SILICIUS REAL ESTATE SOCIMI, S.A.
AND SUBSIDIARIES

Consolidated Financial Statements at 31 December 2022
and Consolidated Directors' Report for the year 2022

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SILICIUS REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

BALANCE SHEET A 31 DECEMBER 2022
(in thousands of euros)

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ASSETS	Notes	31 December 2022	31 December 2021
NON-CURRENT ASSETS			
Intangible assets	**5**	**3,902**	**4,479**
Investment property	**6**	**705,840**	**741,401**
Investments in entities accounted for using the long-term equity method	**7**	**8,566**	**7,405**
Loans to entities accounted for using the long-term equity method	**8**	**1,678**	**1,116**
Non-current financial assets		**4,353**	**4,425**
Other financial assets	8	4,353	4,425
Deferred tax assets	**15**	**1,078**	**1,059**
TOTAL NON-CURRENT ASSETS		**725,417**	**759,885**
CURRENT ASSETS			
Supplier advances		**1**	**33**
Loans to entities accounted for using the short-term equity method	**8 and 7**	**-**	**690**
Trade and other receivables	**8 and 9**	**4,828**	**4,890**
Trade receivables for sales and services		4,265	2,517
Sundry receivables		8	5
Other accounts receivable from public authorities		555	2,368
Current financial assets	**8**	**6**	**3**
Current accruals and deferrals		**78**	**111**
Cash and cash equivalents	**10**	**5,654**	**10,392**
TOTAL CURRENT ASSETS		**10,567**	**16,119**
TOTAL ASSETS		**735,984**	**776,004**

Notes 1 to 22 and Appendixes I and II are an integral part of the accompanying consolidated financial statements at 31 December 2022.
* Restated. See Note 2.2.

CONSOLIDATED BALANCE SHEET A 31 DECEMBER 2022
(in thousands of euros)

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EQUITY AND LIABILITIES	Notes	31 December 2022	31 December 2021*
EQUITY			
Share capital	11	30,955	36,112
Retained earnings and other reserves	11.1	366,791	390,849
Treasury shares	11.1	(209)	(124)
Business combination adjustment reserve – Shares A	18	-	(80,964)
Business combination adjustment reserve – Shares B	18	(43,410)	(23,570)
Profit for the year attributable to the shareholders of the Parent	11	10,827	52,045
Equity attributable to the shareholders of the Parent		**364,954**	**374,348**
Non-controlling interests	**11.2**	**2,984**	**11,730**
TOTAL EQUITY		**367,938**	**386,078**
NON-CURRENT LIABILITIES			
Long-term provisions	**8**	**2**	**766**
Non-current payables		**252,532**	**214,903**
Bank borrowings	12	194,780	199,763
Other borrowings	12	8,232	8,591
Other financial liabilities	8 and 12	49,520	6,549
Non-current payables to shareholders – Shares B	**17**	**43,410**	**23,570**
Deferred tax liabilities	**15**	**24,716**	**27,662**
TOTAL NON-CURRENT LIABILITIES		**320,660**	**266,901**
CURRENT LIABILITIES			
Short-term provisions	**8**	**40**	**41**
Current payables		**40,888**	**31,871**
Bank borrowings	12	20,336	31,008
Other borrowings	12	359	813
Other financial liabilities	8 and 12	20,193	50
Current payables to shareholders – Shares A	**18**	**-**	**80,964**
Other current payables to shareholders		**-**	**96**
Trade and other payables		**6,166**	**8,478**
Trade and other payables	8	5,738	7,886
Other accounts payable to public authorities	15	370	558
Customer advances	8	58	34
Current accruals and deferrals		**292**	**1,575**
TOTAL CURRENT LIABILITIES		**47,386**	**123,025**
TOTAL EQUITY AND LIABILITIES		**735,984**	**776,004**

Notes 1 to 22 and Appendixes I and II are an integral part of the accompanying consolidated financial statements at 31 December 2022.

* Restated. See Note 2.2.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of euros)

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	Note	31 December 2022	31 December 2021
Net revenue	**13.1**	**39,968**	**28,754**
Changes in fair value of investment property	**6**	**(1,633)**	**44,070**
Other operating income		**2,031**	**413**
Staff costs	**13.2**	**(1,093)**	**(849)**
Wages, salaries and similar expenses		(850)	(664)
Employee benefit costs		(243)	(185)
Other operating expenses		**(14,811)**	**(13,627)**
External services	13.3	(12,445)	(10,806)
Other taxes other than income tax		(2,279)	(2,691)
Losses, impairment and changes in trade provisions		(87)	(130)
Impairment losses on intangible assets	**5**	**(589)**	**(598)**
Other profit/(loss)		**(439)**	**(28)**
Impairment and gains or losses on disposals of non-current assets		**(92)**	**-**
PROFIT FROM OPERATIONS		**23,342**	**58,135**
Impairment and gains or losses on disposals of subsidiaries		(67)	-
Finance income	13.4	217	760
Finance costs	13.4	(8,247)	(4,408)
Exchange differences		(13)	9
Interest in the profit/(loss) of entities using the equity method	7	1,160	1,507
FINANCIAL LOSS		**(6,950)**	**(2,132)**
PROFIT/(LOSS) BEFORE TAX		**16,392**	**56,003**
Income taxes	15	(1,650)	(1,249)
PROFIT FOR THE YEAR		**14,742**	**54,754**
Attributable to shareholders of the Parent		**10,827**	**52,045**
Attributable to non-controlling interests		**3,915**	**2,709**
EARNINGS PER SHARE (in euros):			
BASIC EARNINGS PER SHARE (euros):		**0.32**	**1.44**
DILUTED EARNINGS PER SHARE (in euros):		**0.32**	**1.44**

Notes 1 to 22 and Appendixes I and II are an integral part of the accompanying consolidated financial statements at 31 December 2022.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of euros)

	Note	31 December 2022	31 December 2021
Profit for the year	**11**	**14,742**	**54,754**
Items that may be reclassified through profit or loss		-	-
Items that will not be reclassified through profit or loss		-	-
Other comprehensive income		**-**	**-**
Total comprehensive income for the year attributable to the shareholders of the Parent		**10,827**	**52,045**
Total comprehensive income for the year attributable to non-controlling interests		**3,915**	**2,709**

Notes 1 to 22 and Appendixes I and II are an integral part of the accompanying consolidated financial statements at 31 December 2022.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of euros)

	Share capital (Note 11)	Retained earnings and other reserves (Note 11.1)	Treasury shares	Business combination adjustment reserve – Shares A (Note 11.1)	Business combination adjustment reserve – Shares B (Note 11.1)	Profit/(loss) for the year attributable to the shareholders of the Parent	TOTAL Equity attributable to the shareholders of the Parent	Non-controlling interests (Note 11.2)	TOTAL
BALANCE AT 1 JANUARY 2021	**361,122**	**81,305**	**-**	**(86,521)**	**(10,000)**	**(12,343)**	**333,563**	**11,241**	**344,804**
Correction of errors (net of taxes)	-	-	-	-	(9,370)	-	**(9,370)**	-	**(9,370)**
Total recognised income and expenses	-	-	-	-	-	52,045	**52,045**	2,709	**54,754**
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(9,370)**	**52,045**	**42,675**	**2,709**	**45,384**
Capital reductions (Note 11)	(325,010)	325,010	-	-	-	-	-	-	-
Distribution of profit/(loss)	-	(12,343)	-	-	-	12,343	-	-	-
Changes in scope	-	(2,994)	-	-	-	-	**(2,994)**	(1,506)	**(4,500)**
Acquisition of treasury shares	-	-	(124)	-	-	-	**(124)**	-	**(124)**
Dividends	-	-	-	-	-	-	-	(714)	**(714)**
Other changes in equity items	-	(129)	-	5,557	(4,200)	-	**1,228**	-	**1,228**
Total transactions with owners recognised directly in equity	**(325,010)**	**309,544**	**(124)**	**5,557**	**(4,200)**	**12,343**	**(1,890)**	**(2,220)**	**(4,110)**
BALANCE 31 DECEMBER 2021	**36,112**	**390,849**	**(124)**	**(80,964)**	**(23,570)**	**52,045**	**374,348**	**11,730**	**386,078**
BALANCE AT 1 JANUARY 2022	**36,112**	**390,849**	**(124)**	**(80,964)**	**(23,570)**	**52,045**	**374,348**	**11,730**	**386,078**
Correction of errors (net of taxes)	-	-	-	-	(9,370)	-	**(9,370)**	-	**(9,370)**
Total recognised income and expenses	-	-	-	-	-	10,827	**10,827**	3,915	**14,742**
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(9,370)**	**10,827**	**1,457**	**3,915**	**5,372**
Capital reductions and share buyback (Note 11)	(5,157)	(75,807)	-	80,964	-	-	-	-	-
Distribution of profit/(loss)	-	51,007	-	-	-	(51,007)	-	-	
Changes in scope (Note 1)	-	-	-	-	-	-	-	(11,946)	**(11,946)**
Acquisition of treasury shares	-	-	(85)	-	-	-	**(85)**	-	**(85)**
Dividends	-	-	-	-	-	(1,038)	**(1,038)**	(715)	**(1,753)**
Other changes in equity items	-	742	-	-	(10,470)	-	**(9,728)**	-	**(9,728)**
Total transactions with owners recognised directly in equity	**(5,157)**	**(24,058)**	**(85)**	**80,964**	**(10,470)**	**(52,045)**	**(10,851)**	**(12,661)**	**(23,512)**
BALANCE AT 31 DECEMBER 2022	**30,955**	**366,791**	**(209)**	**(0)**	**(43,410)**	**10,827**	**364,954**	**2,984**	**367,938**

Notes 1 to 22 and Appendixes I and II are an integral part of the accompanying consolidated financial statements at 31 December 2022.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of euros)

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	Note	31 December 2022	31 December 2021
A) CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before tax		**16,392**	**56,003**
Adjustments to profit/(loss)		**9,191**	**(41,210)**
Impairment and gains or losses on disposals of intangible assets	5	589	589
Impairment and gains or losses on disposals of financial instruments		-	250
Losses, impairment and changes in trade provisions		87	441
Finance income	13.4	(217)	(1,115)
Finance costs	13.4	8,247	3,359
Changes in fair value of investment property	6	1,633	24,674
Profit/(loss) from investments accounted for using the equity method	7	(1,161)	(618)
Exchange differences		13	(1)
Changes in working capital		**(2,828)**	**7,154**
Trade and other receivables		(38)	(9,110)
Trade and other payables		(2,312)	3,267
Other current assets		62	-
Other current liabilities		(1,825)	(185)
Other non-current assets		814	(1,590)
Other non-current liabilities		471	2,307
Other cash flows from operating activities		**(9,246)**	**(3,964)**
Interest received		-	-
Interest paid		(7,317)	(2,963)
Taxes paid		(1,929)	(37)
Cash flows from operating activities		**13,509**	**17,983**
B) CASH FLOWS FROM INVESTING ACTIVITIES			
Collections and payments for divestments			
Net cash inflows/outflows on business acquisition	1	-	(4,634)
Changes in scope	1	16,047	(4,500)
Proceeds from investments accounted for using the equity method		690	608
Proceeds from investment property	6	5,759	2,344
Proceeds from financial assets		-	30
Payments on receivables from investments accounted for using the equity method		(345)	(331)
Payments for intangible assets	5	(12)	(23)
Payments for investment property	6	(17,420)	(33,171)
Payments for financial assets		-	-
Cash flows from investing activities		**4,719**	**(13,760)**
C) CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds and payments relating to equity instruments		**(81,049)**	**(124)**
Proceeds from issue of equity instruments		-	-
Capital reductions		(80,964)	-
Acquisition of equity instruments		(85)	124
Proceeds and payments relating to financial liability instruments		**59,836**	**10,008**
Financial debt issue	8 and 12	92,912	96,759
Repayment of financial debt	8 and 12	(33,076)	(44,422)
Repayment of borrowings with related parties		-	-
Dividends paid and received		**(1,753)**	**(12,714)**
Cash flows from financing activities		**(22,966)**	**(2,830)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(4,738)**	**(24,524)**
Opening cash for the year		**10,392**	**34,916**
Closing cash for the year		**5,654**	**10,392**

Notes 1 to 22 and Appendixes I and II are an integral part of the accompanying consolidated financial statements at 31 December 2022.

1. COMPANY ACTIVITY AND GENERAL INFORMATION

Silicius Real Estate SOCIMI, S.A. (the "Parent" or the "Company") was incorporated on 30 September 2015 in Spain in accordance with the Consolidated Spanish Companies Act approved by Royal Decree-Act 1/2010, of 2 July (the "Spanish Companies Act"), by virtue of a public deed.

The Company has been listed on the BME Growth trading segment of the BME MTF Equity Market since 23 September 2021, and its registered office is located at Velázquez 123, 6ª planta, 28006 Madrid. The initial listed price of the shares was EUR 15.40/share, closing at EUR 14.10/share at 31 December 2022.

The Parent's corporate purpose is set forth in section 2 of its articles of incorporation and is as follows:

a) Acquiring and developing urban real property for rental, including building restoration under the terms established in Value-Added Tax Act 37/1992 of 28 December;

b) Holding shares or equity interests in listed real estate investment trusts ("REITs") or in other entities that are not Spanish residents but have the same corporate purpose and that are subject to a similar regime to that established for REITs regarding the mandatory legal or bylaw policy of profit distribution;

c) Holding shares or equity interests in the share capital of other companies, whether or not residing in Spain, the main corporate purpose of which is the acquisition of urban real estate for lease under the regime established for REITs regarding the mandatory legal or bylaw policy of profit distribution, and meeting the investment requirements set out in Article 3 under the REIT Act; and

d) Holding shares or other equity interests in collective real estate investment undertakings governed by Spanish Collective Investment Undertakings Act 35/2003, of 4 November, or any regulation that may supersede it in the future.

Along with the economic activity arising from the main corporate purpose, the Parent may undertake other non-core activities, which shall be understood to be activities generating income that represents, as a whole, less than 20% of the Parent's income in each tax period, or those considered as such under applicable laws from time to time including the following, among others:

a) The purchase, sale, lease, subdivision and development of land lots, plots of land and properties of all kinds, including the performance of construction work thereon, and their sale, in full, in part or under a condominium property arrangement;

b) The full construction of buildings; and

c) The acquisition, holding, enjoyment and management of ownership interests, domestic and foreign securities or other securities granting ownership interests in companies on its own account, with no brokerage activity involved, as well as their administration and management.

Its corporate purpose excludes all activities for the performance of which the law establishes requirements that cannot be met by the Parent.

The activities comprised in the corporate purpose may also be carried out by the Parent indirectly by any lawful means and, in particular, through the holding of shares and ownership interests in companies with an identical or similar purpose.

The Parent's purpose also includes the management of the business group made up of the investees.

The individual financial statements of Silicius Real Estate SOCIMI, S.A. for the year ended 31 December 2022 were authorised for issue on 30 March 2023. The individual and consolidated financial statements of Silicius Real Estate SOCIMI, S.A. for the year ended 31 December 2021 were authorised for issue on 2 March 2022. The financial statements for both reporting periods were approved by the Annual General Meeting without any amendments on 5 April 2022.

a) Regulatory framework

The Parent is governed by the Spanish Companies Act.

In addition, the Parent notified the Tax Authority on 27 September 2019 about its decision to apply the tax regime governing real estate investment trusts, subject to Act 11/2009, of 26 October, as amended by Act 16/2012, of 27 December, and Act 11/2021, of 9 July, regulating REITs. Article 3 under Act 11/2009, of 26 October, sets forth the following requirements for this type of company:

i. They must invest at least 80% of the value of their assets in urban properties earmarked for lease, in land to develop properties to be allocated to that purpose, provided that development begins within three years following its acquisition, and in equity investments in other companies whose corporate purpose is similar to that under Article 2.1 of the aforementioned Act.

ii. At least 80% of the rental income for the tax period corresponding to each year –excluding the rental income deriving from the transfer of the ownership interests and the real property used by the Company to achieve its main corporate purpose, once the retention period referred to below has elapsed– should be obtained from the lease of real property and dividends or shares of profits arising from the aforementioned investments.

iii. The real property included in the Company's assets should remain leased for at least three years. The time during which the real property units have been made available for lease will be included in calculating this term, with a maximum of one year.

