229

At 30 June 2023, the parent company's directors consider that the recoverable amount of investments in associates does not differ significantly from the carrying amount.

8. FINANCIAL ASSETS AND LIABILITIES

a) Analysis by category

The balance under this heading on the accompanying consolidated interim balance sheet, taking into account the nature of the transactions, is as follows:

	Thousand euro	
	Non-current financial assets	
	Loans and others	
	30/06/2023	31/12/2022
Financial assets at amortized cost (Note 10)	21,595	20,913
Financial assets at fair value through profit or loss	9,624	10,051
	31,219	30,964

	Thousand euro	
	Current financial assets	
	Loans and others	
	30/06/2023	31/12/2022
Financial assets at amortized cost (Note 10)*	201,479	228,030
Total financial assets	201,479	258.994

(*) Excluding €13,173 thousand of accrued income at 30 June 2023 (€10,030 thousand 2022).

	Thousand of euro	
	Non-current financial liabilities	
	30/06/2023	31/12/2022
	Liabilities at amortized cost (Note 14)	285,561
	285,561	305,994

	Thousand of euro	
	Current financial liabilities	
	Loans and other	
	30/06/2023	31/12/2022
Liabilities at amortized cost * (Note 14)	272,546	160,499
	272,546	160,499
Total pasivos financieros	558,107	466,493

(*) Excluding €216,537 thousand of deferred income (€180,243 thousand 2022).

9. INVENTORIES

The detail of this heading at 30 June 2023 and 31 December 2022 is as follows:

	Miles de euros	
	30/06/2023	31/12/2022
Land	1,292,179	1,276,475
Construction work in progress	1,049,544	949,352
Finished structures	76,984	92,941
Advanced payments to suppliers	901	549
Other	227	1,029
Impairment losses on land	(419,870)	(392,879)
Impairment losses construction work in progress	(74,046)	(74,551)
Impairment losses on finished structures	(8,794)	(9,989)
	1,917,125	1,842,927

The type of inventories of finished properties of the Group as of June 30, 2023 and December 31, 2022 corresponds, fundamentally, to residential buildings intended to be habitual residence and second residence together with the properties linked, where appropriate, to said promotions, such as parking spaces and commercial premises. Additionally, the Group is developing an office project in Madrid.

During the first six months of the 2023 and 2022 financial years, the Group has activated financial interests in inventories for an amount of 691 and 929 thousand euros, respectively.

As of June 30, 2023 and December 31, 2022, there are assets included under the heading "Inventories" for a total gross cost of 481,667 thousand euros and 441,287 thousand euros, respectively, mortgaged as security for various subrogable mortgage loans or not, linked to certain developments and land, whose amount disposed as of June 30, 2023 and December 31, 2022 amount to 64,953 and 21,604 thousand euros, respectively (Note 14). There are no assets included in the heading of additional inventories in loan guarantees to those indicated above.

The commitments to sell developments contracted with clients as of June 30, 2023 and December 31, 2022 amount to 1,123,668 and 990,238 thousand euros, respectively, of which 188,376 and 155,540 thousand euros, respectively, have materialized in collections and receivables recorded under the heading "Customer advances" of current liabilities as of June 30, 2023 and December 31, 2022 (Note 14).

Practically all pre-sales are subject to compensation clauses for delayed delivery as they are formalized in contracts of similar characteristics. The aforementioned indemnity clauses for delay consist mostly of legal interest on the amounts delivered during the period between the expected delivery date in the contract and the actual delivery date. The Group does not estimate any impact for this reason, mainly due to the fact that the expected delivery date in the contracts considers a safety margin of a certain number of months with respect to the expected delivery date. For this reason and based on the historical experience of recent years, the Group has not considered any impact on the condensed consolidated financial statements corresponding to the first six months of fiscal year 2023 for this concept. Likewise, in general, pre-sales include compensation in favor of the Group in the event of cancellation by the customer, although no amount is recorded for this concept until it is collected.

The market value of the Group's land, developments in progress and completed properties as of June 30, 2023, calculated based on the appraisals carried out by independent experts, carried out in accordance with the Valuation and Appraisal 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 2,213,186 thousand euros (2,110,373 thousand euros in December 2022).

The market value by nature and urban status recorded in inventories is as follows:

	30/06/2023		
	Residential	Commercial	Total
In urban process	276,272	9,490	285,762
Finalist	1,491,401	436,023	1,927,424
Total	1,767,673	445,513	2,213,186

	31/12/2022		
	Residential	Commercial	Total
In urban process	241,535	9,794	251,329
Finalist	1,151,843	439,206	1,591,049
Total	1,393,378	449,000	1,842,378

In general, the fair value of the group's assets in stock at 30 June 2023 shows capital gains, although some assets, mainly land under development, show losses in their valuation in relation to their acquisition cost. In this sense and as a consequence of the foregoing, the Group has recorded net provisions for impairment of inventories amounting to €39,117 thousand in the first half of 2023 (€5,862 thousand in the first half of 2022) (Note 16.d).

In any event, the situation of the residential market in 2023 could trigger differences between the fair value of the Group's inventories and their effective realizable value. Any such differences will be treated prospectively.

The Group considers that the inventory book value to be sold in the next 12-18 months amounts to €551,825 thousand.

10. FINANCIAL ASSETS AT AMORTIZED COST

	Thousand of euro	
	30/06/2023	31/12/2022
Non - current:		
Other financial assets at amortized cost		
- Other financial assets	15,686	15,468
- Loans to associated companies (a)	5,909	5,445
	21,595	20,913

	Thousand of euro	
	30/06/2023	31/12/2022
Current:		
Other financial assets at amortized cost		
- Loans to companies	578	385
- Other financial assets	250	9.610
Trade and other receivables:		
- Customers and trade notes receivable (b)	7,882	19,367
- Provision for customer impairment	(3,489)	(3,489)
- Other debtors	160	143
- Cash and cash equivalents (Note 11)	196,098	202,014
	201,479	228,030
Total non current and current	223,074	248,943

(*) Excluding €13,173 thousand of deferred income at 30 June 2023 (€10,030 thousand at 2022)

11. CASH AND CASH EQUIVALENTS

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

	Thousand of euro	
	30/06/2023	31/12/2022
Cash on hand	4	2
Current Accounts	196,094	202,012
	196,098	202,014

As of June 30, 2023, there are availability restrictions for the amount of 81,883 thousand euros (at December 31, 2022 there were availability restrictions for the amount of 77,929 thousand euros) that correspond to amounts received and associated with promotions that are deposited in accounts special, separated from any other class of funds belonging to the Group and those that are only available for services derived from the construction of said developments.

12. CAPITAL AND RESERVES

As mentioned in Note 1, Metrovacesa, S.A. is the Group's parent company. It results from the decision of the shareholders' of the former Metrovacesa to restructure the Group and its business and the agreement to carry out the partial split of the former Metrovacesa under which another two new groups were incorporated, Metrovacesa S.A. (formerly Metrovacesa Suelo y Promoción, S.A.), retaining the real estate development business, and creating a new company, whose properties constitute an independent economic unit.

Capital and share premium

On 8 January 2018, 331,206 shares in Metrovacesa S.A. with a par value of €0.16 each and a total share premium of €83 thousand were issued, having been fully subscribed and paid up through the contribution of 1,200,191 shares in MPYA with a par value of €0.10 each (see Note 1).

On 11 January 2018, the resolution adopted by Metrovacesa's General Meeting of 19 December 2017 to carry out a countersplit was executed in a public deed, grouping together and redeeming the 6,825,435,539 shares forming the parent company's share capital at a rate of one new share for every forty-five former shares, bringing share capital to 151,676,341 newly issued shares with a unit par value of €7.20000001476829 each (€0,16 before the countersplit), while share capital remained at €1,092,069,657.44.

The General Meeting authorized the acquisition of treasury shares as necessary due to the counter split, among other reasons.

The share premium at June 30, 2023 arises mainly as a result of the following operations:

o Difference between the share capital of Metrovacesa, SA (492,045 thousand euros) and the value attributed to the equity divided according to deed (1,039,855 thousand euros), detailed in Note 1 of the consolidated annual accounts of December 31, 2020, considering various adjustments amounting to 6,733 thousand euros, which amounts to 541,077 thousand euros.

o Difference between the subscribed share capital of Metrovacesa, SA (464,198 thousand euros) and the value attributed to the assets contributed in the non-monetary capital increase operation (1,097,324 thousand euros) detailed in Note 1 of the accounts consolidated annual accounts of December 31, 2020 amounting to 633,125 thousand euros.

o Difference between the subscribed share capital of Metrovacesa, SA (36 thousand euros) and the total value of the contribution in the monetary capital increase operation (84 thousand euros), detailed in Note 1 of the consolidated annual accounts of December 31, 2020 amounting to 48 thousand euros.

o Difference between the subscribed share capital of Metrovacesa, SA (135,737 thousand euros) and the value attributed to the shares of Metrovacesa Promoción y Arrendamiento SA contributed by deed (316,728 thousand euros), that is, 180,991 thousand euros, additionally adjusted for the latent capital gains in the assets of the Metrovacesa Promotion and Leasing Group detailed in Note 1 of the consolidated annual accounts of December 31, 2020 amounting to 22,972 thousand euros.

o Difference between the subscribed share capital of Metrovacesa, SA (53 thousand euros) and the value attributed to the shares of Metrovacesa promotion and Arrendamiento SA (137 thousand euros) in the acquisition from minority interests.

o Distribution of share premium among the shareholders of the Parent Company on May 20, 2019 for the amount of 49,975 thousand euros, equivalent to 0.33 euros per share. This distribution was approved by the General Shareholders' Meeting held on April 29, 2019.

o Share premium distribution among the shareholders of the Parent Company on May 20, 2021 for the amount of 60,579 thousand euros, equivalent to 0.40 euros per share. This distribution was approved by the General Shareholders' Meeting held on May 5, 2021.

o Share premium distribution during the month of December 2021, as agreed by the Parent Company's General Shareholders' Meeting on November 30, 2021, for the amount of 59,898 thousand euros

o Distribution of share premium among the shareholders of the Parent Company on May 20, 2022 for the amount of 90,869 thousand euros, equivalent to 0.60 euros per share. This distribution was approved by the General Shareholders' Meeting held on May 5, 2022.

o Share premium distribution during the month of December 2022, according to the agreement of the Extraordinary General Meeting of the Parent Company on November 29, by amount of 159,260 thousand euros, equivalent to 1.05 euros per share, plus other expenses associated with the operation for 899 thousand euros. Due to all of the above, the total amount registered against the issue premium amounted to 160,159 thousand euros.

o Distribution of share premium among the shareholders of the Parent Company on May 19, 2023 for the amount of 50,007 thousand euros, equivalent to 0.33 euros per share. This distribution was approved by the General Shareholders' Meeting held on April 25, 2023.

As of June 30, 2023, the share premium amounts to 906,810 thousand euros (956,818 thousand euros at the end of 2022).