According to the First Interim Provision under the REIT Act, REITs may opt to apply the special tax regime under the terms established in Article 8 of the REIT Act, even when the requirements therein are not met on the date of incorporation thereof, provided that such requirements are fulfilled within the two-year period following the date on which the regime is applied. In this sense, the Parent's directors consider that all requirements are met; therefore, no income tax charge should be recognised by the Parent.

The Parent's Management, based on the opinion provided by its tax advisors, assessed the compliance with regime requirements and concluded that at 31 December 2022 all requirements were met, except for the income test. According to the directors, this non-compliance is an exceptional situation that arises from the income earned by the Company from the sale of ownership interests in Playa Bellas and the sale of Muebles Boom.

In this regard, as set out in Article 13 under the REIT Act, which allows amending such non-compliance in the following year, the directors consider that in 2023 the Company will reach the level required by the aforementioned Act in relation to the income test; therefore, the Company will continue to avail itself of the REIT tax regime, a situation that was taken into account upon preparing the 2022 consolidated financial statements.

The corporate income tax rate for REITs is set at 0%. However, when the dividends that the REIT distributes to its shareholders with an equity interest percentage of over 5% are exempt or taxed at a rate lower than 10%, the REIT will be subject to a special tax of 19%, which will be deemed an income tax amount levied on the dividend distributed to the shareholders. If applicable, this special charge must be paid by the REIT within two months after the dividend pay-out date.

Effective for the years beginning on or after 1 January 2021, Act 11/2021, of 9 July, on measures for the prevention of and fight against tax fraud amended Article 9.4 under Act 11/2009, of 26 October, regulating REITs. Specifically, a special 15% tax was levied on income earned during the year and not distributed, arising from: a) income not subject to the income tax general rate; and b) income not generated by the transfer of eligible assets, once the three-year retention period has elapsed, subject to the three-year reinvestment period under Article 6.1.b), Act 16/2012, of 27 December. This tax will be deemed an income tax payment and will accrue on the date the annual general meeting or any equivalent body resolves on the distribution of profit for the year. The tax self-assessment and payment shall be made within two months from accrual.

b) Subsidiaries

The Parent, Silicius Real Estate SOCIMI, S.A., is the parent company of a group of companies (the "Group") which is comprised of the following subsidiaries at 31 December 2022 and 2021:

At 31 December 2022

Name	Registered offices	Activity	% of ownership
Mazabi General Dávila, S.L.	Alameda Mazarredo 69, 7º f 48009	Real estate business	65.17%
Mazabi Santa Eulalia, S.L.	Alameda Mazarredo 69, 7º f 48009	Real estate business	53.21%

At 31 December 2021

Name	Registered offices	Activity	% of ownership
Atalaya Carretas, S.L.U.	Alameda Mazarredo 69, 7º f 48009	Real estate business	100.00%
BIN 2017, S.L.U.	Velázquez 123, 6º 28006	Real estate business	100.00%
Mazabi Tropicana, S.L.U.	Alameda Mazarredo 69, 7º f 48009	Real estate business	100.00%
Mazabi General Dávila, S.L.	Alameda Mazarredo 69, 7º f 48009	Real estate business	65.17%
Atalaya Playabella, S.L.	Alameda Mazarredo 69, 7º f 48009	Real estate business	54.64%
Mazabi Santa Eulalia, S.L.	Alameda Mazarredo 69, 7º f 48009	Real estate business	53.21%

The changes to scope of consolidation in relation to 31 December 2021 are related to the following transactions:

i. On 6 July 2022, a transfer was made for 100% of the ownership interests of Atalaya Playa Bella, S.L., the owner of Hotel Playabella Urb. Costalita located in Estepona (Malaga). At 30 June 2022 the Parent held 54.64% of the ownership interests of the company transferred. The price of ownership interests was fixed based on a real estate valuation that was 34% higher than the last RICS real estate valuation, from which the debt of the company transferred was deducted at the date of the transaction, as well as certain other tax adjustments that are usually made in these types of transactions. This transaction also resulted in a reduction of the Company's debt in the consolidated financial statements for an amount of EUR 14.3 million, relating to a bank borrowing held by the company sold.

ii. At the Extraordinary General Meeting held on 12 July 2022, the Parent approved –with sufficient majority and pursuant to Article 40.1. under the Structural Modifications Act ("LME", in Spanish)– the merger by acquisition of "BIN 2017, S.L.U.", "ATALAYA CARRETAS, S.L.U." and "MAZABI TROPICANA, S.L.U." with and into "SILICIUS REAL ESTATE SOCIMI, S.A.", in full compliance with the common merger project signed on 28 April 2022 by the Board of Directors of "SILICIUS REAL ESTATE SOCIMI, S.A." and the sole directors of "BIN 2017, S.L.U.", "ATALAYA CARRETAS, S.L.U." and "MAZABI

TROPICANA, S.L.U." that, in accordance with Articles 22 and 23 of the LME, implies the dissolution without liquidation of the absorbed companies and the transfer en bloc of the absorbed companies' equity to the acquiring company, which acquires their rights and obligations by universal succession. All the details were disclosed in the Company's website, and on 18 July 2022 they were published in the Official Gazette of the Mercantile Registry ("BORME", in Spanish). In relation to the tax treatment given to the abovementioned mergers by acquisition, the tax neutrality system under Corporate Tax Act was applied for.

2. BASIS FOR THE PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Below are the main accounting policies adopted in preparing the consolidated financial statements. These policies were applied consistently to all the years presented, except as otherwise stated.

2.1 Basis of presentation

These consolidated financial statements for the year ended 31 December 2022 were prepared pursuant to International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRIC), as adopted by the European Union (jointly, EU-IFRS), in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council and subsequent amendments thereto.

The 2020 consolidated financial statements were the first ones to be presented by Silicius Real Estate SOCIMI, S.A. and its subsidiaries (jointly, the Group) under the International Financial Reporting Standards adopted by the European Union (EU-IFRS).

The preparation of these consolidated financial statements pursuant to EU-IFRS requires the use of certain critical accounting estimates. It also requires Management to make judgements in the application of the Group's accounting policies. The areas involving a significant level of judgement or complexity or in which the assumptions and estimates have a significant effect on the consolidated financial statements are disclosed in Note 2.4.

The figures included in the accompanying consolidated financial statements are stated in thousands of euros, unless otherwise indicated.

2.2 Comparative information

For comparative purposes, the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows at 31 December 2022 are presented together with the information at 31 December 2021, the latter having been restated due to the adjusted value in Merlin's shares B with an impact of EUR 9,730 thousand in equity and in total non-current liabilities.

2.3 New EU IFRS standards, amendments and IFRIC interpretations

Mandatory standards, amendments and interpretations for all fiscal years starting on 1 January 2022:

- IAS 16 (Amendment) "Property, plant and equipment: Proceeds before Intended Use". IFRS 4 (Amendment) "Extension of the Temporary Exemption from Applying IFRS 9".
- IAS 37 (Amendment) "Onerous Contracts – Cost of Fulfilling a Contract".
- IFRS 3 (Amendment) "Reference to the Conceptual Framework".
- Annual Improvements to IFRSs. 2018-2020 Cycle:
    - IFRS 1 "First-time Adoption of International Financial Reporting Standards".

- IFRS 9 "Financial Instruments".
- IAS 41 "Agriculture".

The application of these amendments and interpretations did not have a significant effect on these consolidated financial statements.

Standards, amendments and interpretations that have not yet come into force, but may be adopted on an early basis:

- IFRS 17 "Insurance Contracts".
- IFRS 17 (Amendment) "Initial Application of IFRS 17 and IFRS 9 – Comparative Information".
- IAS 1 (Amendment) "Disclosure of Accounting Policies".
- IAS 8 (Amendment) "Definition of Accounting Estimates".
- IAS 12 (Amendment) "Deferred Tax Related to Assets and Liabilities arising from a Single Transaction".

The Group has not adopted any of the aforementioned amendments on an early basis, as they would not have a material impact on the accompanying consolidated financial statements.

Standards, interpretations and amendments to existing standards that cannot be adopted on an early basis or that have not been adopted by the European Union:

At the date of preparation of the accompanying consolidated financial statements, the IASB and the IFRS Interpretations Committee have published the following standards, amendments and interpretations, which cannot be adopted on an early basis or are pending adoption by the European Union.

- IFRS 10 (Amendment) and IAS 28 (Amendment) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture".
- IFRS 16 (Amendment) "Lease Liability in a Sale and Leaseback".
- IAS 1 (Amendment) "Non-current Liabilities with Covenants".

The application of these amendments and interpretations will have no material impact on the Group's consolidated financial statements.

2.4 Use of estimates

The estimates and judgements are evaluated on an ongoing basis and are made based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the circumstances.

The Group makes estimates and assumptions in relation to the future. By definition, accounting estimates will rarely match exactly the actual results. The adjustments made upon regularising estimates will be prospective. Below is an explanation of the estimates and judgements posing a significant risk of giving rise to material adjustments to the carrying amounts of assets and liabilities during the next reporting period.

a) <u>Fair value of investment property</u>

The Parent's directors assess the fair value of each real estate unit considering the most recent third-party valuations and determine the value of a real estate unit within a range of acceptable fair value estimates.

The best evidence of fair value are the current prices on an active market for similar real property. When such information is not available, the directors consider information from various sources, including:

1) current prices in an active market for similar real property with a different nature or recent prices of similar real property in less active markets, duly adjusted to reflect those differences;
2) discounted cash flow estimates based on reliable estimates of future cash flows; and
3) capitalised income estimates based on the estimated market net income of a real estate unit, and a capitalisation rate arising from a market evidence analysis.

In view of the preparation of the accompanying consolidated financial statements at 31 December 2021, the directors requested valuations made by independent valuers in relation to all real property units (Note 6), so as to reflect their market value at such date.

Those real estate assets were valued under the "market value" assumption, and the appraisals were made in accordance with the Royal Institution of Chartered Surveyors' Professional Standards – Red Book for January 2022. The "market value" of the real property owned by the Group was assessed based on the valuation carried out by independent valuers (31 December 2022: Savills Aguirre Newman Valoraciones y Tasaciones, S.A.U. and Técnicos en Tasación, S.A.; 31 December 2021: Gloval Valuation, S.A.U.).

b) Income tax charge

The Parent adheres to the system established by Act 11/2009, of 26 October, regulating listed real estate investment trusts (REITs), which in practice means that, subject to the compliance with certain requirements, the Parent is subject to a 0% income tax rate (Note 1).

As set out in Article 9.2 under Act 11/2009, of 26 October, as amended by Act 16/2012, of 27 December, the Company will be subject to a 19% special tax on the full amount of dividends or shares of profits distributed to the shareholders holding at least 5% in the Company's share capital, provided that those dividends, in the shareholders' tax location, are exempted or subject to a tax rate below 10% (for this purpose, the amount due as per the Non-Resident Income Tax Act will be taken into account).

In addition, Article 9.4, Act 11/2009, of 26 October, as amended by Act 11/2021, of 9 July, sets forth that the Company will be subject to a special 15% tax over the profits earned during the year that are not distributed, considering the portion arising from income not subject to the income tax general rate and not involving income subject to the reinvestment period governed by Article 6.1 thereunder. This tax charge will be considered to be the corporate income tax charge.

The special tax will accrue on the date the Annual General Meeting or any equivalent body resolves on the distribution of profit for the year and will be subject to self-assessment and payment within two months from the accrual date. The model for this special tax return will be approved by the head of the Ministry of Finance, stating the manner and place for filing.

However, such special tax will not apply whenever the dividends or shares of profits are earned by entities whose corporate purpose is holding shares in the capital of other REITs or other entities not residing within the Spanish territory and having their same corporate purpose, and which are subject to a system that is similar to that set for REITs in relation to the obligatory profit distribution policy stipulated by law or the bylaws, with respect to the shareholders holding at least 5% in the share capital thereof and paying taxes for those dividends or shares of profits at a rate of at least 10%.

The Parent's directors monitor the compliance with the requirements set out in the legislation in order to safeguard the tax benefits established therein.

c) Business combinations

At the date of acquisition of a subsidiary, EU-IFRSs require analysing whether a business or a group of net assets not meeting the definition of business according to IFRS 3 "Business Combinations" (Note 2.21) are being purchased.

When the Group acquires an entity's shares constituting a group of net assets, the cost is distributed between the individual identifiable assets and liabilities within the group, based on their relative fair values on the acquisition date.

When the Group acquires an entity's shares constituting a business, on the acquisition date, the cost of the business combination is distributed among the identifiable assets, liabilities and contingent liabilities of the acquiree. Those assets and liabilities are stated initially at their fair value.

The portion of the business combination cost exceeding the acquirer's share in the fair value of the acquired net assets is recognised as goodwill.

d) Joint arrangements and joint control

In applying IFRS 10 and IFRS 11 to investments, the Group makes accounting estimates and judgements upon determining the existence of any control or joint control and upon classifying such investments, in the case of joint arrangements, joint ventures and joint operations.

Regardless of whether estimate criteria are based on rational considerations and objective analysis elements, certain future events may force the introduction of (upward or downward) modifications in the coming fiscal years; if necessary and pursuant to IAS 8, any change of estimates would be recognised prospectively in the consolidated income statement.

2.5 Consolidation

a) Subsidiaries

The subsidiaries are all entities (including structured entities) over which the Group exerts control (Appendix I). The Group controls an entity whenever it is exposed or entitled to obtain variable returns for being involved with the investee and has the capacity to use its power over it to influence those returns. Subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from consolidation on the date on which control ceases. Subsidiaries are consolidated through the full consolidation method, including in the consolidated financial statements all their assets, liabilities, income, expenses and cash flows and eliminating the transactions and balances among Group companies. The accounting policies of the subsidiaries have been changed wherever necessary to ensure consistency with the policies adopted by the Group. Non-controlling interests in subsidiaries' profit/(loss) and equity are disclosed separately in the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity and the consolidated statement of comprehensive income.

The subsidiaries' reporting year-end date coincides with that of the Parent.

b) Joint arrangements

The Group applies IFRS 11 to all joint arrangements (Appendix I). The investments made in joint arrangements under IFRS 11 are classified as joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Group has evaluated the nature of its joint arrangements and has determined that four of them should be classified as joint ventures and one of them as a joint operation.

Joint operations imply that a joint operator has direct rights to the assets, liabilities, income and expenses of the entity in which it has an interest. In joint ventures the parties are entitled to the profit/(loss) or to the net assets of the entity in which they have an interest and, therefore, account for their interest in the entity using the equity method.

The proportional part of the balance-sheet and income-statement accounts of joint operations are recognised in the balance sheet and income statement of the investment entity based on its interest percentage, while cash flows are recorded in the consolidated statement of cash flows.

The identification data of the fully consolidated joint arrangements are detailed in Appendix I to these consolidated notes.

The reporting year-end date of the joint ventures and joint arrangements coincides with that of the Parent.

Relevant information on the equity method

Under the equity method, the investment is initially recognised at cost, and the carrying amount thereof is increased or reduced in order to recognise the investor's share of the profit or loss of the investee after the acquisition date.

If the interest in the property of a joint venture is reduced, but the joint control or significant influence are maintained, only a proportion of the amounts previously recognised in other consolidated comprehensive income is reclassified through profit or loss, as appropriate.

The Group's share of the profits or losses subsequent to the acquisition of its joint ventures is recognised in the consolidated income statement, and its share of changes subsequent to the acquisition is recognised in other consolidated comprehensive income with the corresponding adjustment to the carrying amount of the investment. When the Group's share of the losses of a joint venture is equal to or exceeds its ownership interest therein, including any other unsecured account receivable, the Group does not recognise any additional losses unless it has incurred legal or constructive obligations or has made payments on behalf of the joint venture.

On each financial reporting date, the Group determines whether there is any objective evidence of impairment in the value of the investment in the joint venture. In that case, the Group calculates the amount of the impairment loss as the difference between the recoverable amount of the joint venture and its carrying amount and recognises such amount under "Interest in the profit/(loss) of entities using the equity method" in the consolidated income statement.