The issue premium is considered freely available.

Since February 6, 2018, the Parent Company's shares have been listed on the Madrid, Barcelona, Valencia and Bilbao stock exchanges with a starting price of 16.50 euros per share.

Shareholders holding significant holdings in the share capital of Metrovacesa, SA, both directly and indirectly.

Shareholders holding significant stakes in the share capital of Metrovacesa, SA, both directly and indirectly.

	Shares			% of Capital
	Direct	Indirect	Total	
Grupo Banco Santander	48,443,127	26,426,709	74,869,836	49.36%
Grupo Banco Bilbao Vizcaya Argentaria	14,321,573	17,301,265	31,622,838	20.85%
Control Empresarial de Capitales, S.A. DE .C.V.	6,045,235	24,659,064	30,704,299	20.24%
Quasar Investment, S.a.r.l	-	5,990,548	5,990,548	3.95%
Directors and Board members	431,764	-	431,764	0.28%
Treasury stock	182,587	-	182,587	0.12%
Other shareholders (stock exchange)	7,874,469	-	7,874,469	5.20%
Total	77,298,755	74,377,586	151,676,341	100.00%

Retained earnings

The most significant variations in the consolidated interim statement of changes in equity for the six-month period ended 30 June 2023 and at 31 December 2022, apart from the distribution of the parent company's losses, are as follows:

	Reserves in consolidated companies (a)	Profit/ (loss) for the period (b)	Reserves at companies accounted for using the equity method (c)	Retained earnings (a) + (b) + (c)
Balance at 30 June 2023	(247,652)	(35,236)	(8,537)	(291,425)
Balance at 31 December 2022	(227,680)	(23,477)	(5,081)	(256,238)

Legal reserve

The legal reserve has been endowed in accordance with article 274 of the Capital Companies Law, which establishes that, in any case, a figure equal to 10 percent of the profit for the year will be allocated to it until it reaches, at least, 20 per 100 of the share capital.

It cannot be distributed and if it is used to offset losses, in the event that there are no other reserves available sufficient for this purpose, it must be replaced with future profits.

13. PROVISIONS

The disclosure regarding the balance of this heading of the condensed interim consolidated financial statements, attending to the nature of operations are as follows:

a) Non-current provisions

Details at 30 June 2023 and at 31 December 2022 are as follows:

	Thousand of euro	
	30/06/2023	31/12/2022
Provisions for guarantees and risks		
Litigation and other provisions	13,241	12,651
	13,241	12,651

The heading "Litigation and other provisions" mainly includes legal claims for construction defects, administrative disputes and claims for amounts.

Although the total amount of these claims may be significant, they are of insignificant amounts considered individually. In this sense, the Group reserves the probable risks due to litigation in accordance with the evaluation of the same carried out by its legal area.

The Directors of the different companies of the Group consider that the provisions established are adequate to face the probable risks that could arise from the resolution of the litigation in progress and do not expect that, in the event of risks materializing in an amount greater than that provisioned, the additional liabilities significantly affect the financial statements of the Group.

b) Current provisions

Details at 30 June 2023 and 31 December 2022 are as follows:

	Thousand of euro	
	30/06/2023	31/12/2022
Current provisions*	24.810	26.514
	24.810	26.514

*This chapter includes the provisions set aside to cover the costs of liquidation of works by contractors and the costs of guarantees, basically, post-sale expenses, as well as the amount corresponding to other costs of works pending to be incurred. They are recognized on the date of sale of the relevant products, according to the best estimate of the expense made by the Parent Company's Directors and for the amount necessary to settle the Group's liabilities.

14. LIABILITIES AT AMORTIZED COST

The report of these headings as of June 30, 2023 and December 31, 2023 is as follows:

	Thousand of euro	
	30/06/2023	31/12/2022
Non-current:		
Debts		
- Banks borrowings	155,330	164,122
- Debt with associates and related parties (Note 19)	97,878	109,022
Trade accounts and other accounts payable		
- Other financial liabilities (b)	743	743
- Suppliers for withholdings	31,610	32,107
	285,561	305,994

	Thousand of euro	
	30/06/2023	31/12/2022
Current:		
Debts		
- Bank borrowings	59,808	40,795
- Deudas con entidades de crédito con empresas asociadas	13,135	4,586
- Other financial liabilities (b)	35,898	29,000
Debt with associates and related parties (Note 19)		
- Bank borrowings (a)	50,406	23,653
Trade and other payables:		
- Trade payables	108,177	56,906
- Accrued wages and salaries	5,122	5,559
- Other Taxation Authorities	14,382	19,254
- Prepayments	216,537	180,243
	503,465	359,996

a) Bank borrowings

On July 28, 2021, the Parent Company signed a refinancing agreement for the syndicated debt, initially signed on December 1, 2017, through which the nominal amount was increased to 260,000 thousand euros and the maturity period was extended until July 28, 2026. The agreed interest rate is linked to 3M Euribor plus a variable linked to the evolution of the group's "Loan to Value", being 3.35% as of June 30, 2023.

At the time of signing the addendum, a new payment schedule is established with quarterly amortizations for an amount equivalent to 3.75% of the principal from September 30, 2023 to June 30, 2025. From that moment on, there is a grace period that extends until the maturity date, with the repayment of the principal pending to date.

Among the agreements reached with financial entities, is the transformation of the senior syndicated loan into a sustainable loan and for this the Parent Company has committed to comply with certain KPIs linked to:

- Percentage of projects with an A or B energy rating.
- Number of work days carried out by workers hired in the projects by local companies.
- Hours of training for employees of the Metrovacesa group.

During the first half of 2023, verification of compliance with the KPIs was carried out by an independent third party, with satisfactory results in all of them. This has led to a slight improvement in the differential that the group must pay for corporate financing.

The formalization costs of the debt pending amortization at June 30, 2023 amount to 3,470 thousand euros, having amortized 568 thousand euros during the period between January 1, 2023 and June 30, 2023.

The amount of Accrued interest amounts to 7,520 thousand euros at June 30, 2023 (9,389 thousand euros in 2022).

This contract is subject to compliance with certain customary financial ratios in the sector in which the Group operates. The main ratios broken down in the contract are as follows.

- LTV ratio:

The ones obliged must ensure that, at all times during the term of this Contract during the term of the contract, the Ratio is not greater than 27.5%.

- Guarantee Coverage Ratio:

The ones obliged undertake to maintain unencumbered assets that represent at least 22% of the LTV.

As of June 30, 2023, all ratios are considered met.

b) Other financial liabilities

This heading includes €35,800 thousand related to the program of promissory notes detailed in Note 1 of the 8consolidated annual accounts for the financial year 2023 (€29,000 thousand at 31 December 2022).

15. CORPORATE INCOME TAX

The income tax expense is recognized based on Management's estimate of the expected weighted average tax rate for the full financial year. The average annual tax rate estimated for the year ended is 20%.

Deferred tax

Deferred tax assets: The Group has registered a decrease in the heading of 510 thousand euros, the main consequence of i) negative 523 thousand euros derived from the application of articles 11.6 and 20 of Corporate Tax, and ii) other deferred consolidation amounting to 13 thousand euros.

Deferred tax liabilities: The Group has recorded a decrease in the heading of 247 thousand euros due to changes in value of certain assets of the Group.

Tax inspections

At present, the group is not involved in any tax inspection process regarding the state taxes that are applicable to it.

16. INCOME AND EXPENSES

a) Revenue

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

	30/06/2023	30/06/2022
Income for sales promotions	163,499	240,811
Income from land sales	1,565	5,793
	165,064	246,604

All sales during the period were made in Spain.

Within the income from the sale of land in both years, no land registered under the heading of real estate investments has been transferred.

b) Cost of sales

	30/06/2023	30/06/2022
Direct cost per sale of promotions	(127,152)	(190,024)
Direct cost of land sales	(2,043)	(5,584)
	(129,195)	(195,608)

Within the costs for the sale of land in both years, no land registered under the heading of real estate investments has been transferred.

c) Staff costs

	30/06/2023	30/06/2022
Wages, salaries and similar Staff welfare expenses	(7,539)	(7,246)
Social charges:		
Social Security payable by the Company	(1,687)	(1,334)
Contributions and transfers to pension schemes	(164)	(144)
Other employee welfare expenses	(343)	(398)
	(9,733)	(9,122)

Likewise, the group has accrued personnel expenses amounting to 574 thousand euros (471 thousand euros at June 30, 2022), of which 450 thousand euros (358 thousand euros at June 30, 2022) are 124 thousand euros (113 thousand euros at June 30, 2022) are recorded under the heading "other net management income" since they are linked to the expenses of the personnel linked to the management of the Aldeamayor golf course.

The average workforce for the six-month period ended June 30, 2023 and June 30, 2022:

	2023		
	Men	Women	Total
Executives	15	3	18
Supervisors and technicians	73	33	106
Administrative and commercial	24	49	73
	112	85	197

Additionally, the group has hired 27 average employees (12 men and 15 women), of which 18 correspond to the internal sales force for the sale of promotions (6 men and 12 women), all of them with the "Administrative and commercial" category. Likewise, it has hired 9 average employees (6 men and 3 women) for the management of the Aldeamayor golf course, with categories "Managers and technicians" (1 man), "Administrative and commercial" (1 man and 3 women) and "Trades several and subordinates" (4 men).

	2022		
	Men	Women	Total
Executives	15	3	18
Supervisors and technicians	66	29	95
Administrative and commercial	25	47	72
	106	79	185

Additionally, the group has hired 23 average employees (13 men and 10 women), of which 14 correspond to the internal sales force for the sale of promotions (6 men and 8 women), all of them with the "Administrative and commercial" category. Likewise, it has hired 9 average employees (7 men and 2 women) for the management of the Aldeamayor golf course, with categories "Managers and technicians" (1 man), "Administrative and commercial" (2 men and 2 women) and " Miscellaneous and junior trades" (4 men).

d) Change in trade provisions

	30/06/2023	30/06/2022
Additions to the provision for inventories (Note 9)	(39,117)	(17,737)
Reversal provision for inventories (Note 9)	11,301	11,875
	(27,816)	(5,862)

The items "Additions to the provision for inventories" and "Reversal of inventory provision" have been recognized based on independent expert valuations (Note 9).

17. RELATED-PARTIES TRANSACTIONS

The related-party transactions carried out by the Group during the first six months of 2023, differentiating between significant shareholders, Board members and other related parties, are set out below. All related-party transactions are carried out under market conditions and all benefits in kind have been recognized.

The heading "financial costs" with significant Shareholders, include, among other, interests and commissions related to the current corporate financing of the Group.

	Thousand of euro			
	30 June 2023			
	Significant shareholders	Directors and management personnel	People, companies, Group entities	Total
Expenses:				
Financial cost	(5,104)	-	-	(5,104)
Other expenses	(24)	-	-	(24)
Income:				
Credit interest	-	-	(168)	(168)
Other income	541	-	(45)	496

Expenses and income	Thousand of euro			
	30 june 2023			
	Significant shareholders	Directors and management personnel	People, companies, Group entities	Total
Expenses:				
Financial expenses	(2,961)	-	-	(2,961)

	Thousand of euro			
	30 june 2023			
	Significant shareholders	Directors and management personnel	People, companies, Group entities	Total
ASSETS				
Non-current				
Loans granted	-	-	5,909	5,909
Current				
Cash and cash equivalents	64,989	-	-	64,989

	Thousand of euro			
	30 june 2023			
	Significant shareholders	Directors and management personnel	People, companies, Group entities	Total
ASSETS				
Non-currents				
Loans granted	-	-	5,445	5,445
Current				
Trade receivables for sales and services with related parties	-	-	588	588
Cash and cash equivalents	71,979	-	-	71,979

	Thousand of euro			
	30 june 2023			
	Significant shareholders	Directors and management personnel	People, companies, Group entities	Total
LIABILITIES				
Non- current				
Bank borrowings	97,878	-	-	97,878
Current				
Bank borrowings	50,406	-	-	50,406
Trade payables with related parties	-		481	481

	Thousand of euro			
	30 june 2023			
	Significant shareholders	Directors and management personnel	People, companies, Group entities	Total
LIABILITIES				
Non- current				
Bank borrowings	109,198	-	-	109,198
Current				
Bank borrowings	23,653	-	-	23,653

Bank borrowings include corporate finance balances and developer loans. Bank borrowings include balances for loans associated with land and/or projects.

In the first half of 2023, the following developer loans were obtained from significant shareholders:

	Thousand of euro
Banco Santander, S.A.	157,405
Banco Bilbao Vizcaya Argentaria, S.A.	87,384
Total	244,789

Other transactions with related parties

The Group has granted guarantees with its significant shareholders by class and value of:

- Customer financial guarantees: 362,488 thousand euros, of which 37,055 thousand euros correspond to Banco Santander, and 16,248 thousand euros to Banco Bilbao Vizcaya Argentaria.
- Technical guarantees: 44,717 thousand euros, of which 8,066 thousand euros correspond to Banco Santander, 6,338 thousand euros to Banco Bilbao Vizcaya Argentaria.

18. REMUNERATION AND OTHER BENEFITS OF THE PARENT COMPANY'S BOARD OF DIRECTORS AND SENIOR MANAGEMENT

There follows a summary of the most significant data on remuneration and benefits for the six-month periods ended 30 June 2023 and 2022:

	Thousand of euro	
	30/06/2023	30/06/2022
Members of the Board of Directors:		
Remuneration item		
Fixed and variable	815	844
Benefits in kind	19	19
Statutory benefits	470	473
Other Board benefits		
Life insurance premiums	25	12
Pension funds and plans	32	32
Executives		
Total remuneration received by the directors (*)	1,405	1,400

* Not including pension plan or life insurance:

- Pension plan: 20 and 18 thousand euros at June 30, 2023 and June 30, 2022, respectively.
- Life insurance premiums: 20 and 9 thousand euros at June 30, 2023 and June 30, 2022, respectively.

Included in variable remunerations, 246 thousand euros have been recorded attributable to members of the Board of Directors referring to the different incentive plans described in Note 1 and 326 thousand euros corresponding to Senior Management for the same concept.

The Parent Company of the Group does not have contracted obligations in terms of pensions with respect to the members of Senior Management in addition to those of the rest of the employees other than those detailed above.

19. SUBSEQUENT EVENTS

- Issuance of MARF promissory notes

Up to the date of preparation of these interim financial statements, the Parent Company has issued MARF promissory notes for an amount of €15,000 thousand and has proceeded to repay €8,800 thousand.

**Consolidated Interim Director's report for the six-month
period ended 30 June 2023**



Sol de Llevant (Palma de Mallorca)

1. Significant aspects of the period

Significant operations from the results for the six-month period ended 30 June 2023:

- [Sales and margin](#)

The net amount of the turnover has risen to 165,064 thousand euros mainly due to the contribution to the turnover of the income from sales of real estate developments and land sales (163,499 and 1,565 thousand euros, respectively). During the same six-month period ended June 30, 2022, revenues amounted to 246,604 thousand euros, mainly due to the contribution to the sales figure of the income from sales of real estate developments and land sales 240,811 and 5,793 thousand euros, respectively.

The group's gross margin for the six-month period ended June 30, 2023, understood as the difference between income from the sale of developments and land with the costs associated with income, amounted to 35,869 thousand euros (50,996 thousand euros for the same period of financial year 2022).

- [Operating cost](#)

Structural expenses amount to 14,602 thousand euros and include personnel expenses amounting to 9,733 thousand euros for the six-month period ended June 30, 2023. In the same period of 2022, structural expenses stand at 14,275 thousand euros and include personnel expenses amounting to 9,122 thousand euros.

- [Profit / \(Loss\) for the period](#)

The accumulated consolidated result as of June 30, 2023 and June 30, 2022 has amounted to 35,236 thousand euros of losses and 12,025 thousand euros of profit, respectively.

- [Relevant transactions for the period](#)

The relevant events for the period between January 1, 2023 and June 30, 2023 are those described in Note 1 of the interim financial statements.

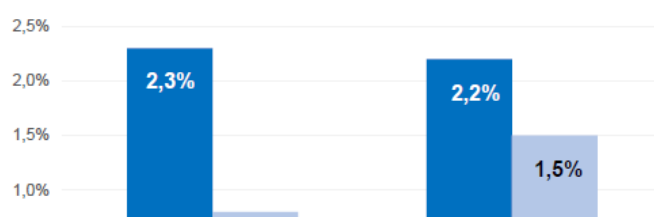
2. Economic Outlook

1.- Macroeconomic evolution

The better inertia during the end of 2022 and a greater dynamism than expected in 1Q23 and 2Q23 explain half of the improvement in the growth forecast for 2023. On the one hand, the INE revised GDP for the second half of the year upwards passed by almost half a percentage point. On the other, it is estimated that the economy could show an advance of 0.7% in the second quarter of 2023, four tenths more than what was forecast three months ago. Employment and prices also show a more positive behavior than expected in March: companies are creating jobs at a rate that would mean adding almost 500,000 jobs in the year, double what was forecast in March. Likewise, from February to May, inflation has shown data consistent with a decline that can be sustained over time, reaching averages of 3.4% in 2023 and 3.2% in 2024.

The GDP growth forecast according to the Bank of Spain for 2023 has been adjusted upwards, going from 1.6% to 2.3%, while for 2024 it has been revised downwards to 2.2%, instead of the 2.3% forecast in March. Part of this improvement is attributed to statistical revisions, but also to a very positive performance of exports. Although several factors are expected to help reverse the recent decline in domestic demand, there are uncertainties as to whether the current pace of expansion and job creation is sustainable through 2024, given the uncertainty for next year about the global economy. Although interest rate increases are expected to be nearing completion, the effects of monetary policy materialize with a delay. Projections of slightly higher-than-expected inflation in the euro area and the persistence of its core component suggest that ECB interest rates could remain high for a longer period. Key sectors such as housing construction, tourism and agri-food could see their progress limited due to supply restrictions. Investment in fixed capital shows some weakness, despite the support of the NGEU funds. On the other hand, the uncertainty surrounding economic policy has increased in a context in which the reduction of the public deficit must be accelerated in 2024.

Previsión crecimiento PIB: España vs Eurozona
(BdE, OCDE; % var. anual)



The robust economic performance is mainly due to exports, particularly services. Global sales are 13% above pre-pandemic levels. The consumption of non-residents in Spain has boosted the economy, with expenses that could exceed the levels of the same period in 2019 by 60% in the second quarter. The main beneficiaries are beach destinations and cities with tourist traffic. However, exports of non-tourism services have contributed the most to growth, rising 30% since the end of 2019 and accounting for almost 9% of GDP. Business, technology and transport services are the main ones, with Europe and America as the main markets. Exports of goods are also 5.5% above pre-pandemic levels.

Despite this, domestic demand has been weak. Household consumption spending has declined by almost 3% in the last quarter of 2022 and the first of 2023, in line with expectations of a recession rather than the expansion of aggregate demand observed. Investment remains 2% below the figures for the third quarter of the previous year. This decline is due to the increase in energy and food prices, which have decreased the competitiveness of companies and the purchasing power of households; the increase in interest rates, which has raised financing costs for the private sector; and a household savings rate below the historical average in 2022, which heralds a future correction in consumption.

2.- External financing cost

During the first half of 2023, central banks, including the European Central Bank (ECB) and the US Federal Reserve (FED), implemented several interest rate hikes. The Fed has increased interest rates throughout 2023, reaching 5.25% and it is expected to exceed 5.5% by the end of the year. On the other hand, the ECB has raised rates to 4.0% in June during the first quarter of 2023. The purpose of these measures by central banks is to moderate the economy until inflation returns to the target levels of the 2%. Therefore, it is anticipated that they will continue to raise rates in the coming months.

There is uncertainty about the duration of the current stage of high inflation and high financing costs. It is possible that the recovery in consumption will be restricted in the coming months due to the intention of households to increase their savings, either due to the perception of the need to restore their wealth after the significant loss of purchasing power, or due to incentives that will provide the increase in interest on bank deposits. So far, changes in monetary policy have had a larger impact on financing costs and a slower effect on the interest that banks offer. In the coming months, we could see a convergence as high liquidity subsidies and it becomes profitable for the financial sector to attract funds from savers. Additionally, both businesses and households have used part of the funds accumulated during the pandemic to reduce their financial costs. This could explain the increase in mortgage prepayments and the low activity in new business financing operations, despite the environment of high costs and economic growth. However, unlike families, companies still have short-term liquidity needs and will eventually deplete their savings and have to resort to bank credit, at a higher cost.

3.- Real – estate market.

In the first quarter of 2023, investments remained at par with Q1 2022, thanks to the solid performance of the residential and retail segments, which saw increases of 30% (€1,200M) and 178% (€177M) respectively, offsetting declines in other sectors. However, after the implementation of the new Housing Law, institutional investment could be reduced. The office and logistics segments have been particularly hit by the rise in financial costs, showing increases in their yields of 90bps and 70bps since the beginning of 2022. Simultaneously, there are signs of declining demand for office rentals, which shows a 21% (46K m²) contraction in contracted space during Q1 2023, with Barcelona leading this decline with a 33% (30K m²) reduction.

During 2022, investment in build-for-rent (BTR) projects in Spain reached approximately 1,500 million euros, with a total of close to 6,000 units transacted. In this scenario, large investment funds have invested significantly in build-for-rent developments. It is expected that more than 97,000 rental homes will be built under the BTR formula in the next 5 years, with a notable participation of the private investor in the provision of capital. Despite the regulatory challenges and the increase in the cost of financing, the interest of international funds in rental housing in Spain continues to be high despite the slowdown in the rate of investment experienced in 2021 and 2022. In addition, it is They are making joint efforts with public administrations to increase the volume of affordable housing, as is the case with the Madrid City Council initiative.