The profits or losses on upward and downward transactions between the Group and its joint ventures are recognised in the Group's consolidated financial statements only to the extent that they relate to investments of other investors in the joint ventures that are not related to the investor. Unrealised losses are eliminated unless the transaction discloses evidence of an impairment loss on the asset transferred. The accounting policies of the joint ventures have been changed wherever necessary to ensure consistency with the policies adopted by the Group.

Dilution profits or losses arising from investments in joint ventures are recognised in the consolidated income statement.

2.6 Segment reporting

The information on operating segments is presented according to the internal information provided to the ultimate decision-making authority. The Investment Committee –in charge of making strategic decisions with the final approval of the Board of Directors– was identified as the ultimate decision-making body, i.e. the authority in charge of allocating resources and assessing the performance of operating segments.

2.7 Investment property

Investment property is that held to obtain long-term rental income or to revalue capital, or both options, and that is not occupied by Group companies. Investment property also includes that under construction or developed for future use as investment property.

Investment property is valued initially at cost, including related transaction costs and financing costs, as applicable. After initial recognition, investment property is recognised at fair value.

The fair value of the investment property reflects, among other aspects, future rental income and other assumptions that market participants would consider upon valuing the property on an arm's length basis. Their fair value determination is disclosed in Note 6.

Subsequent expenses are capitalised at the carrying amount of assets only when future economic benefits related to expenses are likely to flow to the Group and the item cost can be valued reliably. The remaining expenses are recognised in the consolidated income statement as incurred. When part of an investment property is replaced, the cost of the replaced item is included in the carrying amount of the property and is revalued at fair value.

Changes in fair value are recognised in the consolidated income statement. When the Group holds a property at fair value in a transaction at arm's length, the carrying amount immediately prior to the sale is adjusted at the transaction price, and the adjustment is recognised in the consolidated income statement under net income of the fair value adjustment of investment property.

If an investment property is occupied by its owners, it is reclassified as property, plant and equipment. Its fair value at reclassification date becomes a cost for subsequent accounting effects.

2.8 Goodwill

The goodwill reflects the portion of the acquisition cost exceeding the fair value of the Group's interest in the identifiable net assets of the acquired subsidiary on the acquisition date.

The goodwill related to the acquisition of subsidiaries is included in intangible assets, and the goodwill related to the acquisition of joint ventures is recorded under "Investments accounted for using the equity method". Subsidiaries' goodwill is subject to annual tests for impairment and is carried at cost less accumulated impairment losses. Losses and profit from the sale of an entity include the carrying amount of the goodwill related to the entity sold.

Goodwill is allocated to cash-generating units (CGUs) in order to evaluate their recoverability. It is allocated to the cash-generating units or cash-generating unit groups that are expected to benefit from the business combination from which goodwill arose, which are identified according to operating segments.

The recoverable amount of a CGU is determined according to the calculations of the higher of its value in use and its fair value less costs of sales. These calculations use cash flow projections based on ten-year financial budgets approved by Management. The cash flows beyond this ten-year period are extrapolated using constant growth rates.

Goodwill impairment losses are reviewed on an annual basis or more frequently if events or changes in circumstances indicate a potential impairment loss.

Impairment losses are recognised as expenses and are not reversed subsequently.

2.9 Impairment losses on non-financial assets

Assets with an indefinite useful life and goodwill are not amortised and are subject to impairment tests once a year. At each year-end, the Group reviews the assets subject to amortisation to verify whether there is any event or change in circumstances indicating that the carrying amount may be recoverable.

An impairment loss is recognised for the carrying amount of the asset exceeding its recoverable amount. The recoverable value is the higher of the fair value of an asset less selling costs and the value in use. In order to assess impairment losses, assets are grouped at the smallest level at which cash inflows exist that are largely independent (i.e. cash generating units). The prior impairment losses of non-financial assets are reviewed for potential reversal on each financial reporting date. The amount of non-financial assets subject to amortisation is not significant.

2.10 Financial assets

a) Classification

The classification depends on the valuation category determined based on the business model and the characteristics of contractual cash flows, and financial assets are reclassified if and only if their business model changes in order to manage those assets.

The Group classifies its financial assets under the following categories: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost.

b) Measurement

The acquisitions and disposals of investments are recognised on the date on which the Group undertakes to acquire or dispose of the asset. Investments are initially recognised at fair value plus the transaction costs for all the financial assets not recognised at fair value through profit or loss.

Financial assets measured at fair value through profit or loss are recognised initially at fair value, and transaction costs are charged to the consolidated income statement. Investments are derecognised when the rights to receive investment cash flows have expired or have been transferred, and the Group has transferred substantially all the risks and rewards of ownership of the investments.

In the case of assets measured at fair value, profit and loss will be recorded in the consolidated income statement or in other consolidated comprehensive income.

c) Financial assets at amortised cost

The investments in debt instruments that are kept to collect contractual cash flows, whenever the latter represent only principal and interest payments, are valued at amortised cost. They are recognised as current assets, but if maturing within more than 12 months as from the consolidated balance sheet date, they are classified as non-current assets.

This category also includes deposits and sureties granted to third parties. Those assets are recognised subsequently at amortised cost in accordance with the effective interest rate method. Accounts receivable not accruing explicit interest are stated at nominal value, provided that the effect of not adjusting cash flows financially is not significant. Subsequent measurement, as applicable, continues to be made at nominal value.

d) Financial assets at fair value through other comprehensive income

Investments in debt instruments held for the collection of contractual cash flows and for the sale of financial assets, where the cash flows of assets represent only principal and interest payments, are measured at fair value through other consolidated comprehensive income. Changes in the carrying amount are recognised through other consolidated comprehensive income, except for the recognition of profits or impairment losses, interest income and foreign exchange income and losses, which are recognised as consolidated profits and losses. Unrealised profit and loss arising from changes in fair value are recognised in other consolidated comprehensive income. When these financial assets are derecognised, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as profits or losses.

In the case of equity instruments included in this category, the Group's Management decided to disclose the fair value profits and losses of equity instruments in other consolidated comprehensive income.

There is no subsequent reclassification of the fair value profits and losses to profit or loss after the investment derecognition. Impairment losses (and the reversal of impairment losses) in equity instruments stated at fair value through other consolidated comprehensive income are not reported separately from changes in fair value.

The dividends of those investments continue to be recognised under consolidated profits and losses when the Group is entitled to receive the payments.

e) Financial assets at fair value through profit or loss

The assets not meeting the amortisation cost or fair value through other comprehensive income criteria are measured at fair value through profit or loss. The realised and unrealised profits and losses that arise from changes in the fair value of financial assets at fair value through profit or loss are included in the consolidated income statement in the year in which they arise.

f) Impairment losses

The impairment model requires the recognition of impairment provisions based on the expected loss model instead of only the credit losses incurred.

The Group applies to its customer accounts, accounts receivable and other assets, most of which refer to customers with proven solvency, the simplified approach, recognising the expected credit loss for the entire life of the assets.

In the case of trade receivables, provided that they do not contain a significant financial component, the Group applies the simplified approach, which requires recognising a loss allocation based on the expected loss model during the entire life of the asset on each reporting date. The Group's model takes into account internal information such as the balance disclosed under "Customers", and external factors such as customer credit valuations and agency risk ratings, as well as customer-specific circumstances, considering available information on past events, current conditions and forward-looking elements.

2.11 Financial liabilities

a) Debits and payables

This category includes trade and non-trade payables. These third-party resources are classified as current liabilities, unless the Group has an unconditional right to defer settlement thereof for at least 12 months as from the balance sheet date.

These liabilities are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method. The effective interest is the discount rate that exactly matches the carrying amount of the instrument with the estimated flow of future payments until maturity of the liability.

Notwithstanding the foregoing, trade payables maturing within one year and lacking a contractually-agreed interest rate are carried at their face value, both at initial recognition and later on, provided that the effect of not discounting cash flows is not significant.

b) Financial debt

Financial debt is initially recognised at fair value less any transaction costs incurred. Subsequently, financial debt is measured at amortised cost. Any difference between the funds obtained (net of transaction costs) and the reimbursement value is recognised in the consolidated income statement for the term of the borrowing using the effective interest method.

2.12 Offsetting of financial instruments

Financial assets and financial liabilities are offset and presented for a net value in the consolidated balance sheet only if the Company has the legally enforceable right to set off the recognised amounts and the Group has the intention to settle the net value of the financial instruments or realise the asset and settle the liability simultaneously. The legally enforceable right should not be contingent depending on future events and should be enforceable during the normal course of business and in the event of the company's or counterparty's non-compliance, insolvency and bankruptcy.

2.13 Share capital and earnings per share

The share capital is comprised of stocks.

The cost of issuing new shares or options is charged directly to equity as a reduction in reserves.

Upon the acquisition of the Parent's treasury shares, the consideration paid, including any directly attributable incremental cost, is deducted from equity until it is settled, issued again or disposed of. When treasury shares are sold or reissued subsequently, any amount received –net of any directly attributable incremental cost of the transaction– is recognised in equity.

Basic earnings (losses) per share are calculated by dividing the profit attributable to the Parent's owners, excluding any equity service cost other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares.

For the diluted earnings (losses) per share, the figures used in assessing basic earnings (losses) per share are adjusted in order to consider the effect after income tax on interest and other finance costs related to potential ordinary shares with dilutive effects, and the weighted average number of additional ordinary shares that would have been outstanding, assuming the conversion of all potential ordinary shares with dilutive effects.

In addition, a contract that contains an obligation for the Parent to purchase its own equity instruments for cash gives rise to a financial liability. Such financial liability is recognised initially at the current value of the amount to be reimbursed, against equity. Subsequently, the financial liability is measured at amortised cost, including the variations in its value (both due to changes in the liability valuation and the financial impact), and recognised under "Financial expenses". If the contract expires without any cash delivery, the carrying amount of the financial liability will be reclassified to equity.

2.13.1 Current and deferred taxes

According to the REIT tax regime, the Parent is subject to income tax at a 0% rate.

As established by Article 9.2, Act 11/2009, of 26 October, as amended by Act 16/2012, of 27 December, and subsequent legislation, the Parent will be subject to a 19% special tax on the full amount of dividends or shares of profits distributed to the shareholders holding at least 5% in the Parent's share capital, provided that those dividends, in the shareholders' tax location, are exempted or subject to a tax rate below 10% (for this purpose, the amount due as per the Non-Resident Income Tax Act will be taken into account).

However, such special tax will not apply whenever the dividends or shares of profits are earned by entities whose corporate purpose is holding shares in the capital of other REITs or other entities not residing within the Spanish territory and having their same corporate purpose, and which are subject to a system that is similar to that set for REITs in relation to the obligatory profit distribution policy stipulated by law or the bylaws, with respect to the shareholders holding at least 5% in the share capital thereof and paying taxes for those dividends or shares of profits at a rate of at least 10%.

In addition, the aforementioned Act, which was amended by virtue of the second final provision under Act 11/2021, of 9 July, on measures for the prevention of and fight against tax fraud, modifies the special tax regime applicable to REITs and introduces in Article 9.4 of REIT Act 11/2009 a special 15% tax on the amount of profits earned over the year that are not distributed, considering the portion arising from income not subject to the income tax general rate and not involving income subject to the three-year reinvestment period governed by Article 6.1.b) of Act 11/2009.

In the case of Group companies not included in the aforementioned regime, the income tax expense/(income) is the amount accrued in this regard during the year and comprises both the current and deferred tax expense/ (income).

Both current and deferred tax expense/(income) are recognised in the consolidated income statement. However, the tax effect associated with items directly recognised in equity or in other consolidated comprehensive income is recorded in equity or in other consolidated comprehensive income.

Current income tax assets and liabilities are measured at the amounts expected to be recovered from or paid to tax authorities, pursuant to applicable regulations or those approved and yet to be published at year-end.

Deferred taxes are calculated by the liabilities method, based on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

However, deferred taxes are not recognised when they arise from initial recognition of an asset or a liability in a transaction other than a business combination which, at the time of the transaction, affects neither the recognised nor the taxable profit/(loss). Deferred taxes are measured applying the regulations and tax rates approved or about to be approved at the consolidated balance sheet date and which are expected to be applied when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is likely that there will be future taxable profits against which the deferred tax assets will be offset.

2.14 Leases

a) The Group as lessee

Leases are recognised as a right-of-use asset with the corresponding liability on the date on which the leased asset is available for use by the Group.

The assets and liabilities arising from a lease are measured initially at the current value.

The right-of-use assets falling under the definition of investment property are recognised as established in IAS 40.

Lease liabilities include the net current value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, measured initially using the index or rate at the commencement date;
- Amounts expected to be paid by the Group under residual value guarantees;
- The exercise price of a purchase option that the Group is reasonably certain to exercise; and
- Payments for terminating the lease if the lease term reflects early termination by the Group.

The lease payments to be made under reasonably certain extension options are also included in liability measurement.

Lease payments are discounted using the lease implicit interest rate, provided that such rate can be easily determined. If it cannot be easily determined, the incremental interest rate of the lessee's borrowing will be used.

Lease payments are allocated between principal and financial cost. Finance cost is charged to income during the lease term, so that a constant periodic interest rate accrues on the remaining liability balance for each period.

b) The Group as lessor

The properties leased out under an operating lease are included under investment property in the consolidated balance sheet. Lease income is recognised on a straight-line basis over the lease term.

2.15 Employee benefits

a) Termination benefits

Termination benefits are paid to employees as a result of the Group's decision to terminate their employment contract before the regular retirement age or when the employee agrees to voluntarily resign in exchange for such benefits. The Group recognises these benefits following an evident commitment to terminate current employees' contracts pursuant to a detailed formal plan with no possibility of withdrawal, or to provide termination benefits, as a result of an offer made to encourage voluntary resignation. Benefits that will not be paid within 12 months following the consolidated balance sheet date are discounted at their current value.

2.16 Provisions

Provisions are recognised when the Group has a present obligation, whether legal or implicit, resulting from past events; an outflow of resources is likely to occur to settle the obligation; and the amount has been estimated reliably. No provisions are recognised for future losses from operations.

Provisions are carried at the current value of the estimated necessary disbursements to settle the obligation, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The adjustments in this provision, for the purposes of updating it, are recognised as finance cost as accrued.

Provisions expiring within one year or less and with no significant financial effect are not discounted. When it is expected that the expenditure needed to settle the provision will be refunded by a third party, the refund is recognised as a separate asset, provided that receipt thereof is virtually certain.

2.17 Revenue recognition

Net revenue represents the amounts receivable for the services rendered during the ordinary course of the Group's activities.

a) Services

The Group renders lease services under operating lease contracts. Lease income, classified as investment property, is recognised on a straight-line basis over the lease term, distributing the initial costs of operating lease contracts on a straight-line basis as well. When the Group offers incentives to its lessees, they are recognised over the lease term on a straight-line basis as a reduction of lease income.

b) Interest income

Interest income from financial assets is recognised using the effective interest method.

2.18 Dividend distribution

The distribution of dividends to the Parent's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which dividends are approved by the shareholders of the Parent. The Parent has availed itself of the Real Estate Investment Trusts (REITs) regime whereby the latter are regulated in the real estate market by the special tax scheme established by Act 11/2009 of 26 October, as amended by Act 16/2012 of 27 December and by Act 11/2021 of 9 July. REITs are required to distribute the profit for the year to shareholders in the form of dividends, once the related corporate obligations have been met. The distribution must be approved within six months after each reporting period as follows:

a) A total 100% of the profits from dividends or shares in profits distributed by the entities referred to in Article 2.1 of this Act.

b) At least 50% of the profits derived from the transfer of real estate and shares or equity interests referred to in Article 2.1 of the aforementioned Act, carried out once the terms stated in Article 3.1 thereunder have elapsed in order to comply with its main corporate purpose. The remainder of these profits should be reinvested in other properties or interests related to the performance of such purpose within three years from the transfer date. Otherwise these profits should be distributed in full together with any profit arising in the year in which the reinvestment period expires. If the reinvested assets are transferred before the holding period, those proceeds must be distributed in

full together with the profits, if any, attributable to years in which the Company was not taxed under the special tax regime provided for in the aforementioned Act.

c) At least 80% of the remaining profits obtained.

Dividend must be paid within one month from the date of the resolution to distribute it.

When dividends are distributed with a charge to reserves out of profit for a year in which the special tax regime had been applied, the distribution must be approved subject to the resolution mentioned in the preceding paragraph.