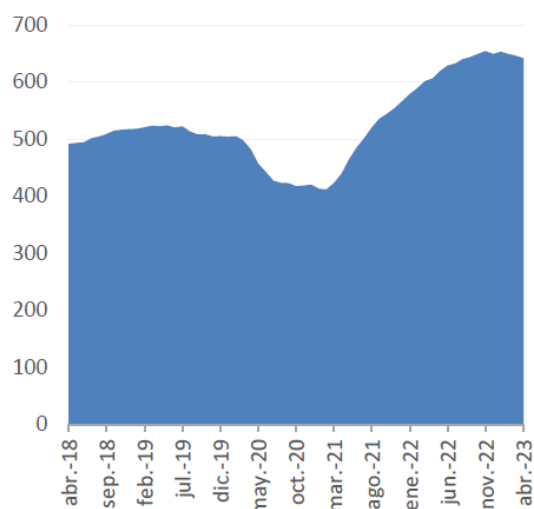
Housing investment will remain restricted due to supply constraints and regulatory changes. Investment in housing is currently 8% below pre-covid levels despite the notable increase in demand. The new Housing Law does not promote the construction of new housing, either for rent or purchase. On the contrary, it discourages investment by

allowing price regulation, increasing uncertainty and regulation, especially for large landlords, and adding rigidity to rental contracts. The approved tax changes are not expected to significantly change this situation, as the lack of legal certainty for owners will continue to be the main factor behind a limited supply of rental housing. The announcements to increase the volume of public housing are positive. However, there are questions about the sufficiency of the allocated resources and the adequacy of the location of the acquired assets or where the public construction will be carried out. For example, the accumulation of inventories by regional governments will be discretionary and will depend on the fiscal space of each region. Without changes that allow for a significant increase in urban land near major urban centers, price pressures are likely to persist for years to come.

The beginning of the year has proven to be very active in the Spanish real estate market, with a total of 206,000 transactions carried out up to April. This figure, although it is 4% lower than that of the same period in 2022, is 19% higher than that of 2021. A slight decrease is perceived in the first months of 2023 in absolute terms, although the level of demand is notably maintained high. However, the trend as of April indicates a marked slowdown, manifested in three consecutive months of declines compared to the year-on-year

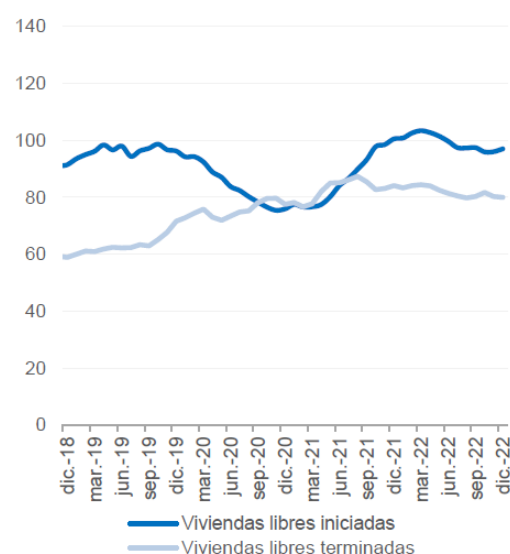
Transacciones de vivienda

(INE; suma 12 meses k uds)



Número de viviendas iniciadas y terminadas

(MITMA; suma 12 meses #k)



The offer of new construction permits has experienced little variation in recent months, with a year-on-year decrease of 4% in March, although it shows an increase of 0.4% compared to March 2022 and an increase of 19.6% compared to March 2021. The annualized supply of new homes, with 80,000 finished and 97,000 started, remains stable, although below the threshold of 100,000 units. Regarding the accumulated in the first quarter, the number of construction permits has remained in line with the first quarter of 2022, showing an increase compared to previous years.

A more marked decrease is observed in the issuance of new mortgages compared to the number of real estate transactions, which are maintained due to a growth in demand from those buyers who, to a greater extent than before, do not depend on financing. At the same time, banks are not fully transferring the increase in mortgage interest rates, thus maintaining a competitive offer. According to INE data, it is estimated that there are currently 9 million households whose monthly income (greater than €2,100/month) allows them to purchase an average home, as long as they maintain a reasonable level of financial effort (less than 35% of your income).

Since the start of the ECB interest rate hikes, there has been a significant increase in mortgage renegotiations. At the end of December 2022, households maintained a reasonable financial effort rate of around 36%. However, if mortgages were to rise to levels similar to Euribor (around 4%), the effort rate would rise to unsustainable levels, which could put mortgage demand at risk.

The real estate market in Spain presents a heterogeneous trend in terms of price developments, according to the most robust sources such as the INE and MITMA. Both institutions agree that growth has slowed to approximately 3%. This slowdown is especially noticeable in the second-hand housing sector, where annual growth was 3% in the first quarter of 2023, in contrast to the 8% and 11% registered in the last and penultimate quarters of 2022, respectively. In contrast, the prices of new construction homes show a softer deceleration, with an annual growth of 5% in the first quarter of 2023, similar to the rates registered in the last two quarters of the previous year.

On the other hand, there is a polarization in prices in the real estate market between the main provinces and the rest of Spain, with the former experiencing faster growth compared to the latter. Notably, the Balearic Islands have exceeded the maximum prices of the previous cycle with an increase of 15%, while Madrid and Guipúzcoa also show an upward trend, approaching the levels of the previous cycle.

Internationally, countries such as the US, New Zealand, Sweden, Australia and Canada have already experienced adjustments in house prices, fluctuating between a 5% and 10% decrease in the last year, and something is expected more correction in the coming quarters. However, in Spain the price of housing is not falling, and falls are not expected, especially with regard to new construction housing. Regarding housing production, Spain is among the countries with the lowest rates, only surpassing Italy, with 2.3 new construction permits for every 1,000 inhabitants. This data becomes relevant when contrasted with the fact that, unlike other countries, Spain suffered a very significant reduction in the supply of housing after the financial crisis of 2008.

Although the general economic environment shows signs of optimism, reports The most recent forecasts anticipate a slowdown in the real estate sector in Spain for the year 2023. This slowdown forecast is the result of various economic and sectoral factors that are developing. One of the main factors is an increase in interest rates greater than initially expected. This rise in interest rates can increase the cost of mortgage loans, which in turn can decrease demand for homes and slow down the real estate market. Added to this is the persistence of high inflation, which erodes the purchasing power of households, which could result in lower spending on housing.

In addition, the real estate sector faces particular challenges that threaten its ability to keep up with growth. On the one hand, the scarcity of land for finalists limits the number of new homes that can be built and therefore the total supply on the market. Likewise, the lack and cost of labor in the construction sector also limits the ability to develop new housing projects. However, these same challenges that limit the supply of new homes can act as a buffer against a sharp fall in prices in the real estate sector. With fewer homes available on the market due to construction constraints, prices may remain stable, providing some balance to the property market despite the expected slowdown.

3. Metrovacesa's Mission, Vision and Values

Mision

- ✓ Provide society with comprehensive **solutions in promotion that facilitate the formation** of homes and improve the lives of its customers by providing services with optimal standards of quality, cost and time, **always acting as a socially responsible company.**
- ✓ Seek **added value growth** to satisfy all stakeholders by making investments that contribute to long-term sustainable development.
- ✓ Combine the use of **trends in the real estate** development and construction sector with the **know-how** provided by its extensive **experience.**

Vision

- ✓ **Become a leading company in the residential market**, being the promoter chosen by clients, employees, communities and shareholders, with a continuous improvement of financial and operating results, while respecting the highest standards of business conduct.

Values

- ✓ **Customer-centric approach:** take customers into account in any initiative, since their satisfaction is Metrovacesa's goal. In this way, it seeks to meet their expectations and accompany them throughout the life cycle of the project, maintaining the relationship even once the home has been delivered and completed.
- ✓ **Caring for communities:** a differentiating aspect of Metrovacesa comes from the advantages provided to the communities where it operates, through urban solutions that improve people's day-to-day lives.
- ✓ **Top quality products:** offer high quality products that combine innovation and harmony with the environment. The ambition is the continuous search for new ways of working, choosing new materials and incorporating new technologies that always involve innovation in the field of real estate.
- ✓ **Return for shareholders:** work to maximize long-term return for shareholders, focused on risk management and being aware of the company's responsibilities.

- ✓ **Committed team:** make an effort to provide a safe and rewarding environment for employees, aligned with the company's strategy, caring for the development of workers and their well-being, considering them in decision-making and respecting them as people.

- ✓ **Impeccable Corporate Governance:** operate in a socially responsible and ethical manner. Respect the law, protect the environment and care for integrity. In addition, publicize gender equality and the integration of the most vulnerable groups in society.

4. Sustainability trends

Metrovacesa continues to work on achieving the objectives set out in its General Sustainability Strategy 2022-2024 (ESG24), an ambitious common framework for action aligned with the activity and which focuses its objective on developing a responsible and sustainable business model.

Environmental dimension: Sustainable and respectful initiatives with the environment

Development of sustainable work reflected in the projects launched in the first half of 2023, with the following figures:

- 100% of developments launched with an AA objective Energy Efficiency Certificate (CEE)
- 100% of developments launched with sustainability management certification
- 100% of promotions launched with environmental impact assessment through Life Cycle Analysis (ACV)

In addition, Metrovacesa applies its own brand of quality and sustainable commitment, domum, which includes good practices applied to our developments in aspects such as energy efficiency, circular economy, climatic and landscape characteristics.

Social dimension: Contribution to economic development and social well-being

Metrovacesa is a benchmark in **sustainable land management** through the implementation of participatory processes that involve citizens from the design and planning to the management, execution and consolidation of our urban projects. Thus, the Company is developing participatory diagnoses and action plans in 7 large areas in the urban processing phase. in large cities such as Madrid, Valencia, Barcelona and Coruña.

In the development of its social action strategy, Metrovacesa proactively manages the implementation of annual plans based on dialogue with stakeholders aligned with the Sustainable Development Goals (SDG) of the United Nations 2030 Agenda.

Corporate governance dimension: Commitment to transparency and Good Governance Code

In the first half of 2003, Metrovacesa obtained **ISO 27001:2013** certification for Information Systems that support land development processes, residential development management and Tertiary real estate management, in accordance with the declaration of applicability current. This certification is added to those already obtained from the Quality System, **ISO 900:2015**, and the Environmental Management System, **ISO 1400:2015**.

Metrovacesa maintains its engagement as a **Member of the United Nations Global Compact**, with the Ten Universally Accepted Principles in the areas of human rights, labor standards, the environment and the fight against corruption.

In February 2023, the responsibility assumed by the Company with the development and implementation of its sustainability strategy has been reflected in obtaining the 88% percentile in the S&P Global Sustainability Assessment in the REA Real Estate industry.