During 2022 the profits for 2021 were distributed, out of which EUR 1,039 thousand were used as dividends and EUR 115 thousand were allocated to the legal reserve (Note 11).

2.19 Environment

Environmental activity is deemed to include any operation designed mainly to prevent, reduce or repair any damages caused to the environment.

Costs incurred to protect and improve the environment are charged to the income statement in the year in which they are incurred, irrespective of when the related monetary or financial flow takes place.

Provisions for probable or certain environmental liability, litigation in progress and indemnities or other outstanding obligations of an undetermined amount not covered by insurance policies are recorded when the liability or obligation giving rise to the indemnity or payment arises.

In view of the business activity carried on by the Group's entities, the Group does not have any expenses, assets or provisions for environmental contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

2.20 Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits at banks and other short-term, highly liquid investments with an initial maturity of three months or less.

2.21 Business combinations

The acquisition accounting method is used to record all business combinations, regardless of whether equity instruments or other assets are acquired.

The identifiable assets acquired and the liabilities and contingent liabilities assumed in a business combination, with some exceptions, are initially recognised at their acquisition date fair values. The Group recognises any non-controlling interest in the acquiree on an acquisition-at-fair-value basis or in view of the proportional non-controlling interest of the net identifiable assets of the acquiree.

The costs related to the acquisition are recognised as an expense when they are incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value on the date of acquisition of any previously held equity interest in the acquiree, over the fair value of the net identifiable assets acquired, is recorded as goodwill. If these amounts are lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly through profit or loss as a purchase under very positive conditions.

2.22 Going concern basis of accounting

These consolidated financial statements were prepared following the going-concern principle of accounting, whereby the Group will realise its assets and honour its commitments during the normal course of its operations.

Below is a breakdown of significant information on liquidity:

	Thousands of euros	
	31.12.2022	**31.12.2021**
Financial debt	285,285	240,175
Investment property	705,840	741,401
Loan-to-value ratio	**40%**	**32%**
Cash and cash equivalents	5,654	10,392
Lines of credit and other undrawn loans	1,993	16,405
Total liquidity reserves	**7,647**	**26,797**
Current assets	10,567	16,119
Current liabilities	47,386	123,025
Working capital	**(36,819)**	**(106,906)**

	Thousands of euros	
	31.12.2022	**31.12.2021**
Financial debt	285,285	240,175
Less – Cash and cash equivalents	(5,654)	(10,392)
Net financial debt	**279,631**	**229,783**
Equity	367,938	395,448
Financial debt + Equity	**647,569**	**625,231**
Ratio of indebtedness to financial institutions	**43%**	**37%**

At 31 December 2022, the Group had a working capital deficiency of EUR 36,819 thousand.

The Parent's Board of Directors prepared these consolidated financial statements under the going-concern principle of accounting, as it considers that there is no doubt as to the Group's capacity to generate resources through its operations, honour its short-term commitments and stabilise its liquidity. In addition to the foregoing, the main factors considered in preparing these consolidated financial statements, mitigating any potential uncertainty regarding the going-concern principle of accounting, are:

I) Debt maturity extensions, credit increases and financial debt amortisation flows.

- On 22 March 2023, addenda were signed in relation to some of the alternative financing agreements executed on 15 July 2022, for a total amount of EUR 19,500 thousand. By signing these addenda, the initial maturity date of a total of EUR 16,500 thousand was changed from 15 July 2023 to 31 March 2024. As a result, the Parent would have a short-term obligation maturing on 15 July 2023 for EUR 3,000 thousand in relation to alternative

financing. With this financing extension of EUR 16,500 thousand, the working capital of EUR 36,819 thousand was reduced in practice to EUR 20,319 thousand.

- On 9 March 2023, the loan related to the asset Cala Mandía was novated, which is financed by the entity Banca March. The amount drawn down was EUR 1,448 thousand, increasing the borrowing amount up to EUR 3,000 thousand.

Consequently, bank borrowing amortisation flows in 2023 would amount to EUR 18.4 million, included as short-term payables, the liquidity reserves reaching EUR 2.5 million at 31 December 2023.

II) Cash flows from operating activities:

- The Parent's directors expect the Group's assets to generate sufficient positive cash flows from operating activities in the future, as shown by the positive cash flows from operating activities amounting to EUR 14.6 million for the year ended 31 December 2022. In this sense, apart from the aforementioned liquidity reserves of EUR 7.6 million at 31 December 2022, in 2023 the Group expects positive cash flows from operating activities for EUR 29 million and a payment of financial interest for EUR 10.29 million; therefore, the net operating flow before investment and financing is estimated at about EUR 14.7 million.

III) Sale transactions:

- On 29 March 2023, the Parent sold two assets, "Nassica" and "Amara 20", for an amount of EUR 18,402 thousand and EUR 6,280 thousand, respectively. These transactions implied a cash inflow after debt amortisation of EUR 12,902 thousand.

IV) Ongoing transactions:

- The Group received a non-binding offer for a price exceeding its fair value, subject to due diligence without financing, by external private purchasers, and the transaction is expected to be closed by 30 April 2023. In this sense, based on the potential closing of this transaction, the Board of Directors decided to allocate an 80% likelihood to the formalisation thereof, which would result in a cash inflow after debt amortisation of about EUR 6,070 thousand.

Asset	Type	Fair value at 31 December 2022	Mortgage debt at 31 December 2022	Difference
3	Residential	13,740	(6,153)	7,587
			Total applying a 80% likelihood	6,070

- The Group has also mandated international consulting companies to sell and turn over assets with expected closing dates prior to July 2023, which would generate sufficient cash, if considering the significant difference between the market value and debt of each asset at 31 December 2022. In this regard, based on the degree of completion and potential closing of this type of transactions, the Board of Directors decided to allocate a 50% likelihood to the formalisation thereof, which would result in a cash inflow after debt amortisation of approximately EUR 30,561 thousand as follows:

Asset	Type	Fair value at 31 December 2022	Mortgage debt at 31 December 2022	Difference
1	Hotel	18,440	(4,102)	14,338
2	Residential	46,757	(17,824)	28,933
3	Hotel	27,350	(9,498)	17,852
				61,123
			Total applying a 50% likelihood	30,561

V) As an alternative upon failing to materialise asset turnover transactions with the mandated consulting firms:

- The 22.34% financial debt ratio of some of the assets in relation to their loan-to-value (LTV) (chart below) and the 43% ratio of indebtedness to financial institutions (chart above) are better than the sector average at 31 December 2022, and allow the Group to have the capacity for sufficient long-term indebtedness to honour its short-term obligations. Specifically, assuming a financial debt increase in such real property by EUR 10.9 million, those ratios would stand at 35% of LTV; these indicators are solvent and consistent with the industry and confirm the possibility of obtaining cash flows, other than operating cash flows, that the Parent and its subsidiaries have to settle their short-term debt.

Asset Type	Fair value at 31 December 2022	Mortgage debt at 31 December 2022 (A)	LTV ratio at 31 December 2022	Target LTV	Potential indebtedness up to a 35% LTV (B)	(A)-(B)
1 Hotel	18,440	4,103	22%	35%	6,454	(2,351)
2 Hotel + Retail	10,883	-	0%	35%	3,809	(3,809)
3 Offices	57,268	15,241	27%	35%	20,044	(4,803)
Total	86,591	19,344			30,307	(10,963)

- There would also be other tools to control cash flows, including, among others, non-committed capex for EUR 6.4 million or dividends to be distributed for an amount of EUR 10,892 thousand.

In addition, the Group meets all the requirements relating to credit lines at 31 December 2022.

The table in Note 8 presents an analysis of financial liabilities grouped by maturity dates according to the remaining terms from the balance sheet date to contractual maturity. The amounts shown in the table refer to the values arising from the amortised cost method (accounting values), which basically agree with discounted expected cash flows (excluding interest accrued in the future). The amounts payable within 12 months are equivalent to their carrying amounts, as the discount effect is not significant.

3 FINANCIAL RISK MANAGEMENT

The Group's activities are exposed to various financial risks: interest rate risk, credit risk and liquidity risk. The Group's global risk management programme focuses on the uncertainty of the financial markets and aims to minimise the potential adverse effects on its financial profitability.

Risk management is controlled by the Parent's Financial Department, which identifies, assesses and hedges financial risks pursuant to the policies approved by the Parent's Board of Directors. The Board of Directors provides policies for overall risk management, as well as for specific issues, such as interest rate risk, liquidity risk and investment of surplus cash.

3.1 Financial risk management

a) Interest rate risk

The Group's interest rate risk stems from its financial debt. The loans issued at floating rates exposes the Group to cash flow interest rate risk. During the year ended 31 December 2022, the Group signed several long-term financing agreements with financial institutions at a floating market rate with mortgage guarantee (Note 8 and Note 12). At 31 December 2022, the amount drawn down on the financing agreements set at a floating rate totalled EUR 129,418 thousand (2021: EUR 173,760 thousand), and at a fixed rate, it amounted to EUR 85,698 thousand (2021: EUR 57,010 thousand).

The Group analyses the exposure to interest rate risk dynamically. Several scenarios are simulated considering financing alternatives. Based on these scenarios, the Group calculates the impact on profit or loss for a specific change in interest rate (the scenarios are used only for liabilities representing the most significant positions subject to interest rates).

These analyses include:

- The economic environment in which the activity is carried out: design of different economic scenarios modifying the key variables that may affect the Group (interest rates, investment property occupancy percentage, etc.).
- Identification of interdependent variables and their relationship.
- Time horizon of the assessment: the time horizon of the analysis and their potential deviations will be considered.

b) Credit risk

Credit risk –understood as the impact of a default in receivables on the consolidated income statement– is managed at Group level. The Group defines the management policy and the credit risk analysis of its new customers before offering ordinary payment terms and conditions to them. Credit risk arises mainly from investment property leased by customers and sundry accounts receivable. The Group evaluates and establishes the creditworthiness of its customers, taking into account their financial position, past experience and other factors. The Group considers that it does not have any material credit risk concentration. Whenever it is deemed necessary to reduce credit risk, the Group requires the lessee to obtain bank guarantees for the term of the lease.

The Group holds its cash and cash equivalents with highly-rated institutions.

c) Liquidity risk and going concern

Cash flows are estimated by the Parent's Financial Department. The latter follows up the Group's liquidity needs in order to ensure whether it has sufficient cash to satisfy operating needs while maintaining sufficient liquidity available at all times for the Group to avoid defaulting on its financial obligations (Note 8).

The material information on liquidity is disclosed in Note 2.22.

d) Tax risk

As disclosed in Note 1, the Parent has availed itself of the special tax regime applicable to listed real estate investment trusts (REITs). As established by Article 6 under Act 11/2009, of 26 October 2009, as amended by Act 16/2012 of 27 December and by Act 11/2021, the companies opting for such regime are required to distribute as dividends among its shareholders, once applicable commercial obligations are fulfilled, the profit for the year, agreeing upon its distribution within the term of six months following each year-end and its payment within the month following the distribution agreement date.

The Parent's Management, based on the opinion provided by its tax advisors, assessed the compliance with regime requirements and concluded that at 31 December 2022 all requirements were met, except for the income test. According to the directors, this non-compliance is an exceptional situation that arises from the income earned by the Company from the sale of ownership interests in Playa Bellas and the sale of Muebles Boom.

In this sense, as set out in Article 13 under the REIT Act, which allows amending such non-compliance in the following year, the directors consider that in 2023 the Parent will reach the level required by the Act in relation to the income test; therefore, the Parent will continue to apply for the REIT tax regime, a situation that was taken into account upon preparing the 2022 consolidated financial statements.

e) Other risks

On 24 February 2022, Russia invaded Ukraine, which marked the beginning of a military conflict between these countries on Ukrainian territory. The campaign was preceded by a prolonged Russian military build-up since 2021, as well as numerous Russian claims for security measures and legal regulations against Ukraine joining NATO. The duration of the conflict and the actual implications for the global economy in general are still unknown.

After a preliminary evaluation of this context, the Group considers that such conflict will have no direct or significant impact thereon and, therefore, no related fallout is expected.

3.2 Capital risk management

The Group's main capital management objectives are to ensure financial stability both in the short and long term and adequate investment financing. The ratio of indebtedness to financial institutions is calculated as (Financial debt / (Financial debt + Equity). At 31 December 2022 and 31 December 2021 financial debt was as follows:

	Thousands of euros	
	31.12.2022	**31.12.2021**
Financial debt	285,285	240,175
Less – Cash and cash equivalents	(5,654)	(10,392)
Net financial debt	**279,631**	**229,783**
Equity	367,938	395,448
Financial debt + Equity	**647,569**	**625,231**
Ratio of indebtedness to financial institutions	**43%**	**37%**

Senior management believes the Group's indebtedness to financial institutions is in line with the sector average.

3.3 Estimation of the fair value of real estate assets

According to IFRS 13, the hierarchical level at which an asset or liability is classified in full (Level 1, Level 2 or Level 3) is determined based on the lowest significant input used in the valuation within the fair value hierarchy. If it is possible to classify the inputs used to measure the fair value of an asset or liability within different levels, the fair value measurement is classified in full within the same fair value hierarchy level as the lowest significant input for fair value measurement.

- Level 1: Listed (unadjusted) prices in active markets for assets or liabilities that are identical to those to which the entity may have access on the valuation date.
- Level 2: Inputs other than the quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly, through valuation techniques using observable market data.
- Level 3: Inputs not observable in the market for the asset or liability.

The following table shows the Group's assets measured at fair value:

31 December 2022				**Thousands of euros**
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Non-current investment property				
- Investment property (Note 6)	-	-	705,840	705,840
Total assets	**-**	**-**	**705,840**	**705,840**

31 December 2021				**Thousands of euros**
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Non-current investment property				
- Investment property (Note 6)	-	-	741,401	741,401
Total assets	**-**	**-**	**741,401**	**741,401**

During the year ended 31 December 2022 and the year ended 31 December 2021, no level transfers took place.

4 SEGMENT REPORTING

Management has determined operating segments according to the information reviewed by the Parent's Board of Directors in order to allocate resources and evaluate the Group's returns. Management identifies the following reporting segments:

31 December 2022 — Thousands of euros

	Hotel	Shopping centre	Retail	Offices	Residential	Logistics	Other	Total
Services	12,442	13,673	6,510	5,390	1,608	345	-	**39,968**
Changes in fair value of investment property	14,747	(12,099)	(2,355)	(2,118)	281	(89)	-	**(1,633)**
Operating expenses	(1,824)	(8,511)	(1,536)	(2,136)	(344)	(52)	(1)	**(14,404)**
Impairment losses on intangible assets	-	(589)	-	-	-	-	-	**(589)**
Profit/(loss) from operations	**25,365**	**(7,526)**	**2,619**	**1,136**	**1,545**	**204**	**(1)**	**23,342**
Finance income	-	76	-	61	80	-	-	**217**
Interest in the profit/(loss) of entities using the equity method	-	-	484	(6)	682	-	-	**1,160**
Finance costs	(2,153)	(2,603)	(1,136)	(1,806)	(587)	(45)	3	**(8,327)**
Financial profit/(loss)	**(2,153)**	**(2,527)**	**(652)**	**(1,751)**	**175**	**(45)**	**3**	**(6,950)**
Profit/(loss) before tax	**23,212**	**(10,053)**	**1,967**	**(615)**	**1,720**	**159**	**2**	**16,392**
Income tax	(2,900)	13	1,337	(100)	-	-	-	**(1,650)**
Profit/(loss) for the year	**20,312**	**(10,040)**	**3,304**	**(715)**	**1,720**	**159**	**2**	**14,742**

31 December 2021 — Thousands of euros

	Hotel	Shopping centre	Retail	Offices	Residential	Logistics	Other	Total
Services	4,981	11,639	6,849	4,337	624	324	-	**28,754**
Changes in fair value of investment property	13,420	13,528	(178)	10,827	5,684	789	-	**44,070**
Operating expenses	(2,515)	(7,616)	(2,040)	(1,513)	(352)	(53)	(2)	**(14,091)**
Impairment losses on intangible assets	-	(598)	-	-	-	-	-	**(598)**
Profit/(loss) from operations	**15,886**	**16,953**	**4,631**	**13,651**	**5,956**	**1,060**	**(2)**	**58,135**
Finance income	451	170	-	53	86	-	-	**760**
Interest in the profit/(loss) of entities using the equity method	-	-	807	203	497	-	-	**1,507**
Finance costs	(1,573)	(854)	(832)	(833)	(307)	(14)	14	**(4,399)**
Financial profit/(loss)	**(1,122)**	**(684)**	**(25)**	**(577)**	**276**	**(14)**	**14**	**(2,132)**
Profit/(loss) before tax	**14,764**	**16,269**	**4,606**	**13,074**	**6,232**	**1,046**	**12**	**56,003**
Income tax	(2,781)	(270)	(41)	246	-	(11)	1,608	**(1,249)**
Profit/(loss) for the year	**11,983**	**15,999**	**4,565**	**13,320**	**6,232**	**1,035**	**1,620**	**54,754**

The amounts furnished to the Board of Directors in relation to total assets and liabilities are measured according to criteria that are consistent with those applied in the consolidated financial statements. These assets and liabilities are allocated according to segment activities.

31 December 2022								Thousands of euros
	Hotel	Shopping centre	Retail	Offices	Residential	Logistics	Other	Total
Non-current assets	**218,592**	**174,596**	**127,956**	**133,172**	**66,052**	**5,007**	**42**	**725,417**
Investment property	218,560	167,573	119,501	132,469	62,772	4,965	-	705,840
Investments accounted for using the equity method	(281)	-	5,656	298	2,893	-	-	8,566
Other non-current assets	313	7,023	2,799	405	387	42	42	11,011
Current assets	**4,025**	**3,119**	**334**	**1,521**	**125**	**-**	**1,443**	**10,567**
Non-current liabilities	**74,772**	**58,683**	**39,044**	**54,337**	**23,876**	**2,059**	**67,889**	**320,660**
Current liabilities	**6,485**	**3,404**	**2,722**	**2,539**	**1,796**	**2,153**	**28,287**	**47,386**

31 December 2021								Thousands of euros
	Hotel	Shopping centre	Retail	Offices	Residential	Logistics	Other	Total
Non-current assets	**230,144**	**193,602**	**132,219**	**134,500**	**64,218**	**5,139**	**63**	**759,885**
Investment property	229,502	186,009	126,265	134,222	60,306	5,097	-	741,401
Investments accounted for using the equity method	-	-	4,671	23	2,711	-	-	7,405
Other non-current assets	642	7,593	1,283	255	1,201	42	63	11,079
Current assets	**6,844**	**1,658**	**949**	**2,247**	**2,184**	**34**	**2,203**	**16,119**
Non-current liabilities	**107,727**	**34,106**	**34,388**	**38,641**	**20,370**	**53**	**31,616**	**266,901**
Current liabilities	**14,261**	**1,055**	**2,386**	**3,047**	**1,843**	**1,997**	**98,436**	**123,025**

5 INTANGIBLE ASSETS

The detail and changes in the items under the heading "Intangible assets" is as follows:

		Thousands of euros
	Goodwill	Total
At 1 January 2021		
Opening net carrying value	5,054	5,054
Business combinations	23	23
Impairment	(598)	(598)
Closing net carrying value	**4,479**	**4,479**
At 31 December 2021		
Cost	5,930	5,930
Accumulated value impairment	(1,451)	(1,451)
Net carrying value	**4,479**	**4,479**
At 1 January 2022		
Opening net carrying value	4,479	4,479
Additions	12	12
Impairment	(589)	(589)
Closing net carrying value	**3,902**	**3,902**
At 31 December 2022		
Cost	5,942	5,942
Accumulated value impairment	(2,040)	(2,040)
Net carrying value	**3,902**	**3,902**

During 2019 the Parent's acquisition of the shares in Starboard, S.L., a company owning the real estate "Centro Comercial Bahía Plaza", gave rise to a goodwill of EUR 5,888 thousand. Subsequently, on 22 July 2019, the Parent completed the merger by acquisition of Starboard, S.L.

Such goodwill refers to the real estate "Centro Comercial Bahía Plaza".

a) Goodwill value impairment tests

Goodwill is controlled by Management at the level of the six operating segments identified in Note 0. Below is a summary of goodwill allocation at segment level.

	Thousands of euros
	Goodwill
Shopping centre	3,902
Total	**3,902**

b) Significant estimation: key assumptions used for value-in-use calculations

The Group tests goodwill for impairment on an annual basis. For the year ended 31 December 2022, the recoverable amount of cash-generating units (CGUs) was assessed based on the calculations of the value in use that require using assumptions. The calculations use cash flow projections based on 10-year financial budgets approved by Management.

The cash flows exceeding 10 years are extrapolated using the growth rates estimated by Management. These growth rates are consistent with the estimates included in specific reports on the sector in which each CGU operates.

c) Significant estimation – Value impairment

After the impairment test at 31 December 2022, an impairment charge for EUR 589 thousand was recognised, resulting in a decrease in the CGU's carrying amount up to its recoverable value.

At 31 December 2022 the recoverable amount of the total goodwill was EUR 3,902 thousand.

6 INVESTMENT PROPERTY

Investment property includes buildings and other structures owned to obtain rental income in the long term, and which are not occupied by the Group. Investment property is broken down by segments as follows:

Investment property	31 December 2022	31 December 2021
Retail	21	22
Offices	7	7
Hotel	6	7
Shopping centre	3	3
Logistics	1	1
Residential	4	4
Total *	**42**	**44**

* Total investment property includes the properties held by the companies deemed joint ventures.

The detail and changes in the items under the heading "Investment property" is as follows:

	Thousands of euros
	Investment property
Balance at 31.12.2020	**648,781**
Business combinations (Note 14)	22,019
Acquisitions	33,875
Write-offs	(2,344)
Advance write-offs	(5,000)
Net profit from adjustments at fair value	44,070
Balance at 31.12.2021	**741,401**
Acquisitions	17,420
Write-offs	(51,348)
Advance write-offs	-
Net loss from adjustments at fair value	(1,633)
Balance at 31.12.2022	**705,840**

Between 1 January 2022 and 31 December 2022 the Group performed the following transactions:

Business combinations and acquisitions

	Thousands of euros
Acquisitions	
Asset enhancements (1)	17,420
	17,420

(1) The enhancements in assets refer to improvement and refurbishment works carried out in certain real property owned by the Group, including, among others, EUR 6,523 thousand in the property Teatro Albéniz (Carretas), EUR 2,885 thousand in the property Urb. Cala Mandía, EUR 2,425 thousand in the property located at Calle Los Madrazo, EUR 1,781 thousand in the property Centro Comercial La Fira, and EUR 1.4 million in Hotel Cala Domingos.

Write-offs

- On 31 January 2022, the asset Muebles Boom Parque Oeste was sold for an amount of EUR 4,035 thousand.

- On 6 July 2022 a transfer was made amounting to EUR 7,225 thousand for all the ownership interests held by the Parent in Atalaya Playa Bella, S.L. (54.64%), the owner of Hotel PlayaBella Urb. Costalita located in Estepona (Malaga). The appraisal of the absorbed asset at that date was EUR 51,716 thousand.

Between 1 January 2021 and 31 December 2021 the Group performed the following transactions:

Business combinations and acquisitions

Segment	Thousands of euros
Business combinations	
Hotel (1)	22,019
	22,019
Acquisitions	
Asset enhancements (2)	33,875
	33,875

(1) On 5 February 2021, the Parent acquired 100% of the ownership interests of BIN 2017, S.L.U. by delivering a consideration of EUR 4,670 thousand (Note 14). At 31 December 2020, the Parent had made a prepayment of the investment property purchase price for EUR 5,000 thousand, which was derecognised at 31 December 2021.

The enhancements in assets refer to the improvement and refurbishment works carried out in certain real property owned by the Group, including, among others, EUR 19,507 thousand in Hotel Carretas, EUR 3,921 thousand in Hotel Tropicana, EUR 3,155 thousand in Edificio Arista and EUR 1,828 thousand in Hotel Biniancollet.

Write-offs

During the year ended 31 December 2021, an amount of EUR 2,344 thousand was collected in relation to the receivable held by the Parent with its shareholder Merlin Properties SOCIMI, S.A. (Note 18). In addition, such receivable was adjusted, increasing its value by EUR L101 thousand.

a) Revenue and expenses from investment property

The following revenue and expenses arising from investment property were recognised in the consolidated income statement:

	Thousands of euros	
	31 December 2022	**31 December 2021**
Rental income (Note 13.1)	39,968	28,754
Variable rental income	12,752	811
Fixed rental income	27,216	27,943
Operating expenses arising from rental income-generating investment property	9,324	4,893
Operating expenses arising from non-rental income-generating investment property	6,018	8,734
	24,626	**15,127**

b) Assets under operating leases

The total future minimum amounts to be collected for operating leases is as follows:

	Thousands of euros	
	31 December 2022	**31 December 2021**
1 year	27,610	31,677
Between 1 and 2 years	23,015	24,795
Between 2 and 3 years	19,787	21,380
Between 3 and 4 years	17,984	19,401
Between 4 and 5 years	15,978	18,370
Over 5 years	96,102	82,708
	200,476	**198,331**

c) Insurance

The Group takes out the necessary insurance policies to cover the possible risks that may affect investment property items. The coverage of these policies is considered to be sufficient.

d) Obligations

At 31 December 2022, the Group had no contractual obligations to acquire, build or develop investment property or in relation to repair and maintenance work or insurance other than those broken down in these notes for an amount of EUR 3,669 thousand.

e) Measurement process

Below are the cost and fair value of investment property at 31 December 2022 and 31 December 2021:

	Thousands of euros		Thousands of euros	
	31 December 2022		31 December 2021	
	Net cost value	**Fair value**	**Net cost value**	**Fair value**
Investment property	537,693	705,840	594,318	741,401

The aforementioned real estate assets were valued under the "market value" assumption, those valuations being made in accordance with the Royal Institution of Chartered Surveyors' Professional Standards – Red Book for January 2022. The "market value" of the real property owned by the Group was assessed based on the valuation carried out by independent valuers (31 December 2022: Savills Aguirre Newman Valoraciones y Tasaciones, S.A.U.; at 31 December 2021: Gloval Valuation, S.A.U.).

"Market value" is defined as the estimated amount for which an asset should be exchanged at the valuation date, between a buyer and a seller by mutual agreement, after a reasonable trading period in which both parties acted with knowledge, prudence and subject to no coercion.

The valuation methodology adopted by independent valuers as to the fair value determination was mainly the 10-year cash flow discount method, apart from comparing the information on a like-for-like basis. The residual amount at the end of the 10th year is calculated applying an exit yield or cap rate of the estimated net income in the 11th year. Cash flows are discounted at an internal rate of return to reach the net current value. Such rate of return is adjusted to reflect the risk related to the investment and adopted assumptions. Therefore, key variables are income, the exit yield and the discount rate.

The estimated yields depend on the type and age of the real property and their location. Real property was valued individually, considering each lease agreement effective at year-end and, as applicable, the expected ones, based on current market rent prices for the different areas, supported by like-for-like data and transactions carried out for calculation purposes.

As disclosed in Note 2.4, the directors requested a valuation of all investment property at 31 December 2022. As a result of this valuation, a negative variation in the fair value of investment property was recognised in the consolidated income statement for the year ended 31 December 2022 for EUR 1,633 thousand (2021: EUR 44,070).

The breakdown of the average exit yields by segment is as follows:

	Exit yield average in 2022	Exit yield average in 2021
Shopping centre	6.83%	5.83%
Hotel	6.33%	6.03%
Logistics	6.50%	6.25%
Offices	5.65%	4.85%
Residential	4.30%	3.94%
Retail	5.25%	5.04%

At 31 December 2022 and 31 December 2021, the following simulations were performed on the valuations of the portfolio assets in terms of exit yields, discount rates and incremental market rents:

At 31 December 2022

Based on the simulations of these valuations, the recalculated impact on the portfolio assets' fair value at 31 December 2022 of a 0.25% variation in the exit yield would result in the following:

- If the exit yield were reduced by 0.25%, the market value of such real property would amount to EUR 729,289 thousand;
- If the exit yield increased by 0.25%, the market value of such real property would amount to EUR 690,703 thousand.

The effect of a 10% variation on rent increases considered in the valuations of these assets would have the following impacts on consolidated assets and, in view of the difference with the asset's fair value, on the consolidated income statement, with respect to investment property:

- If the market rents increased by 10%, the market value of such real property would amount to EUR 758,100 thousand;
- If the market rents were reduced by 10%, the market value of such real property would amount to EUR 661,943 thousand.

The effect of a 0.50% variation on the discount rate used in valuations would have the following impacts on consolidated assets and, in view of the difference with the asset's fair value, on the consolidated income statement, with respect to investment property:

- If the discount rates were reduced by 0.50%, the market value of such real property would amount to EUR 720,013 thousand;
- If the discount rates increased by 0.50%, the market value of such real property would amount to EUR 668,571 thousand.

At 31 December 2021

Based on the simulations of these valuations, the recalculated impact on the property portfolio fair value at 31 December 2021 of a 0.25% variation in the exit yield would result in the following:

- If the exit yield were reduced by 0.25%, the market value of such real property would amount to EUR 769,324 thousand;
- If the exit yield increased by 0.25%, the market value of such real property would amount to EUR 722,583 thousand.

The effect of a 10% variation on rent increases considered in the valuations of these assets would have the following impacts on consolidated assets and, in view of the difference with the asset's fair value, on the consolidated income statement, with respect to investment property:

- If the market rents increased by 10%, the market value of such real property would amount to EUR 770,690 thousand;
- If the market rents were reduced by 10%, the market value of such real property would amount to EUR 718,817 thousand.

The effect of a 0.50% variation on the discount rate used in valuations would have the following impacts on consolidated assets and, in view of the difference with the asset's fair value, on the consolidated income statement, with respect to investment property:

- If the discount rates were reduced by 0.50%, the market value of such real property would amount to EUR 774,595 thousand;
- If the discount rates increased by 0.50%, the market value of such real property would amount to EUR 716,307 thousand.

During the years ended 31 December 2022 and 31 December 2021, no level transfers took place.

7 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The detail and changes of investments accounted for under the equity method are as follows:

	Thousands of euros
	Investments in associates
Balance at 31.12.2020	**7,196**
Additions	-
Write-offs	(1,298)
Share in profit/(loss)	1,507
Balance at 31.12.2021	**7,405**
Additions	1
Write-offs	-
Share in profit/(loss)	1,160
Balance at 31.12.2022	**8,566**

The balance under this line item includes the interest in the companies' equity under the equity method (in which no control is held).