5. 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 authorized 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

6. 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 224 employees at the end of the year, 45% of whom were women.

The General Shareholders' Meeting is the highest decision-making and control body of the Parent Company in matters pertaining to its competence, through which the shareholder's right to intervene in the essential decision-making of the Company is articulated

On April 25, 2023, the General Shareholders' Meeting of the Parent Company was celebrated with the following agenda:

- First.-** Examination and approval, where appropriate, of the individual annual accounts of Metrovacesa, SA -balance sheet, profit and loss account, statement of changes in equity, statement of cash flows and memory- and of the consolidated annual accounts corresponding to the financial year ended December 31, 2022, and the management reports of Metrovacesa, SA and its consolidated group corresponding to the same financial year.
- Second.-** Examination and approval, where appropriate, of the management and performance of the Board of Directors during the year ended December 31, 2022.
- Third.-** Examination and approval, if applicable, of the proposal for the application of the individual result corresponding to the year ended December 31, 2022.
- Fourth.-** Approval, if applicable, of the distribution of dividends charged to unrestricted reserves provision.
- Fifth.-** Re-election of auditors of the Company and its consolidated group.
- Sixth.-** Approval of the new remuneration policy for directors
- Seventh.-** Authorization to reduce the period for calling Extraordinary General Meetings
- Eighth.-** Delegation of powers for the formalization, registration, development, interpretation, correction and execution of the agreements adopted.

II. MATTERS FOR ADVISORY VOTE

- Ninth.-** Consultative vote on the annual report on director remuneration for the year ended December 31, 2022.

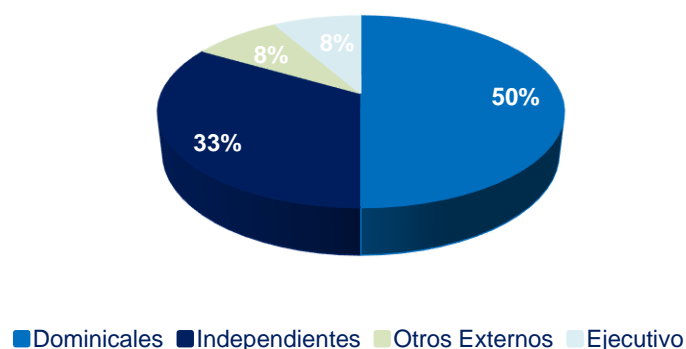
Shareholders owning 139,436,265 shares, representing 91.93% of the share capital attended, in person or duly represented, where all the proposals were approved with the following result:

Order of the day	Total									
	In favor		Against		Abstention		Blank		Total	
	Votes	%	Votes	%	Votes	%	Votes	%	Votes	%
1	139,435,168	99.999%	1,097	0.001%	-	0.000%	-	0.000%	139,436,265	100.000%
2	139,433,692	99.998%	2,573	0.002%	-	0.000%	-	0.000%	139,436,265	100.000%
3	139,435,168	99.999%	1,097	0.001%	-	0.000%	-	0.000%	139,436,265	100.000%
4	139,435,168	99.999%	1,097	0.001%	-	0.000%	-	0.000%	139,436,265	100.000%
5	139,420,398	99.989%	14,932	0.011%	935	0.001%	-	0.000%	139,436,265	100.000%
6	114,082,560	81.817%	15,015	0.011%	25,338,690	18.172%	-	0.000%	139,436,265	100.000%
7	139,422,797	99.990%	11,670	0.008%	1,798	0.001%	-	0.000%	139,436,265	100.000%
8	139,434,305	99.999%	1,097	0.001%	863	0.001%	-	0.000%	139,436,265	100.000%
9	139,433,485	99.998%	2,680	0.002%	100	0.000%	-	0.000%	139,436,265	100.000%

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 (4 women and 8 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.

Composición del Consejo de Administración



Metrovacesa has a **Director Diversity Policy** that aims to ensure that proposals for the appointment and re-election of directors are based on prior analysis regarding the needs of the Board of Directors, and favor diversity of knowledge, training and professional experience, age, and gender in it, without suffering from implicit biases that may imply any discrimination, in particular, for reasons of gender, disability, or any other personal condition. The diversity in the senior governing bodies guarantees a plural vision that favors the identification of risks and opportunities, achieving a greater achievement of objectives.

The selection, appointment and renewal procedures of the Board of Directors must be aimed at achieving a diverse, balanced and adequate composition for the exercise of the functions attributed to them by Law, the Bylaws and their own Regulations, all in the best social interest. In particular, **it will be ensured that the selection procedures do not contemplate any discrimination due to gender diversity**, favoring the selection of female directors until a balanced gender composition is achieved on the Board of Directors.

Promoting diversity from the governing bodies is essential to promote equality at all levels of the company, creating a diverse and inclusive environment. As of June 30, 2023, **the Board of Directors has a female representation**

of 33.33% and 75% of the independent directors, as well as the chairs of the Appointment, Remuneration and Sustainability Committee and the Audit and Control Committee.

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.

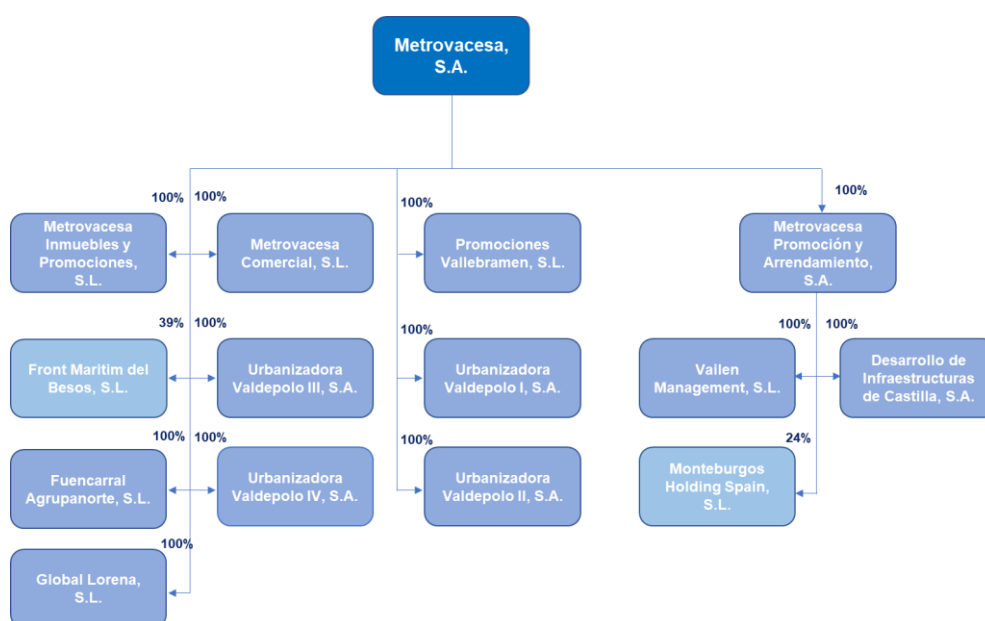
The Nomination and Remuneration Committee, composed of four directors, two of whom are independent directors, one of whom is the chairman of the committee, one is a proprietary director and one is an external director. Article 15 of the Regulations of the Board of Directors regulates the Appointments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

7. Corporate Structure of the Group

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



8. Share Price and liquidity

Metrovacesa share price ended 2022 trading at €6.37/share. During the period between January 1, 2023 and June 30, 2023, it reached its annual maximum of €7.70/share on May 8, 2023 and a minimum of €6.30/share on January 5, 2023. This was as a consequence of the uncertainties existing in the capital markets regarding the evolution of the economic situation. The shares have ended the period trading at €7.16/share, which has meant a revaluation of 12.40% from the annual minimum, after having carried out a dividend distribution amounting to €0.33 per share.

Regarding the liquidity of the share, at the end of the year the floating capital was 5.60 % of the company, likewise during the year 2023 more than 5,211,381 shares of the Parent Company were traded, which is equivalent to 61.39% of the total shares (5.60% of the total shares).

	2023
Closing Price	7.16
Average Price for the period	7.09
Daily share volume (shares)	41,034
Maximum daily share volume (shares)	299,752
Minimum daily share volume (shares)	5,890
Closing market value (Mm€)	1,086
Shareholder return (euro)	0.33

Stock market and IBEX 35 evolution



9. Hechos Relevantes

Date	Form	Nature	Description	Register Number
26/04/2023	OIR	About business and financial situation	Presentation of results corresponding to 1Q23	22,102
25/04/2023	OIR	About business and financial situation	Information on dividend approved by the General Shareholders' Meeting. Scheduled distribution dates.	22,099

20/04/2023	OIR	Announcement of Board or Assembly	Voting results of the General Shareholders' Meeting	22,098
20/04/2023	OIR	Communication of related party transactions	Transactions formalized with related entities	22,023
11/04/2023	OIR	Other relevant information	Information about the date of publication of quarterly results	21,875
04/04/2023	OIR	Liquidity and counterparty contracts	Summary of operations carried out during 1Q23	21,790
24/03/2023	OIR	Council Regulations	Modification of the Regulations of the Board of Directors	21,549
22/03/2023	OIR	Announcement of Board or Assembly	Announcement of the General Shareholders' Meeting and proposal for dividend distribution	21,463
27/02/2023	OIR	Financial and audit reports / limited reviews	Financial information for the second half of 2022	20,733
27/02/2023	OIR	Annual financial and audit reports	Annual Financial Report for the year 2022	20,731
27/02/2023	OIR	Annual report on directors' remuneration	Annual Report on the remuneration of directors for the Year 2022	20,730
27/02/2023	OIR	Annual corporate governance report	Annual Corporate Governance Report for the year 2022	20,729
27/02/2023	OIR	About business and financial situation	2022 presentation of results	20,728
15/02/2023	OIR	Communication of related party transactions	Transactions formalized with related entities	20,430
15/02/2023	OIR	Communication of related party transactions	Transactions formalized with related entities	20,429
13/02/2023	OIR	Other relevant information - About business and financial situation	Date of publication of annual results	20,399
24/01/2023	OIR	Liquidity and counterparty contracts	Subscription of intermediation contract for liquidity contract	20,121
24/01/2023	OIR	Liquidity and counterparty contracts	Ending of intermediation contract with financial entity	20,120

10. Risk Management and Control System

- **Control environment of the entity**

Metrovacesa's Financial Information Internal Control System (hereinafter SCIIF) has been designed as the set of processes carried out by the entity to provide reasonable assurance about the reliability of the financial information prepared and reported by the Group.

The SCIIF has the participation of all levels of the organization and is carried out by all the entity's personnel who are involved in the operations and in the preparation of the financial information. The main functions and responsibilities related to the Internal Control System for Financial Information of the Metrovacesa Group are summarized in the following points: The formulation and approval of financial information is the responsibility of the Board of Directors at the proposal of the CEO and the Financial Department.

- The supervision of the SCIIF is the responsibility of the Audit Committee.
- The design and implementation of the SCIIF is the responsibility of the Financial Department.

The functions and responsibilities related to the SCIIF are summarized below:

A continuación, se resumen las funciones y responsabilidades relativas al SCIIF:

Functions		Responsibilities
Management Bodies	Board of Directors	<ul style="list-style-type: none"> Formulation and approval of regulated financial information.
	Audit Committee	<ul style="list-style-type: none"> Supervision of financial information Supervision of internal audit activities and external auditors. Approve what and when to supervise and how evaluate the SCIIF supervision. Supervision and conclusion of effectiveness of the SCIIF.
	Steering Committee	<ul style="list-style-type: none"> Supervise and analyze the reports on the effectiveness of the SCIIF reported by the Financial Management and/or Internal Audit. Monitoring of incidents, deficiencies and areas for improvement of the SCIIF reported by the Financial Management and/or Internal Audit.
Financial Management		<ul style="list-style-type: none"> Design, implementation, evaluation and global follow-up of the SCIIF. Report on the effective operation of the SCIIF to the CEO and the Audit Committee.
Departaments and areas	Responsible for the process	<ul style="list-style-type: none"> Identify the risks that may affect the financial information in the process. Propose and implement the most appropriate controls to mitigate risks. Make sure controls are working effectively. Report on the operation of internal control in the process. Execution of recommendations.
	Responsible for control	<ul style="list-style-type: none"> Run the controls. Report on incidents that occur.
Internal audit		<ul style="list-style-type: none"> Planning of internal audits of the SCIIF. Execution of the SCIIF audit tests and communication of the results. Follow-up of the recommendations issued. Preparation of reports for the Management and the Audit Committee on the reviews carried out.

The Board of Directors is responsible, as detailed in its Regulations, for the following functions, among others:

- The determination of the Risk Control and Management Policy, including tax risks, and the supervision of the internal information and control systems.
- The preparation of the Annual Accounts, the management report and the proposed application of the company's results, as well as the consolidated accounts and management report, as well as their presentation to the General Shareholders' Meeting.
- Approval of the financial information that, due to its status as a listed company, the company must publish periodically.
- The determination of the Corporate Governance Policy of the company and the Group, its organization and operation.

The functions attributed to the Audit Committee in relation to internal control contemplated in the Regulations of the Board of Directors of Metrovacesa are the following:

- Report to the General Shareholders' Meeting on matters raised by the shareholders regarding their competence and, in particular, on the result of the audit, explaining how it has contributed to the integrity of the financial information and the role of the Audit Committee has played in that process.
- Supervise the effectiveness of the internal control of the company and the Group, the internal audit and the risk management systems, as well as discuss with the accounts auditor the significant weaknesses of the internal control system detected during the audit, all without compromising their independence. For such purposes, in case of identifying significant weaknesses, they will present recommendations or proposals to the administrative body and the corresponding term for their follow-up.
- Supervise and evaluate the process of preparing financial and non-financial information, as well as the financial and non-financial risk control and management systems related to the Company and its group—including operational, technological, legal, social, environmental, political and reputational or related to corruption—reviewing compliance with regulatory requirements, the adequate delimitation of the consolidation perimeter and the correct application of accounting criteria.
- Ensure the independence of the unit that assumes the internal audit function; propose the selection, appointment and dismissal of the head of the internal audit service; propose the budget for that service; Approve or propose approval to the board of internal audit's guidance and annual work plan, ensuring that its activity is primarily focused on relevant risks (including reputational risks); receive regular information about your activities; and verify that senior management takes into account the conclusions and recommendations of their reports.
- Establish and supervise a mechanism that allows employees and other people related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report irregularities of potential importance, including financial and accounting irregularities, or of any other nature, related to the Company that they notice within the company or its group. Said mechanism must guarantee confidentiality and, in any case, provide for cases in which communications can be made anonymously, respecting the rights of the complainant and accused.

In relation to information systems and internal control: (a) ensure in general that the policies and systems established in matters of internal control are applied effectively in practice; (b) supervise the preparation process and the integrity of the financial and non-financial information relating to the Company and, where appropriate, to the group, reviewing compliance with regulatory requirements, the adequate delimitation of the scope of consolidation and the correct application accounting criteria; and (c) establish and supervise a mechanism that allows employees and other people related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report irregularities of potential importance, especially financial and accounting irregularities, that they notice in the within the Society or the group.

- **Structure of distribution of tasks and functions**

The Board of Directors, ultimately responsible for financial information, has established the necessary organizational structure that allows its monitoring by delegating said task to the Audit Committee. In this way, the Audit Committee ensures the correct fulfillment of the responsibilities defined and assigned both to the Financial Department (responsible for the preparation of financial information) and to the other departments and areas related to the Internal Control System for Financial Information of the society that must ensure the transparency and veracity of that information.

- **Ethical code**

Metrovacesa has a Code of Ethics, available on the intranet and on the corporate website, which constitutes the reference framework in terms of the basic principles to which the companies that make up the Group and all their employees and administrators must abide in the development of Your activities.

The Code of Ethics must be accepted by all employees and persons who for any reason are subject to it.

Any modification of this Code must be approved, at the proposal of the Control Committee, by the Board of Directors, following a report, where appropriate, from the Audit Committee, informing the employees via the intranet, in such a way that said modifications can be known immediately by all obligated subjects.

- **Complaint mailbox**

There is a Complaints Mailbox available on the Company's website and intranet, which allows irregular behavior to be reported, as well as other aspects related to non-compliance with laws, internal regulations, the Code of Ethics and any similar event.

Metrovacesa has a specific procedure that regulates the processing of complaints received in such a way that any employee or third party who has well-founded knowledge of the commission of an illegal act in the terms set out above, must report it directly to the Control Committee through the Mailbox Complaints in order to initiate an investigation and, where appropriate, take the appropriate measures.

Metrovacesa has adopted appropriate measures to guarantee the confidentiality of all the data and will ensure that those related to the identity of the complainant are not disclosed to the accused during the investigation, respecting in all cases the fundamental rights of the person, without prejudice to the actions that, where appropriate, may be adopted by the competent judicial authorities.

The Control Committee keeps a record of all complaints and communications received. The Secretary of the Control Committee is responsible for safeguarding the complaints, as well as any additional information received and that collected during the investigation phase. This information is treated in accordance with current data protection regulations.

On an annual basis, the Control Committee reports the list of complaints received to the Audit and Control Committee and which are detailed in the Annual Report of the Control Committee, without any of them having an impact on the financial information.

- **Programas de formación**

The personnel involved in the Internal Control System for Financial Information received training during 2022 on the updated global model, explaining the content, objective and scope of the SCIIF Policy, as well as on the risk and control matrix, the reporting methodology, the process of archiving and custody of the documentation that proves the proper execution of the implemented controls.

- **Risk assessment of financial information**

During 2022 financial year, the Group has updated the Risk Map as established in the Risk control and management Policy. The purpose of this policy approved by the Board of Directors is to establish the principles for identifying, analyzing, evaluating, managing and communicating the risks associated with Metrovacesa's strategy and operations. The risks as contemplated in this policy have been evaluated considering the associated impact, probability and level of management.

Specially, during the financial year 2022 the definitions of the risks that make up the risk management model and their denomination have been updated in order to improve their understanding and align the taxonomy with specific aspects that affect the Company. New risks have also been identified or events that could hinder the achievement of the objectives of the company. The result of this reassessment has been presented to the Audit Committee and the Board of Directors.

Additionally, risk and control indicators have been defined for each identified risk event and the guidelines to be followed to identify and maintain critical risks within the approved tolerance limits have been defined so that the Board of Directors can decide on the level acceptable risk for society at all times.

In order to comply with the best corporate governance practices, the Company has a Criminal Risk Prevention System. The risk and control matrix that structures the system contains specific risks that have an impact on financial information (among other risks of a fiscal nature, accounting falsehood and fraud). Likewise, in the Risk Map updated by the Company, those specific risk events that affect the reliability of the financial information have been identified, as well as the necessary controls to mitigate said risks. The Company has a formalized procedure in which the quantitative and qualitative criteria are specified for the determination and annual updating of the scope of the SCIIF, which allows identifying the processes and sub-processes to be documented in relation to the headings of the balance sheet and profit and loss account and the companies in the scope of consolidation for which there may be a significant associated risk and whose potential impact on the financial information may be material.

The SCIIF is adequately supported by preserving sufficient documentary evidence. In the same way, to allow the efficient execution of the designed controls, the registered operations are traceable from the moment the economic event occurs to its accounting record.

The risk identification process defined by Metrovacesa covers all the objectives of financial information:

- Existence and occurrence (EO): The transactions, events and other events included in the financial information exist and have been recorded at the appropriate time.
- Integrity (I) of the information: The information reflects all the transactions, facts and other events of economic or financial significance.
- Accuracy (E): The amounts and other data related to the transactions and events recorded have been properly reflected.
- Cut (C) of operations: The transactions and events have been recorded in the correct period.
- Appropriate valuation (V): Transactions, events and other events are recorded and valued in accordance with applicable regulations.
- Appropriate presentation, breakdown and comparability (P, D, C): Transactions, facts and other events are classified, presented and reflected in the financial information in accordance with the applicable regulations.
- Adequate reflection of the rights and obligations (D, O): The financial information reflects, on the corresponding date, the rights and obligations through the corresponding assets and liabilities, in accordance with the applicable regulations.

The safeguarding of assets and the prevention and/or detection of fraud are also considered underlying objectives

Both the determination of the scope of the Internal Control System for Financial Information and the process of identifying and updating the documentation of risks and controls are carried out at least once a year and, in any case, whenever there is a significant change in the consolidation perimeter of the Group.

- **Identify other risks**

The Risks Controls and Management Policy adopted by Metrovacesa not only covers all types of relevant risks that may threaten compliance with the Group's objective but also non-financial and strategic risks are taken into account. Specifically, the Group has identified four categories of risks that it believes must be managed in order to achieve effectively its objectives.

- Strategic: risks associated with key long-term objectives. They may arise from the actions of other key market participants (customers, competitors, partners, regulators, investors, or others), from changes in the competitive environment, or from the business model itself.
- Operational: risks associated with the usual operations carried out at Metrovacesa, including all risks related to the business's own procedures and operations.
- Financial: risks related to Metrovacesa's economic-financial management, as well as the processes for obtaining financial information and its forecasts.
- Compliance: risks of non-compliance with external and internal regulations by the Company's Management or employees.

The risks contemplated in the Risk Map are aligned with the risks detailed in the SCIIF to the extent that they may have an impact on the preparation of financial information.

The Regulation of the Board of Directors attributes to the Audit Committee the power to supervise the SCIIF, in order to guarantee that risks can be adequately identified, managed, valued and communicated.