The year-end date of the financial statements concerning all the investments accounted for using the equity method matches the date of presentation of the Parent's financial statements. The ownership interests of the latter in joint ventures –none of which is listed in the stock exchange– are as follows:

Name	Place of incorporation	Registered offices	% of ownership	Activity
Atalaya Playabella, S.L.	Biscay, Spain	Alameda Mazarredo 69, 7º f 48009	32.14%	Real estate
Atalaya Superficies Comerciales, S.L.	Biscay, Spain	Alameda Mazarredo 69, 7º f 48009	21.87%	Real estate
Atalaya Zorrilla Madrazo, S.L.	Madrid, Spain	C/ Velázquez,123 5º	20.24%	Real estate
Mazabi Recoletos, S.L.	Biscay, Spain	Alameda Mazarredo 69, 7º f 48009	20.00%	Real estate

The balances of these companies at 31 December 2022 and 31 December 2021 were as follows:

	Thousands of euros	
	31 December 2022	
	Total	Total %
NON-CURRENT ASSETS:	**57,532**	**15,882**
Investment property	57,326	15,878
Other non-current assets	206	4
CURRENT ASSETS:	**6,117**	**1,418**
Cash and cash equivalents	5,473	1,271
Other current assets	644	147
TOTAL ASSETS	**63,649**	**17,300**
EQUITY	**33,385**	**8,566**
NON-CURRENT LIABILITIES	**24,036**	**6,889**
Non-current payables	21,373	6,206
Other non-current liabilities	2,663	683
CURRENT LIABILITIES	**6,227**	**1,845**
Current payables	5,324	1,590
Other current liabilities	903	255
TOTAL LIABILITIES AND EQUITY	**63,648**	**17,300**

	Thousands of euros	
	31 December 2022	
	Total	Total %
Net revenue	1,536	336
Changes in fair value of investment property	5,857	1,670
Staff costs	(63)	(14)
Other operating expenses	(1,084)	(255)
Impairment and gains or losses on disposals of non-current assets	-	-
Other profit/(loss)	(10)	(3)
PROFIT FROM OPERATIONS	**6,236**	**1,734**
FINANCIAL LOSS	**(509)**	**(145)**
PROFIT BEFORE TAX	**5,727**	**1,589**
Income taxes	(1,516)	(429)
PROFIT FOR THE YEAR	**4,211**	**1,160**

	Thousands of euros	
	31 December 2021	
	Total	Total %
NON-CURRENT ASSETS:	**43,786**	**43,786**
Investment property	43,593	43,593
Other non-current assets	193	193
CURRENT ASSETS:	**14,594**	**14,594**
Cash and cash equivalents	14,289	14,289
Other current assets	305	305
TOTAL ASSETS	**58,380**	**58,380**
EQUITY	**29,175**	**29,175**
NON-CURRENT LIABILITIES	**19,408**	**19,408**
Non-current payables	18,220	18,220
Other non-current liabilities	1,188	1,188
CURRENT LIABILITIES	**9,797**	**9,797**
Current payables	710	710
Other current liabilities	9,087	9,087
TOTAL LIABILITIES AND EQUITY	**58,380**	**58,380**

	Thousands of euros	
	31 December 2021	
	Total	Total %
Net revenue	1,438	307
Changes in fair value of investment property	7,821	1,961
Staff costs	(83)	(18)
Other operating expenses	(877)	(211)
Impairment and gains or losses on disposals of non-current assets	-	-
Other profit/(loss)	15	3
PROFIT FROM OPERATIONS	**8,314**	**2,042**
FINANCIAL LOSS	**(478)**	**(117)**
PROFIT BEFORE TAX	**7,836**	**1,925**
Income taxes	(1,593)	(418)
PROFIT FOR THE YEAR	**6,243**	**1,507**

During the years ended 31 December 2022 and 31 December 2021 no provisions for impairment losses on investments accounted for using the equity method were made.

8 ANALYSIS OF FINANCIAL INSTRUMENTS

a) Category breakdown

The carrying amount of each category of financial instruments, excluding cash and cash equivalents, is as follows:

Thousands of euros

	Non-current financial assets					
	Amortised cost		Fair value through profit or loss		TOTAL	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Loans to entities accounted for using the long-term equity method	1,678	1,116	-	-	**1,678**	**1,116**
Non-current investment property	4,353	4,425	-	-	**4,353**	**4,425**
Total non-current financial assets	**6,031**	**5,541**	**-**	**-**	**6,031**	**5,541**

Thousands of euros

	Current financial assets					
	Amortised cost		Fair value through profit or loss		TOTAL	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Loans to entities accounted for the short-term equity method	-	690	-	-	**-**	**690**
Advances to suppliers	1	33	-	-	**1**	**33**
Trade receivables for sales and services	4,265	2,517	-	-	**4,265**	**2,517**
Sundry receivables	8	5	-	-	**8**	**5**
Current financial assets	6	3	-	-	**6**	**3**
Total current financial assets	**4,280**	**3,248**	**-**	**-**	**4,280**	**3,248**

The carrying amount of both current and non-current financial assets carried at amortised cost is close to their fair value.

Thousands of euros

	Non-current financial liabilities					
	Amortised cost		Fair value through profit or loss		TOTAL	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Non-current payables to shareholders (Note 18)	43,410	23,570	-	-	**43,410**	**23,570**
Bank borrowings	194,780	199,763	-	-	**194,780**	**199,763**
Other borrowings	8,232	8,591	-	-	**8,232**	**8,591**
Other financial liabilities	49,520	6,549	-	-	**49,520**	**6,549**
Total non-current financial liabilities	**295,942**	**238,473**	**-**	**-**	**295,942**	**238,473**

Thousands of euros

	Current financial liabilities					
	Amortised cost		Fair value through profit or loss		TOTAL	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Bank borrowings	20,336	31,008	-	-	**20,336**	**31,008**
Other borrowings	359	813	-	-	**359**	**813**
Other financial liabilities	20,193	50	-	-	**20,193**	**50**
Current payables to shareholders	-	81,060	-	-	**-**	**81,060**
Suppliers	5,598	7,556	-	-	**5,598**	**7,556**
Employees	125	267	-	-	**125**	**267**
Customer advances	58	34	-	-	**58**	**34**
Other accounts payable	15	63	-	-	**15**	**63**
Current accruals and deferrals	292	1,575			**292**	**1,575**
Total current financial liabilities	**46,976**	**122,426**	**-**	**-**	**46,976**	**122,426**

The carrying amount of both current and non-current debits and payable carried at amortised cost is close to their fair value.

b) Analysis by maturity

At 31 December 2022 and 31 December 2021, the amounts of financial instruments, excluding cash and cash equivalents, with a specific or determinable maturity classified by year of maturity and in discounted terms were as follows:

At 31 December 2022							Thousands of euros
	Financial assets						
	2023	2024	2025	2026	2027	Subsequent years	Total
Financial assets							
Credits to entities accounted for using the equity method	-	-	-	-	-	1,678	**1,678**
Other financial assets	6	284	197	232	158	3,482	**4,359**
Advances to suppliers	1	-	-	-	-	-	**1**
Trade receivables for sales and services	4,265	-	-	-	-	-	**4,265**
Sundry receivables	8	-	-	-	-	-	**8**
	4,280	**284**	**197**	**232**	**158**	**5,160**	**10,311**

At 31 December 2022							Thousands of euros
	Financial liabilities						
	2023	2024	2025	2026	2027	Subsequent years	Total
Financial liabilities							
Bank borrowings	20,336	19,702	17,345	16,822	27,160	113,751	**215,116**
Other borrowings	359	365	371	377	383	6,736	**8,591**
Other financial liabilities	20,193	760	41,857	384	402	6,117	**69,713**
Debts with shareholders	-	-	43,410	-	-	-	**43,410**
Suppliers	5,598	-	-	-	-	-	**5,598**
Employees	125	-	-	-	-	-	**125**
Customer advances	58	-	-	-	-	-	**58**
Other accounts payable	15	-	-	-	-	-	**15**
Accruals and deferrals	292	-	-	-	-	-	**292**
	46,976	**20,827**	**102,983**	**17,583**	**27,945**	**126,604**	**342,918**

At 31 December 2021							Thousands of euros
	Financial assets						
	2022	2023	2024	2025	2026	Subsequent years	Total
Financial assets							
Credits to entities accounted for using the equity method	690	-	-	-	-	1,116	**1,806**
Other financial assets	3	545	181	134	103	3,462	**4,428**
Advances to suppliers	33	-	-	-	-	-	**33**
Trade receivables for sales and services	2,517	-	-	-	-	-	**2,517**
Sundry receivables	5	-	-	-	-	-	**5**
	3,248	**545**	**181**	**134**	**103**	**4,578**	**8,789**

At 31 December 2021							Thousands of euros
	Financial liabilities						
	2022	2023	2024	2025	2026	Subsequent years	Total
Financial liabilities							
Bank borrowings	31,008	19,344	19,295	16,939	16,129	128,056	**230,771**
Other borrowings	813	359	365	371	377	7,119	**9,404**
Other financial liabilities	50	997	617	281	394	4,260	**6,599**
Debts with shareholders	81,060	-	-	23,570	-	-	**104,630**
Suppliers	7,556		-	-	-	-	**7,556**
Employees	267	-	-	-	-	-	**267**
Customer advances	34	-	-	-	-	-	**34**
Other accounts payable	63	-	-	-	-	-	**63**
Accruals and deferrals	1,575	-	-	-	-	-	**1,575**
	122,426	**20,700**	**20,277**	**41,161**	**16,900**	**139,435**	**360,899**

9 TRADE AND OTHER RECEIVABLES

	Thousands of euros	
	At 31 December 2022	At 31 December 2021
Current trade and other receivables		
Trade receivables for sales and services	4,265	2,517
Sundry receivables	8	5
Other accounts receivable from public authorities (Note 15)	555	2,368
	4,828	**4,890**

The trade impairment losses allocated during the year ended 31 December 2022, and in 2021, were as follows:

	Thousands of euros	
	At 31 December 2022	At 31 December 2021
Loss/(reversal) due to impairment of trade receivables	(87)	(130)
	(87)	**(130)**

The analysis of the age of customers for sales and services is as follows:

	Thousands of euros	
	At 31 December 2022	At 31 December 2021
Up to 3 months	1,490	1,968
Between 3 and 6 months	1,957	195
More than 6 months	818	354
	4,265	**2,517**

10 CASH AND CASH EQUIVALENTS

	Thousands of euros	
	At 31 December 2022	At 31 December 2021
Cash	5,654	10,392
	5,654	**10,392**

Current accounts accrue a market interest rate and are denominated in euros.

By virtue of financing agreements, the Group is required to reserve a restricted amount that at 31 December 2022 was as follows:

- For the loan with CaixaBank, S.A. for EUR 17,000 thousand, an amount of EUR 213 thousand was held (2021: EUR 213 thousand).
- For the loan with CaixaBank, S.A. for EUR 9,000 thousand, an amount of EUR 115 thousand was held (2021: EUR 111 thousand).
- For the loan with CaixaBank, S.A. for EUR 4,500 thousand, an amount of EUR 16 thousand was held (2021: EUR 16 thousand).
- For the loan with CaixaBank, S.A. for EUR 8,000 thousand, an amount of EUR 60 thousand was held (2021: EUR 0 thousand).
- For the loan with Abanca for EUR 6,900 thousand, an amount of EUR 793 thousand was held, classified under "Non-current financial assets" (2021: EUR 700 thousand).
- For the loan with Banco Santander for EUR 40,000 thousand, an amount of EUR 1,500 thousand was held (2021: EUR 0 thousand).
- An amount of EUR 85 thousand was held for the agent bank Renta 4.

11 SHARE CAPITAL, RETAINED EARNINGS AND EARNINGS PER SHARE

a) Share capital

	Thousands of euros	
	At 31 December 2022	At 31 December 2021
Registered capital	30,955	36,112
	30,955	**36,112**
Number of shares	30,955,303	36,112,229
Share par value	EUR 1	EUR 1

All shares have the same political and economic rights.

The changes in the Group's share capital during the year ended 31 December 2022 were as follows:

Reductions

On 5 April 2022, the Annual General Meeting approved a share capital reduction in the nominal amount of EUR 5,157 thousand through the redemption of 5,157 thousand shares of the Company owned by Merlin Properties SOCIMI, S.A. with the repayment of shares in cash at a rate of EUR 15.7 per redeemed share. The minutes were registered on 28 July 2022.

On 30 June 2021, the Annual General Meeting of the Parent resolved to reduce the share capital by decreasing the par value of the shares by EUR 9, which was set at EUR 1. The amount of the reduction was used to increase voluntary reserves by EUR 325,010 thousand.

At 31 December 2022 and 31 December 2021, the entities with an ownership interest of 5% or more in the share capital were as follows:

At 31 December 2022

Entity	% of voting rights granted to shares	% of voting rights through financial instruments	Total %
Merlin Properties SOCIMI, S.A.	18%	-	**18%**
El Arverjal, S.L.	24%	-	**24%**
Atalaya Inversiones Financieras, S.L.	19%	-	**19%**
Midamarta, S.L.U.	10%	-	**10%**
Eurozasa, S.L.	6%	-	**6%**
Rest (40 shareholders)	23%	-	**23%**
Total	**100%**	**0%**	**100%**

At 31 December 2021

Entity	% of voting rights granted to shares	% of voting rights through financial instruments	Total %
Merlin Properties SOCIMI, S.A.	30%	-	**30%**
El Arverjal, S.L.	21%	-	**21%**
Atalaya Inversiones Financieras, S.L.	16%	-	**16%**
Midamarta, S.L.U.	8%	-	**8%**
Rest (39 shareholders)	25%	-	**25%**
Total	**100%**	**0%**	**100%**

b) Treasury shares

At 31 December 2022, the Parent held treasury shares amounting to EUR 209 thousand.

The changes during the years ended 31 December 2022 and 31 December 2021 were as follows:

	Number of shares	Thousands of euros
Balance at 1 January 2021	-	-
Acquisitions	11,262	(170)
Write-offs	2,618	46
Balance at 31 December 2021	**8,644**	**(124)**
Acquisitions	6,028	(93)
Write-offs	460	8
Balance at 31 December 2022	**14,212**	**(209)**

c) Earnings per share

The following table shows the income and information on the number of shares used for the calculation of basic and diluted earnings per share:

	From 1 January 2022 to 31 December 2022	From 1 January 2021 to 31 December 2021
Profit attributable to shareholders of the Parent (thousands of euros)	10,827	52,045
Weighted average of the number of shares issued (shares)	33,533,766	36,112,229
Basic earnings per share (euros)	0.32	1.44
Diluted earnings per share (euros)	0.32	1.44

11.1 RETAINED EARNINGS AND OTHER RESERVES

a) Retained earnings and other reserves

Under "Reserves" the Group recognised mainly the expenses arising from the issue of shares (Note 14).

	Thousands of euros	
	At 31 December 2022	At 31 December 2021
Retained earnings		
Legal reserve	520	404
Loss from previous years	(3,332)	(3,332)
Share premium	58,022	58,022
Other reserves	311,581	335,755
	366,791	**390,849**

b) Legal reserve

The existing legal reserve should be in accordance with Article 274 of the Spanish Companies Act, which requires that an amount equal to 10% of the profit for the reporting period must be allocated to the legal reserve until it reaches at least 20% of share capital.

The legal reserve cannot be distributed and, if used to offset losses –provided that no other sufficient reserves are available to that end–, it must be replenished out of future profits.

c) Business combination adjustment reserves

The changes in reserves as a result of the liquidity agreement disclosed in Note 18 were as follows:

		Thousands of euros
	Business combination adjustment reserve – Shares A	**Business combination adjustment reserve – Shares B**
Balance at 31.12.2020	**(86,521)**	**(10,000)**
Correction of errors (net of taxes)	-	(9,370)
Write-offs	5,557	-
Discounting to present value	-	(4,200)
Balance at 31.12.2021	**(80,964)**	**(23,570)**
Correction of errors (net of taxes)	-	(9,370)
Write-offs	80,964	-
Discounting to present value	-	(10,470)
Balance at 31.12.2022	**-**	**(43,410)**

During the year ended 31 December 2022, the Parent settled in full the payable to its shareholder Merlin Properties SOCIMI, S.A. in relation to Shares A for an amount of EUR 80,964 thousand, which arises from a price of EUR 15.70/share for the redemption of 5,156,925 shares owned by Merlin Properties SOCIMI, S.A. The funds to face the liquidity scheme were obtained from the novation of various bank loans to increase available principal, the arrangement of different alternative financing instruments and the Company's available cash (Note 12).

In addition, during the year, the commitment assumed with Merlin Properties SOCIMI, S.A. was adjusted financially, increasing the reserve by EUR 29,210 thousand.

d) Distribution of profit

The distribution of the Parent's profit to be proposed to the Annual General Meeting is the following:

	Thousands of euros	
	2022	**2021**
Basis of allocation:		
Gains and losses	**12,102**	**1,154**
Allocation:		
Legal reserve	1,210	115
Voluntary reserve	-	-
Loss from previous years	-	
Dividends	10,892	1,039
	12,102	**1,154**

On 5 April 2022, the Annual General Meeting approved, without amendments, the proposed distribution of the Parent's profit for 2021.

11.2 NON-CONTROLLING INTERESTS

The detail and changes in non-controlling interests over the period are as follows:

Thousands of euros

	Mazabi General Dávila, S.L.	Mazabi Tropicana, S.L.U.	Atalaya Playa Bella, S.L.	Mazabi Santa Eulalia, S.L.	Total
Balance at 31.12.2020	**3,628**	**1,506**	**5,540**	**567**	**11,241**
Write-offs	-	(1,506)	-	-	(1,506)
Dividends	(348)	-	-	(366)	(714)
Profit/(loss)	(81)	-	2,810	(20)	2,709
Balance at 31.12.2021	**3,199**	**-**	**8,350**	**181**	**11,730**
Balance at 31.12.2021	**3,199**	**-**	**8,350**	**181**	**11,730**
Write-offs	-	-	(11,946)	-	(11,946)
Profit/(loss)	327	-	3,597	(9)	3,915
Dividends	(661)			(53)	(714)
Balance at 31.12.2022	**2,865**	**-**	**1**	**119**	**2,985**

On 12 May 2022, the Annual General Meeting of Mazabi General Dávila, S.L. approved the reimbursement of capital contributions to shareholders to be charged to the share premium, for a total maximum amount of EUR 1,200 thousand to be paid by bank transfer until 31 December 2022, in two equal parts, i.e. EUR 600 thousand in May 2022 and EUR 600 thousand in the fourth quarter. Finally, the amount of EUR 600 thousand was divided into EUR 300 thousand distributed in Q4 2022, and EUR 200 thousand to be distributed in Q1 2023.

The aforementioned reimbursement is applicable to the Company's shareholders, proportionately to their ownership interests in the share capital.

On 16 June 2022, the Annual General Meeting of Mazabi Santa Eulalia, S.L. approved distributing the share premium for a total gross amount of EUR 100 thousand, such distribution being applicable to the Company's shareholders proportionately to their ownership interests in the share capital.

On 12 May 2021 and 16 November 2021, the Annual General Meeting of Mazabi General Dávila, S.L. approved two distributions of the share premium for an amount of EUR 500 thousand, with EUR 348 thousand corresponding to non-controlling interests.

Furthermore, on 2 February 2021, the Annual General Meeting of Mazabi Santa Eulalia, S.L. agreed to distribute the share premium for a maximum amount of EUR 1,188 thousand, out of which, at 31 December 2021, EUR 782 thousand was distributed, EUR 366 corresponding to the Company's non-controlling interests.

12 DEBITS AND ACCOUNTS PAYABLE

The breakdown of this line item at 31 December 2022 and 31 December 2021 is as follows:

	Thousands of euros	
	At 31 December 2022	At 31 December 2021
Non-current liabilities and payables		
Bank borrowings	194,780	199,763
Other borrowings	8,232	8,591
Other financial liabilities	41,639	-
Debts with shareholders (Note 18)	43,410	23,570
Sureties and other guarantees	7,881	6,549
	295,942	**238,473**
Current liabilities and payables		
Bank borrowings	20,336	31,008
Other borrowings	359	813
Other financial liabilities	20,187	-
Securities and other guarantees	6	50
Suppliers, related entities and debts with shareholders	-	81,060
Suppliers	5,598	7,556
Current tax liabilities	138	115
Employees	125	267
Other accounts payable to public authorities	232	443
Customer advances	58	34
Other accounts payable	15	63
Current accruals and deferrals	292	1,575
	47,346	**122,984**

The amount in “Other borrowings” refers to the leases that fund the investment property of the building “Obenque 4”.

Long-term “Securities and other guarantees” include the securities for the lease of real property owned by the Group, amounting at 31 December 2022 year-end to EUR 7,881 thousand (2021: EUR 6,549 thousand).

“Other financial liabilities” include the Parent’s payable to FRUX SPV 3, S.à.r.l. and Arcano Private Debt I for an amount of EUR 43,000 thousand. The financing agreement was signed on 26 July 2022, expiring on 25 July 2025. This loan accrues variable interest at EURIBOR plus 7.50%. In addition, every quarter 3% interest p.a. is capitalised.

Short-term “Other financial liabilities” include the Parent’s alternative financing. It is made up of nine financing agreements signed with individuals, totalling EUR 19,500 thousand. All financing agreements were signed on 15 July 2022, all of them expiring on 15 July 2023. The interest rate on this loan is 8.5%.

The carrying amount of “Suppliers” refers mainly to the supply of materials and services for investment property improvement works.

The breakdown of current and non-current bank borrowings is as follows:

Thousands of euros

At 31 December 2022	Financial institution	Date of incorporation	Maturity	Borrowing amount	Non-current bank borrowings	Current bank borrowings	Total
Obenque mortgage loan	BBVA	28/04/2017	28/04/2032	1,875	1,347	148	**1,495**
CaixaBank credit	CaixaBank	28/07/2022	14/09/2028	2,000	12,370	1,227	**13,597**
San Onofre mortgage loan	Sabadell	08/02/2019	31/07/2035	7,364	5,673	467	**6,140**
Paseo de La Habana mortgage loan	C. Popular	06/06/2019	10/04/2032	660	389	43	**432**
Eduardo Dato mortgage loan	CaixaBank	28/07/2022	11/07/2030	4,500	4,300	42	**4,342**
Zamora, Conil and Bahía SC mortgage loan	Sabadell	28/11/2019	30/11/2035	15,000	12,112	939	**13,051**
Los Madrazo mortgage loan	BBVA	19/07/2022	31/05/2031	18,000	16,580	1,031	**17,611**
Cala Mandía mortgage loan	B. March	09/04/2018	01/01/2033	2,600	1,385	162	**1,547**
Conforama Castellón mortgage loan	Abanca	31/07/2019	01/08/2029	6,900	4,505	625	**5,130**
Santander ICO loan	Santander	06/04/2020	06/04/2025	2,075	704	520	**1,224**
BBVA loan	BBVA	29/05/2020	31/05/2023	2,000	-	511	**511**
Bankinter ICO loan	Bankinter	29/05/2020	26/05/2025	4,000	1,446	1,001	**2,447**
CaixaBank loan	CaixaBank	16/07/2020	20/03/2025	7,500	2,108	1,690	**3,798**
Santander Atalaya Carretas loan	Santander	30/07/2019	30/07/2029	40,000	36,396	2,664	**39,060**
B. March Hotel Tropicana loan	B. March	08/02/ 2019	01/03/2033	13,000	9,803	1,074	**10,877**
Cajamar 13M loan	Cajamar	08/02/2019	01/03/2033	13,000	9,809	1,075	**10,884**
BBVA 1.4M loan	BBVA	30/06/2020	30/06/2025	1,450	735	479	**1,214**
LaCaixa 10M mortgage loan	CaixaBank	27/07/2022	01/02/2035	10,000	8,534	683	**9,217**
Velázquez, 123 mortgage loan	CaixaBank	28/07/2022	29/01/2030	12,000	11,218	169	**11,387**
Unicaja 20M mortgage loan	Unicaja	29/12/ 2020	29/12/2032	20,000	17,834	1,836	**19,670**
BBVA 8M mortgage loan	BBVA	12/04/2021	01/05/2030	8,000	7,102	531	**7,633**
Santander 12M mortgage loan	Santander	18/03/2022	22/06/2027	12,000	11,609	240	**11,849**
Bankinter 754 mortgage loan	Bankinter	07/07/2022	07/07/2034	754	659	54	**713**
Bankinter 2.3M mortgage loan	Bankinter	07/07/2022	07/07/2034	2,330	1,998	167	**2,165**
Zamudio BBVA 4M mortgage loan	BBVA	19/07/2022	31/07/2037	4,000	3,668	218	**3,886**
Bankinter credit 31/07/2019	Bankinter	26/12/2017	Indefinite	2,000	-	1,986	**1,986**
Santander General Dávila mortgage loan	Santander	16/01/2018	30/12/2027	13,000	12,246	754	**13,000**
Banque de Luxembourg Shark Capital loan	Banque de Luxembourg	05/10/2018	05/10/2033	1,000	250	-	**250**
					194,780	**20,336**	**215,116**

Thousands of euros

At 31 December 2021	Financial institution	Date of incorporation	Maturity	Borrowing amount	Non-current bank borrowings	Current bank borrowings	Total
Obenque mortgage loan	BBVA	28/04/2017	28/04/2032	1,875	1,494	145	1,639
CaixaBank credit	CaixaBank	14/09/2017	14/09/2027	17,000	10,400	691	11,091
Bankinter credit 31/07/2019	Bankinter	26/12/2017	Indefinite	2,000	-	1,993	1,993
Cala Mandía mortgage loan	B. March	09/04/2018	01/01/2033	2,600	1,538	154	1,692
Velázquez, 123 mortgage loan	CaixaBank	29/01/2019	29/01/2030	9,000	8,294	332	8,626
San Onofre mortgage loan	Sabadell	08/02/2019	31/07/2035	7,364	6,134	464	6,598
Paseo de La Habana mortgage loan	C Popular	06/06/2019	10/04/2032	660	432	42	474
Riu Segura mortgage loan	Bankinter	06/06/2019	25/07/2025	2,500	254	97	351
Conde Peñalver mortgage loan	Bankinter	06/06/2019	26/01/2032	500	315	32	347
Eduardo Dato mortgage loan	CaixaBank	11/07/2019	11/07/2029	4,500	4,258	160	4,418
Conforama Castellón mortgage loan	Abanca	31/07/2019	01/08/2029	6,900	5,059	710	5,769
Zamora, Conil and Bahía SC mortgage loan	Sabadell	28/11/2019	30/11/2035	15,000	13,035	927	13,962
Los Madrazo mortgage loan	BBVA	06/02/2020	31/01/2030	16,000	13,935	1,350	15,285
Santander 12M loan	Santander	18/03/2020	09/03/2022	12,000	-	11,992	11,992
Santander ICO loan	Santander	06/04/2020	06/04/2025	2,075	1,400	337	1,737
BBVA loan	BBVA	29/05/2020	31/05/2023	2,000	419	1,002	1,421
Bankinter ICO loan	Bankinter	29/05/2020	26/05/2025	4,000	2,445	983	3,428
CaixaBank loan	CaixaBank	16/07/2020	20/03/2025	7,500	3,783	1,670	5,453
Liberbank 7.5M mortgage loan	Liberbank	29/12/2020	29/12/2032	7,500	4,382	-	4,382
Liberbank 20M mortgage loan	Liberbank	29/12/2020	29/12/2032	20,000	19,646	-	19,646
Santander VAT credit	Santander	01/03/2021	23/02/2022	8,000	-	629	629
BBVA 8M mortgage loan	BBVA	12/04/2021	30/04/2030	8,000	7,698	266	7,964
Santander Carretas mortgage loan	Santander	30/07/2019	30/06/2029	40,000	38,164	1,776	39,940
CaixaBank Biniancollet mortgage loan	CaixaBank	01/02/2021	01/02/2035	8,000	7,332	481	7,813
Banca March Tropicana mortgage loan	B. March	08/02/2019	01/03/2033	13,000	10,780	1,057	11,837
Cajamar Tropicana mortgage loan	Cajamar	08/02/2019	01/03/2033	13,000	10,787	1,058	11,845
Tropicana Banca March loan	B. March	16/04/2020	15/05/2022	1,000	-	500	500
Tropicana BBVA loan	BBVA	30/06/ 2020	30/06/2025	1,450	1,214	236	1,450
Santander General Dávila mortgage loan	Santander	16/01/ 2018	30/12/2027	13,000	13,000	73	13,073
Abanca Playa Bella mortgage loan	Abanca	01/12/2015	01/12/2030	17,700	12,675	1,761	14,436
Abanca Playa Bella loan	Abanca	22/05/2020	22/05/2025	740	671	69	740
Banque de Luxembourg Shark Capital loan	Banque de Luxembourg	05/10/2018	05/10/2033	1,000	219	21	240
					199,763	**31,008**	**230,771**

The interest rates of the financing agreements signed by the Group are within the floating rate range of Euribor plus 0.9% and 2% and within the fixed rate range of 1.5% and 2.63%.

The maturity terms of the Group's financial debt is disclosed in Note 8.

The maturity terms of future gross flows of financial liabilities at 31 December 2022 and 31 December 2021 were as follows:

At 31 December 2022 — **Thousands of euros**

	Financial liabilities						
	2023	**2024**	**2025**	**2026**	**2027**	**Subsequent years**	**Total**
Financial liabilities							
Bank borrowings	20,359	19,702	17,345	16,822	27,160	115,358	**216,746**
Other borrowings	359	365	371	377	383	6,736	**8,591**
Other financial liabilities	20,193	760	41,857	384	402	6,117	**69,713**
Loans with related parties and shareholders	-	-	43,410	-	-	-	**43,410**
Suppliers	5,598	-	-	-	-	-	**5,598**
Employees	125	-	-	-	-	-	**125**
Customer advances	58	-	-	-	-	-	**58**
Other accounts payable	15	-	-	-	-	-	**15**
Accruals and deferrals	292	-	-	-	-	-	**292**
	46,999	**20,827**	**102,983**	**17,583**	**27,945**	**128,211**	**344,548**

At 31 December 2021 — **Thousands of euros**

	Financial liabilities						
	2022	**2023**	**2024**	**2025**	**2026**	**Subsequent years**	**Total**
Financial liabilities							
Bank borrowings	34,642	22,571	22,139	19,564	18,262	134,903	**252,081**
Other borrowings	955	495	495	495	495	7,642	**10,577**
Other financial liabilities	50	997	617	281	394	4,260	**6,599**
Loans with related parties and shareholders	81,060	-	-	23,570	-	-	**104,630**
Suppliers	7,556	-	-	-	-	-	**7,556**
Employees	267	-	-	-	-	-	**267**
Customer advances	34	-	-	-	-	-	**34**
Other accounts payable	63	-	-	-	-	-	**63**
Accruals and deferrals	1,575	-	-	-	-	-	**1,575**
	126,202	**24,063**	**23,251**	**43910**	**19,151**	**146,805**	**383,382**

Financial ratios

The following debt contracts require complying with certain financial ratios:

	Project LTV ratio	Global LTV ratio	Debt service coverage ratio (DSCR)
CaixaBank credit	≤ 60%	≤ 45%	>1.1
Velázquez 123 mortgage loan	≤ 60%	≤ 35%	>1.2
Eduardo Dato mortgage loan	≤ 60%	≤ 45%	>1.1
Los Madrazo mortgage loan	≤ 70%	-	-
CaixaBank loan	-	≤ 35%	>1.2
BBVA loan	-	≤ 40%	-
Santander Atalaya Carretas loan	-	≤ 55%	-
Santander 12M mortgage loan	≤ 65%	≤ 50%	>1.1
Zamudio BBVA 4M mortgage loan	≤ 70%	-	>1.0
Frux 43M mortgage loan	≤ 60%	≤ 40%	>1.2
BBVA 8M mortgage loan	≤ 60%	-	>1.1
Santander General Dávila loan	-	-	>1.05

Definitions:

- Loan to Value (LTV) Project: calculated as the quotient of the following division: (a) debt pending amortisation divided by (b) appraisal value of financed real property. It measures the ratio between the amount of the loan granted and the value of the property contributed by the borrower as repayment guarantee thereof.

- Global Loan to Value (LTV): calculated as the quotient of the following division: (a) debt pending amortisation divided by (b) appraisal value of real property at consolidated level. It measures the ratio between the loans granted and the total value of property.

- Debt service coverage ratio (DSCR): calculated as the quotient of the following division: (a) available cash flow for debt service divided by (b) the aggregate amount of the debt service, both of them related to the calculated period ended immediately prior to the ratio measurement date.

Failure to fulfil these obligations could give rise, among others, to an early partial amortisation of the aforementioned loans.

In addition, the directors consider that the aforementioned ratios were fulfilled at 31 December 2022, on the date of authorisation for issue of these consolidated financial statements, and they are expected to be fulfilled in the next 12 months.

Mortgage guarantees

The detail of the Group's mortgaged-backed debts and mortgaged assets is as follows:

	Thousands of euros	
	At 31 December 2022	At 31 December 2021
Mortgage-backed debt	191,837	201,188
Fair value of mortgaged assets	526,812	598,406

Deferral of payments to suppliers

Below is a breakdown of trade payables settled during the year and yet to be paid upon closing the consolidated balance sheet in relation to the maximum statutory terms set out by Act 15/2010, as amended by Act 31/2014:

	2022	2021
	Days	Days
Average period of payment to suppliers	31	56
Ratio of transactions settled	34	56
Ratio of transactions not yet settled	29	45
	Amount (thousands of euros)	Amount (thousands of euros)
Total payments made	212,044	56,325
Total payments outstanding	7,581	2,684

The data in the table above was calculated in accordance with the provisions of the Spanish Accounting and Audit Institute's (ICAC) resolution of 4 February 2016. For the purpose of this note, trade payables comprise suppliers and other trade payables for the supply of goods or services included within the scope of the regulation concerning statutory payment terms.