The Audit Committee has various ways to determine if Management has implemented an effective system of supervision of the ICFR. The main sources of analysis are the following:

- Questions of the management carried out by the Directors.
- Financial Department Reports
- Internal Audit Reports.
- Supervision by internal audit of the effectiveness of SCIIF
- External auditors' reports.

- **Control activities**

Quarterly results are supervised always in accordance with a defined procedure:

Once the quarterly results of each of the companies that make up the group has been completed in accordance with a closing calendar established by the Financial Department, the Consolidation Unit proceeds to prepare the consolidated information of the Group in accordance with the International Financial Reporting Standards (IFRS)

The Financial Department, once the consolidated annual accounts have been reviewed and supervised, forwards the information to the Audit Committee, which is responsible for supervising the process of preparation, presentation and integrity of the regulated financial information, the adequate delimitation of the consolidation perimeter, the correct application of accounting principles.

As well, once the periodic public information has been reviewed by the Audit Committee, this committee will report the conclusions of its review to the Board of Directors. They must analyze, discuss, modify, and finally approve said information. On a quarterly basis, the Audit Committee will additionally collect the conclusions of the review carried out by Internal Audit. In the case of annual accounting closures, the conclusions of the audit carried out by the external auditor will also be available.

For the closing of the annual financial year, the Board of Directors approves the formulation of annual accounts, the management report and the proposal for the application of the company's results, as well as the accounts and the consolidated management report and its presentation to the General Meeting of Shareholders.

Metrovacesa's Financial Information Review and Approval Policy has been approved by the Administrative and its purpose is to define the internal review and approval practices of financial information necessary for the members of the Board of Directors and the Audit Committee to Audit can perform their functions. The policy contemplates, among other things:

- financial information that the company must make public periodically and the format required for its report
- policy for the review and control of information on the consolidation perimeter that contemplates, among other things, the periodic review of said perimeter and the main changes that have occurred, with the purpose of in order to ensure the adequacy of the consolidation perimeter for entities in which it participates and/or those in which it does not participate, control relationships or significant influence may exist. For this purpose, the Financial Department periodically informs the Audit Committee of the changes that occur in the consolidation perimeter and their impact on the consolidated financial information. Likewise, control mechanisms have been established in the financial area to guarantee on a monthly basis that the consolidation process has been carried out satisfactorily and that the consolidation perimeter registered is in accordance with the corporate Map provided by the Legal Area.
- estimates that involve subjective judgments or assessments (such as the market value of real estate assets and provisions). In relation to these issues, the policy addresses, given its relevance, the control mechanisms implemented for the review and approval of said judgments, provisions and estimates by the Group's Governing Bodies.

The Group also has a policy related to SCIIF that is supervised by the Audit Committee and raised by the Board of Directors of the Parent Company. The purpose of this policy is to establish the bases for the design, maintenance, revision, monitoring and supervision of the Internal Control System of the Metrovacesa Group. As a result of said update, eight key processes have been identified that may have a significant impact on the Group's financial information:

- Real Estate Investment Cycle and Inventories
- Cycle of Purchases and Accounts Payable
- Billing Cycle and Accounts Receivable
- Treasury and Financing Cycle
- Asset Valuation Cycle
- Taxation Cycle
- Consolidation, Closing and Reporting Cycle
- Information System Cycle

Each process identified in the SCIIF is fully documented, with risk and control matrices for all cycles.

All this information is available to those responsible for each of the cycles and controls in the risk, control and indicator management tool – LUPA. Each one of the controls defined within the SCIIF Risk and Control Matrix has a file detailing all the relevant information: Responsible for Execution, Responsible for Reporting, frequency, traceability of modifications, as well as all the information and evidence that those responsible consider necessary to prove its proper execution and reporting.

Each process and sub-process of the SCIIF is assigned to a person in charged who ensures the management and control of each of the risks associated with their area. Those responsible for the different processes and sub-processes of the SCIIF keep the documentation of each cycle updated, proposing and implementing the most appropriate controls to mitigate the risks and ensure that the controls are working effectively.

The evaluation of the operation begins in the risk management, controls and indicators tool - LUPA, in which those responsible for reporting each of the processes, sub-processes and controls confirm to the Financial Department the following points:

- Followed the internal policies, procedures, controls and regulations detailed in the manuals approved and in force to date.
- The details of the processes and controls defined in the Risk and Control Matrices have been reviewed. These have been adequately implemented and have been effective in mitigating the associated risks.
- Modifications or incorporation of new control mechanisms associated with the risks of each process have been identified, described and, where appropriate, implemented as described in this report.
- All internal control incidents identified have been communicated at the appropriate level and have been resolved or an action plan has been implemented as indicated in this report. An incident is considered both the non-execution or implementation of a control, as well as failures or errors in its effectiveness.

LUPA provides a series of fields to report changes and modifications on any of the attributes of the controls, as well as possible incidents detected.

During 2022, each one of those responsible for the defined controls has reported quarterly in Lupa to the Financial Department the Self-Assessment Reports, through which they confirm that the controls have been operational in that period, that the controls adequately mitigate the risks identified, and notify any type of modification or incident.

- [Internal control policies on information systems](#)

In the area of information systems, Metrovacesa has policies, procedures and control matrices to cover the risks that may affect the systems in the process of preparing financial information and obtain reasonable assurance regarding the operation of the SCIIF.

In order to formalize and specify Metrovacesa's commitment to information security, in October 2022 the Company set up a computer security committee, which is responsible for defining the security requirements and objectives based on the criteria derived from privacy policies. Metrovacesa and the specific needs determined by those responsible for information assets and those responsible for business processes. An example of this is the annual review of the specific information security risk matrix or the approval of the cybersecurity policy. Additionally, the Company has specific policies and procedures associated with the Company's information systems:

- **Access policy:** Definition of control rules for physical and logical access to information systems
- **Authentication and password policy:** Key or password system to access the company's Information Systems. It will be verified through a double authentication system by means of a message to the corporate mobile.
- **Duties segregation policy:** Definition of system accesses and authorizations. It includes the management of necessary licenses.
- **Registration and traceability policy:** Maintenance, whenever possible, of user access and modification records in information systems protected by the LOPD, as well as changes in applications that contain confidential or relevant information.
- **Non-intrusion policy:** Prohibition of intrusion into own systems and those outside those of Grupo Metrovacesa from the resources provided by the Company. The greatest diligence will be taken in the updating and efficiency of firewalls, anti-spyware, antispam and other protection measures against intrusion into information systems.
- **Backup policy:** Maintenance of copies of servers with daily, semi-annual and annual backups; as well as data recovery and restoration services.
- **Disaster recovery policy:** Management of a data processing center, anti-fall systems and processes, as well as preparation of the Business Continuity Plan.
- **Information systems control policy:** Carrying out external audits of the systems in order to discover possible risks.
- **Intellectual property policy:** Prohibition of the use of programs and/or information protected by the intellectual or industrial property of third parties without having licenses.

- **Unattended computer policy:** Logical controls for blocking screens, both at the user level and programmed.
- **Clean desktop policy:** the user is required to have the desktop of his computer clean and thus avoid having confidential information. All documentation must be contained in the official repositories.
- **Policies regarding supplier management:** Efficient management of suppliers establishing specific procedures for the control of outsourced services.

In order to review compliance with the conditions stipulated in the contract and the service level agreements, the Department of Systems and Telecommunications is in charge of reviewing compliance with the service level agreements on a monthly basis in the service's Operational Monitoring Committees. maintained by the provider. In these Committees, the level of monitoring is reviewed, the incident resolution times of the User Service Center (CAU), the delivery times of the evolution of the application maintenance service. Additionally, once a year at least, audits are carried out internal or external compliance.

- Internal control policies and procedures aimed at supervising the management of activities subcontracted to third parties, as well as those aspects of evaluation, calculation or valuation entrusted to independent experts, which may materially affect the financial statements.
 - One of the activities outsourced to third parties that has the greatest impact on the Group's Financial Information, and which also involves valuation by independent experts, is the valuation of assets. There is a specific Corporate Standard that regulates the activities to be carried out to supervise this process, from the selection and contracting of valuation companies, to the review of the results obtained, as well as the supervision of the entire process by the Group's Governing Bodies. . In this sense, the standard considers the recommendations of the CNMV to listed valuation and real estate companies in relation to the valuation of real estate assets.
 - The asset valuation process is one of the cycles that has been identified as a key process in Metrovacesa's SCIIF. For this reason, like the rest of the processes, it has a specific risk and control matrix that includes a description of the activities and controls that mitigate the risks that could materially affect the consolidated annual accounts. During 2022 and 2021, the Group has carried out a process of reviewing and updating the controls applicable in this cycle given the relevance of the cycle and its impact on the consolidated annual accounts.

11. Information about related parties

Note 17 attached details the transactions carried out with related parties.

Most of these transactions are financing contract and related financial expenses with financial institutions which own part of the Parent company capital, and financial transactions with other Group companies.

12. Treasury

The Group's available cash position as of June 30, 2023 and December 31, 2022 amounts to 114,215 thousand euros and 124,062 thousand euros, respectively. This liquidity, together with the control of the expenses that the Group is making and the generation of cash from the development and sale of the Group's residential developments, make the Administrations of the Parent Company confident that sufficient resources will be available to face to cash needs.

13. Treasury Shares

During financial year 2023, the Parent Company has carried out purchase or sale operations with its own shares within the framework of the operation of the liquidity contract that it has signed with JB Capital Markets Sociedad de Valores, SA, as well as the allocation of shares to executives by compliance with long-term incentive metrics.

As of June 30, 2023, the Parent Company had 182,587 treasury shares of its own.

14. Research and development

No significant investments in research and development have been made during the six-month period ended June 30, 2023. due to the characteristics of the Group's activity.

15. Average period for payment to suppliers

The group has a firm commitment to comply with the provisions of Law 3/2004 of December 29. regarding late payment. complying with the deadlines established therein. Or in her case. with those agreed in contracts signed with third parties.

16. Subsequent events

- Issuance of MARF promissory notes

Up to the date of preparation of these interim financial statements, the Parent Company has issued MARF promissory notes for an amount of 15,000 thousand euros and has proceeded to repay 8,800 thousand euros.

17. Significant shareholders

As of June 30, 2023, the shareholders holding significant holdings in the share capital of Metrovacesa, SA, both directly and indirectly, greater than 3% of the share capital, are the same as those indicated in Note 12.

18. Alternative Performance Measures

As indicated in Notes 1 and 2 to the consolidated annual accounts, the Group prepares its consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU). In addition, it presents certain Alternative Performance Measures ("APMs") to provide additional information that enhances the comparability and understanding of its financial information and facilitates decision-making and the evaluation of the Group's performance. The APMs should be considered by the user of the financial information as complementary to the aggregates presented in accordance with the basis of presentation of the consolidated financial statements, but in no case as a substitute for them.

The most significant APMs are as follows:

Gross Margin

Definition: Inventory sales – Variation in inventories of supplies - Cost of sales

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

	30/06/2023	30/06/2022
Inventory sales (Note 16)	165,064	246,605
Cost of inventory sales and related costs (Note 16)	(129,195)	(195,609)
Gross Development and Asset Sale Margin	35,869	50,996

Explanation of use: the profit or gross margin from promotions is considered by the Parent's directors to be a measure of the performance of its activity, since it provides information on the profit or gross margin from promotional projects, which is obtained from external sales and by subtracting the cost incurred in achieving these sales. In addition, the impairments applied to real estate assets that have been sold during the period have been taken into account for this calculation. The net margin includes the returns arising from the sale of land, which is considered to be a significant part of the Group's business activity.

Comparative: The group presents a gross margin for the promotion and sale of land of 35,869 thousand euros at 30 June 2023, compared to a gross margin for the promotion and sale of land of 50,996 thousand euros at 30 June 2022, which represents a negative variation of 15,127 thousand euros due to i) higher volume of deliveries and ii) higher profitability of the units delivered during the period between January 1, 2023 and June 30, 2023.

Net Development and Asset Sale Margin

Definition: Gross margin – Commercial and marketing cost directly related to homes, which are included in line Other operating expenses.

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

	30/06/2023	30/06/2022
Gross Development & Land Margin	35,869	50,996
Commercial and marketing expenses	(6,868)	(8,946)
Other direct expenses promotions	(4,093)	(4,528)
Net Margin	24,908	37,525

(1) Commercial expenses directly attributable to real estate developments. According to accounting regulations they are not susceptible to capitalization. They are recognized under "External Services" in the consolidated income statement.

Explanation of use: the net margin is considered by the Parent's directors to be a measure of the performance of its activity, since it provides information on the net margin of the developments that have generated revenue during the period. This net margin is calculated on the basis of the gross margin, net of certain costs associated with the marketing and sale of the relevant promotions. The net margin includes the returns that arise from the sale of land, which is considered to be a significant part of the Group's activity.

Comparative: The group presents a Net margin on development and sale of land of 24,908 thousand euros as of June 30, 2023, compared to a Net margin on development and sale of land of 37,525 thousand euros as of June 30, 2022, which represents a negative variation of 12,617 thousand euros due to i) lower volume of deliveries in the period between 1st January 2023 and 30th June 2023.

EBITDA-

Definición: Net Development and Asset Sale Margin – Inventory impairment + Sales + Other operating income – Employee Benefits expense – Other operating expenses isolating commercial and marketing costs (external services adjusted by commercial costs).

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

	30/06/2023	30/06/2022
Net Margin	24,908	37,525
Personnel expenses (Note 16.c)	(9,733)	(9,122)
External services	(4,869)	(5,153)
Other net management income	(615)	(69)
EBITDA	9,691	23,181

Explanation of use: EBITDA is considered by the Parent 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 group presents a positive EBITDA of 9,691 thousand euros as of June 30, 2023, compared to a positive EBITDA of 23,181 thousand euros as of June 30, 2022, which represents a negative variation of 13,490 thousand euros due to the lower volume of deliveries made by the Company in the period.

Net financial debt

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

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

Net financial debt (Thousand euro)	30/06/2023	31/12/2022
(+) Bank debt	(350,027)	(291.,882)
(+) Bonds (MARF) (**)	(30,000)	(30,000)
(+) Promissory notes (MARF) (**)	(35,800)	(29,000)
(-) Cash available (Note 11)	114,215	124,062
(-) Other financial assets	-	-
Market value of assets (GAV)	2,346,593	2,350,745

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.

Comparative: As of 30 June 2023, the Group has a total net financial debt of €301,612 thousand compared to € 226,820 thousand as of 31 December 2022.

Leverage

Definition: Net financial debt / Total assets.

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

	30/06/2023	31/12/2022
(-) Net financial debt (a)	301,612	226,820
Total Assets (b)	2,554,825	2,513,890
Leverage (a) / (b)	11.81%	9.02%

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 11.81% as of 30 June 2023 compared to a ratio of 9.02% as of 31 December 2022.

Return on capital employed (ROCE)

Definition: Adjusted EBITDA / (sum of average balances between 30 June 2023 and 31 December 2022 of Equity and Net Financial Debt, respectively).

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

	30/06/2023	31/12/2022
EBITDA	9,691	23,181
Average equity*	1,762,981	1,942,594
Average net financial debt **	264,216	194,453
ROCE	0.48%	1.08%

(*) Equity as of 30 June 2023 amounts to 1,762,981 thousand euros and 1,942,594 thousand euros as of 31 December 2022, thus resulting in the average balance between the two amounts.

(**) The net financial debt for the year as of 30 June 2023 amounts to 264,216 thousand euros and 194,453 thousand euros as of 31 December 2022, thus resulting in the average balance between the two amounts.

Explanation of use: the return on capital employed (ROCE) is considered by the Parent's directors to be a measure of the performance of its activity, since it measures the profitability of a company by taking into account a particularly

relevant issue, namely the efficiency with which the capital is used. It is widely used by investors when assessing the real profitability of a company.

Comparative: As of 30 June 2023, the group has a ROCE of 0.48% compared to a ratio of 1.08%, as of 31 December 2022, 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 consolidated financial statements is as follows:

	30/06/2023	31/12/2022
(-) Net financial debt	301,612	226,820
Market value of property assets recorded in investment property (Note 6)	233,439	240,372
market value of property assets recorded in inventories (Note 9)	2,110,466	2,110,373
LTV (%)	12.87%	9.65%

(1) This calculation has taken into account the assets owned by the company that are consolidated by the equity method, whose value amounts to 71,998 thousand euros at December 31, 2022 and 69,208 thousand euros at June 30, 2023. If these values were taken into account, the LTV of June 30, 2023 would amount to 11.99% and that corresponding to December 31, 2022 would amount to 9.36%.

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.

Comparative: The group presents a Loan to Value of 12.87% as of 30 June 2023 compared to a ratio of 9.65% as of 31 December 2022, mainly due to the increase in net debt for investments in construction projects, as well as a reduction in the market value of the group's real estate assets.

Loan to Cost (LTC)

Definition: Net financial debt / (Stocks - Advances from suppliers + Real Estate Investments).

Explanation of use: LTC is an indicator that measures the company's debt position. It is widely used by investors when assessing the financial leverage of real estate companies, as well as by rating agencies and creditors to evaluate the level of debt.

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

	30/06/2023	31/12/2022
(-) Net financial debt	301,612	226,820
(+) Inventories (Note 9)	1,917,125	1,842,927
(-) Pre-payments to suppliers (Note 9)	(901)	(549)
(+) Investments properties (Note 6)	233,439	240,372
LTC	14.03%	10.89%

Comparative: The group presents an LTC of 14.03% as of 30 June 2023 compared to a ratio of 10.89% as of 31 December 2022

APPENDIX I

SUBSIDIARIES

Net interest in owner company

Name	Registered address	Activity	2023 (%)	2022(%)	30/06/2023 (thousand €)	31/12/2022 (thousand €)	Owner Group company
Promociones Vallebramen, S.L.	Spain	Prop. promotion and development	100%	100%	13,000	13,000	Metrovacesa, S.A.
Fuencarral Agrupanorte, S.L. (ANTES ALQ.13)	Spain	Prop. promotion and development	100%	100%	98,219	98,219	Metrovacesa, S.A.
Metrovacesa Inmuebles y Promociones, SL	Spain	Prop. promotion and development	100%	100%	20,122	20,122	Metrovacesa, S.A.
Metrovacesa Promoción y Arrendamiento. S.A.	Spain	Prop. promotion and development	100%	100%	339,957	339,957	Metrovacesa, S.A.
Metrovacesa Comercial, S.L.	Spain	Real State Marketing	100%	100%	104	104	Metrovacesa, S.A.
Desarrollo de Infraestructuras de Castilla, S.A.	Spain	Prop. promotion and development	100%	100%	435	435	Metrovacesa Promoción y Arrendamiento. S.A.
Vailen Management, S.L	Spain	Prop. promotion and development	100%	100%	623	623	Metrovacesa Promoción y Arrendamiento. S.A.
Urbanizadora Valdepolo I, S.A.	Spain	Prop. promotion and development	100%	100%	79	79	Metrovacesa, S.A.
Urbanizadora Valdepolo II, S.A.	Spain	Prop. promotion and development	100%	100%	79	79	Metrovacesa, S.A.
Urbanizadora Valdepolo III, S.A.	Spain	Prop. promotion and development	100%	100%	79	79	Metrovacesa, S.A.
Urbanizadora Valdepolo IV, S.A.	Spain	Prop. promotion and development	100%	100%	79	79	Metrovacesa, S.A.
Global Lorena, S.L.U.	Spain	Prop. promotion and development	100%	100%	54	4	Fuencarral Agrupanorte, S.L.

ASSOCIATES AND JOINT VENTURES

Net interest in owner company

Name	Registered address	Activity	2022 (%)	2021(%)	31.12.2022 (thousand €)	31.12.2021 (thousand €)	Owner Group company
Monteburgos Holding Spain, S.L.	España	Prop. promotion and development	24%	24%	3,512	3,512	Metrovacesa Promoción y Arrendamiento. S.A.
Front Maritim del Besos, S.L.	España	Prop. promotion and development	39%	39%	50,640	50,466	Metrovacesa, S.A.

Metrovacesa, S.A. and subsidiaries

The condensed interim consolidated financial statements and directors' report for the six month period ended 30 June 2023 of Metrovacesa, S.A. and Subsidiaries, consisting of the balance sheet at 30 June 2023, the income statement, the statement of changes in equity and the cash flow statement and the related notes, all on a summarized and consolidated basis, for the six month period then ended, were prepared by the Board of Directors of Metrovacesa, S.A. during its meeting of 25 July 2023. The condensed interim consolidated financial statements are for the six-month period ended 30 June 2023, all the directors signing this last page.

Madrid, 25th July 2023

Mr. Ignacio Moreno Martínez

Mr. Lucas Osorio Iturmendi

Chairman of the Board of Directors

Secretary of the Board Directors

Mr. Mariano Olmeda Sarrión

Vicepresident of the Board of Directors

Sgd. Mr. Ignacio Moreno Martínez

Member

Sgd. Mr. Mariano Olmeda Sarrión

Member

Sgd. Mr. Jorge Pérez de Leza Eguiguren

Member

Sgd. Mr. Javier García-Carranza Benjumea

Member

Sgd. Mr. Cesáreo Rey-Baltar Oramas

Member

Sgd. Ms. Beatriz Puente Ferreras

Member

Sgd. Mr. Enrique Migoya Peláez

Member

Sgd. Ms. Emma Fernández Alonso

Member

Sgd. Ms. Ana Lucrecia Bolado Valle

Member

Sgd. Ms. Azucena Viñuela Hernández

Member

Sgd. Mr. Vicente Moreno García-Mansilla

Member

Sgd. Mr. Carlos Manzano Cuesta

Member

-