In accordance with the new regulations required by Article 9 under Act 18/2022 of 28 September, in addition to the aforementioned information, the following disclosures are provided:

Number (units)	2022	2021
Invoices paid before the maximum statutory payment term	5,907	5,112
Percentage over total invoices of suppliers	88%	84%

Amount (in thousands of euros)	2022	2021
Invoices paid before the maximum statutory payment term	194,739	29,270
Percentage over total invoices of suppliers	92%	52%

13 INCOME AND EXPENSES

13.1 Net revenue

The geographical distribution of the Group's net revenue from its ordinary activities is as follows:

	Percentage		Thousands of euros	
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
Market				
Overseas	1%	1%	203	170
Domestic	99%	99%	39,765	28,584
	100%	**100%**	**39,968**	**28,754**

The breakdown of net revenue is as follows:

	Thousands of euros	
	At 31 December 2022	At 31 December 2021
Income		
Rental income	30,645	23,861
Re-invoicing of expenses	9,323	4,893
	39,968	**28,754**

Lease contracts entered into by Group companies were arranged on an arm's length basis in terms of duration, maturity dates and rents.

13.2 Staff costs

	Thousands of euros	
	At 31 December 2022	At 31 December 2021
Wages, salaries and similar expenses	850	664
Employee benefit costs	243	185
	1,093	**849**

No severance payments had been made at 31 December 2022 and 31 December 2021.

The average number of employees of the Group for the years ended 31 December 2022 and 31 December 2021, by category, was as follows:

Categories	At 31 December 2022	At 31 December 2021
Executives (not senior management)	3	1
University graduates	7	5
Clerical staff and other	11	8
	21	**14**

The number of employees at 31 December 2022 and 31 December 2021, broken down by category, was as follows:

Categories	At 31 December 2022	At 31 December 2021
Executives (not senior management)	3	1
University graduates	7	5
Clerical staff and other	11	8
	21	**14**

The breakdown by gender at 31 December 2022 was as follows:

	At 31 December 2022		
Categories	**Men**	**Women**	**Total**
Executives (not senior management)	-	3	3
University graduates	2	5	7
Clerical staff and other	6	5	11
	8	**13**	**21**

The breakdown by gender at 31 December 2021 was as follows:

	At 31 December 2021		
Categories	**Men**	**Women**	**Total**
Executives (not senior management)	1	-	1
University graduates	2	3	5
Clerical staff and other	5	3	8
	8	**6**	**14**

At 31 December 2022 the Board of Directors of the Parent was comprised of 13 men and 1 woman. At 31 December 2021 the Board of Directors of the Parent consisted of 13 men and 1 woman.

There were no employees with any degree of disability during the period from 1 January 2022 to 31 December 2022.

13.3 Outside services

The detail of "Other operating expenses" is as follows:

	Thousands of euros	
	At 31 December 2022	At 31 December 2021
Community of neighbours	2,791	2,287
Repair and upkeep costs	1,404	1,277
Independent professional services	5,317	5,241
Transport costs	4	1
Insurance premiums	316	158
Banking and similar services	261	45
Advertising	589	525
Utilities	1,351	700
Other services	412	572
	12,445	**10,806**

The line item "Independent professional services" includes management services provided by Mazabi Gestión, S.L. (Note 18).

13.4 Finance income and costs

Finance costs over the year ended 31 December 2022 were accrued as a result of the financing obtained (Note 12).

	Thousands of euros	
	At 31 December 2022	**At 31 December 2021**
Finance income	**217**	**760**
From marketable securities and other financial instruments	217	760
Finance costs	**(8,247)**	**(4,408)**
On debts with third parties	(8,247)	(4,408)
Total	**(8,030)**	**(3,648)**

14 BUSINESS COMBINATION

Business combinations took place during the year ended 31 December 2022.

A summary of the business combinations that took place in 2022 is as follows:

			Thousands of euros
	BIN 2017, S.L.U.	Mazabi Tropicana, S.L.U.	Atalaya Carretas, S.L.U.
Investment property	21,789	64,242	80,176
Other assets	828	823	4,048
Bank borrowings	(7,814)	(25,632)	(39,940)
Other liabilities	(125)	(19,039)	(5,847)
Liability ID	(868)	(4,984)	(8,119)
Fair value of net assets	13,810	15,410	30,318
Cost of the business combination	(14,678)	(13,479)	(33,603)
Merger reserve	(868)	1,931	(3,285)

The fair value of investment property was based on the valuation issued by the specialised valuer (Gloval Valuation, S.A.U.) at 31 December 2021.

The merged companies' impact on net revenue at 31 December 2022 was as follows:

	Net revenue	Profit for the year
BIN 2017, S.L.U.	129	(592)
Mazabi Tropicana, S.L.U.	2,348	(736)
Atalaya Carretas, S.L.U.	5,017	3,015
	7,494	1,687

On 28 April 2022, the Annual General Meeting approved the Common and Joint Merger Project, and the date for accounting purposes as from which the absorbed companies' transactions are deemed to be carried out on behalf of the Parent was set at 1 January 2022, by virtue of the merger by acquisition signed by Silicius Real Estate SOCIMI, S.A. (as absorbing company) and BIN 2017, S.L.U. −100% investee with the liquidation and dissolution of all its equity−, Mazabi Tropicana, S.L.U. −100% investee with the liquidation and dissolution of all its equity− and Atalaya Carretas, S.L.U. −100% investee with the liquidation and dissolution of all its equity−.

The Company opted to apply the tax neutrality system under the Corporate Income Tax Act to the abovementioned merger transaction and notified this option to tax authorities on 1 August 2019.

According to Article 86 of the Corporate Income Tax Act, the Company states that no acquired assets were recorded in accounting books for a value other than that disclosed in the transferor's books and that the transferor had no tax benefits to which the Company was subrogated, except for the following real estate units: "Biniancollet", "Cala Domingos s/n" and "Carretas, 10 − Paz, 11", which were incorporated into the Company at their fair value upon the merger. Furthermore, all of them were included in the valuation made by the independent valuer, as disclosed in Note 6 hereto.

As a result of the merger by acquisition carried out in 2022 by the Company, Silicius was subrogated to the tax assets generated by BIN 2007, S.L.U., Mazabi Tropicana, S.L.U. and Atalaya Carretas, S.L.U., these last two companies being subject to the regional regulations of Biscay. In this regard, noteworthy is the deduction arising from the acquisition of new non-current assets generated by Mazabi Tropicana, S.L.U. and Atalaya Carretas, S.L.U. during the years prior to the merger by acquisition. Thus, pursuant to Article 61 under Regional Regulation 11/2013, of 5 December, on Corporate Income Tax, the aforementioned companies generated deductions in this regard for EUR 3,274 thousand and EUR 1,609 thousand, respectively.

Below is a summary of the business combinations that took place during the year ended 31 December 2021:

	Thousands of euros
	BIN 2017, S.L.U.
Investment property (Note 6)	22,019
Asset ID (Note 15)	17
Other assets	1,759
Other liabilities	(13,583)
ID liability (Note 15)	(542)
Fair value of net assets	9,670
Consideration paid (Note 6)	9,670

BIN 2017, S.L.U.

On 5 February 2021, 100% of BIN 2017, S.L.U.'s ownership interests were acquired in consideration for EUR 4,670 thousand. At 31 December 2020, the Parent had paid EUR 5,000 thousand for the assignment of a prepayment of EUR 2,500 thousand that the company Mazabi Biniancollet, S.L. had made in favour of the seller. The acquiree owns a real estate unit used as a hotel in Biniancollet, Menorca, valued at EUR 21,789 thousand at 31 December 2021.

During the year ended 31 December 2021, a loss of EUR 2,146 thousand and revenue for EUR 1 thousand were recorded in the consolidated income statement. Had the acquisition occurred on 1 January 2021, the net loss and the revenue earned, as disclosed in the consolidated income statement for the year ended 31 December 2021, would have amounted to EUR 2,149 thousand and EUR 1 thousand, respectively.

15 INCOME TAX AND TAX MATTERS

a) Tax assets and liabilities

At 31 December 2022 and 31 December 2021, the Group's collection rights and payment obligations in relation to public authorities were as follows:

	Thousands of euros	
	At 31 December 2022	**At 31 December 2021**
Collection rights		
VAT and similar taxes	555	2,268
Income tax refundable	-	100
	555	**2,368**
Payment obligations		
Income tax withholdings payable	62	129
Accrued social security taxes	130	88
VAT and similar taxes	178	341
	370	**558**

b) Income tax

The detail of this line item is as follows:

	Thousands of euros	
	At 31 December 2022	**At 31 December 2021**
Current tax	(626)	(173)
Deferred tax	(1,024)	(1,063)
Current tax adjustment carryforward	-	(13)
Income tax charge	**(1,650)**	**(1,249)**

The Group's corporate income tax differs from the theoretical amount that would have been obtained using the tax rate applicable to the combined profits of the consolidated companies. The reconciliation of both figures is as follows:

	Thousands of euros	
	At 31 December 2022	**At 31 December 2021**
Profit before tax	16,392	56,003
Tax calculated at the rate applicable to each company	(4,098)	(14,001)
Profit/(loss) of associates under the equity method	-	377
Permanent differences	5,099	12,375
Temporary differences	(2,641)	-
Taxable income before inclusion in the scope of consolidation	(10)	(10)
Income/(Expense) before tax	**(1,650)**	**(1,249)**

c) Deferred tax assets and liabilities

The breakdown of deferred tax assets and liabilities, by category, at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	At 31 December 2022	**At 31 December 2021**
Deferred tax assets		
Estimation of real estate assets at fair value	1,042	1,042
Other	36	17
Total	**1,078**	**1,059**

The directors estimate that the deferred tax assets mentioned in the previous chart will be recovered through the sale of the real estate assets, offsetting their capital gains.

	Thousands of euros	
	At 31 December 2022	**At 31 December 2021**
Deferred tax liabilities		
Estimation of real estate assets at fair value	24,716	27,662
Total	**24,716**	**27,662**

As a result of the business combination operations carried out in previous years, certain unrealised tax gains were disclosed due to the difference between the values at which assets were recognised in the financial statements and their tax bases. Those capital gains will be taxed upon the sale of the real estate asset giving rise to them.

The balances previously disclosed during the year ended 31 December 2022 and 31 December 2021 changed as follows:

			Thousands of euros
	Estimation of real estate assets at fair value	Other	Total
Deferred tax assets			
At 1 January 2021	**1,426**	**-**	**1,426**
Business combination additions	-	17	17
Changes in fair value of investment property	(384)	-	(384)
Write-offs	-	-	-
At 31 December 2021	**1,042**	**17**	**1,059**
Business combination additions	-	-	-
Changes in fair value of investment property	-	-	-
Due to deductible temporary differences	-	19	19
At 31 December 2022	**1,042**	**36**	**1,078**

			Thousands of euros
	Estimation of real estate assets at fair value	Other	Total
Deferred tax liabilities			
At 1 January 2021	**26,441**	**-**	**26,441**
Changes in scope	542	-	542
Additions due to changes in fair value of investment property	4,320	-	4,320
Write-offs due to changes in fair value of investment property	(3,641)	-	(3,641)
At 31 December 2021	**27,662**	**-**	**27,662**
Changes in scope	487		487
Changes in scope	(5,894)	-	(5,894)
Additions due to changes in fair value of investment property	2,514	-	2,514
Write-offs due to changes in fair value of investment property	(53)	-	(53)
At 31 December 2022	**24,716**	**-**	**24,716**

d) Tax loss carryforwards

The detail of the Group's tax loss carryforwards, both recognised and unrecognised and classified by fiscal year, is as follows:

	Thousands of euros		
	Recognised		Unrecognised
	Tax base	Tax credit	Tax base
2015	-	-	7
2016	-	-	137
2017	-	-	67
2018	-	-	658
2019	-	-	3,795
2020	-	-	1,679
2021	-	-	2,711
2022			19
Total	**-**	**-**	**9,073**

There is no time limit for offsetting tax loss carryforwards against future tax benefits.

e) Deductions

The detail of deductions, both recognised and unrecognised and classified by fiscal year, is as follows:

	Thousands of euros
	Tax base
2019	101
2020	-
2021	4,788
2022	20
Total	**4,909**

As a result of the merger by acquisition carried out in 2022 by the Company, Silicius was subrogated to the tax assets generated by BIN 2007, S.L., Mazabi Tropicana, S.L. and Atalaya Carretas, S.L., these last two companies being subject to the regional regulations of Biscay. In this regard, noteworthy is the deduction arising from the acquisition of new non-current assets generated by Mazabi Tropicana, S.L. and Atalaya Carretas, S.L. during the years prior to the merger by acquisition. Thus, pursuant to Article 61 under Regional Regulation 11/2013, of 5 December, on Corporate Income Tax, the aforementioned companies generated deductions in this regard for EUR 3,274 thousand and EUR 1,609 thousand, respectively.

f) Tax inspections

Under current legislation, taxes cannot be deemed to be definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. At 31 December 2022 the Group had the last four years open for review. The Group's directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the consolidated financial statements.

In addition, Act 34/2015, of 21 September, on the partial amendment of General Tax Act 58/2003, of 17 December, sets forth that tax authorities' right to commence proceedings for the verification of tax bases or instalments that have been offset or are yet to be offset or deductions applied or pending application shall expire after ten years from the date following that of the end of the statutory term set to file the tax return

or self-assessment for the tax year or period in which the right arose to offset those tax bases or instalments or to apply those deductions.

At the date of preparation of these consolidated financial statements, the Group's ongoing tax inspections were as follows:

On 1 March 2017, the Mazabi Tropicana, S.L. Group company (a company absorbed by the Parent in 2022) was notified about inspection proceedings initiated by the Tax Authority of the Balearic Islands in relation to the tax on the transfer of assets and documented legal acts (ITPAJD, Spanish acronym), levied on the acquisition of Hotel Club Playa Tropicana. In this regard, on 15 December 2017, a record was received from tax authorities in relation to a payable amounting to EUR 1,836 thousand (including late payment interest). After signing the record on a contested basis, on 3 July 2018 the Company received the related assessment agreement in relation to the contested record, for which an economic/administrative claim was filed on 24 July 2018. Subsequently, and in connection with the record previously mentioned, disciplinary proceedings were brought against the Company for a tax infringement, resulting in a fine of EUR 550 thousand. During the year ended 31 December 2019, Mazabi Tropicana, S.L. requested different proposals for payment in instalments and, after filing different allegations, on 30 May 2019 it received a notice suspending the execution of the penalty arising from the disciplinary proceedings. As a result of such inspection, in 2022 the Parent paid the pending tax on the transfer of assets to save interest on the deferral of payment, i.e. EUR 670 thousand at 31 December 2022. In 2021 the amount paid in this regard was EUR 212 thousand. In relation to the amount arising from the penalty, in 2022 the Parent paid the amount in full to avoid potential interest on late payment in the future. The proceedings are still open, and the directors are expecting a final resolution from tax authorities.

16 PROVISIONS, CONTINGENCIES AND GUARANTEES

a) Provisions and contingencies

At 31 December 2022, the Group reversed the tax provision for EUR 807 thousand that was recognised at 31 December 2021 relating to the Company merged in 2022 with Silicius Real Estate SOCIMI, S.A., i.e. Mazabi Tropicana, S.L.U., as the payment was made during 2022.

In addition, at 31 December 2022 and 31 December 2021, the Group held no environmental provisions or contingencies.

b) Guarantees

A 31 December 2022, the Group had guarantees arranged for EUR 1,168 thousand (2021: EUR 1,168 thousand).

17 BOARD OF DIRECTORS AND OTHER REMUNERATIONS

a) Participation, positions and activities of the members of the Board of Directors

Article 229 of the Spanish Companies Act, approved by Royal Decree-Act 1/2010 of 2 July, requires directors to communicate to the Parent's Board of Directors or, otherwise, to the other directors or the Annual General Meeting any conflict of interest, whether direct or indirect, that they may have with the Parent's or the Group's interest.

Similarly, the directors are required to communicate their direct or indirect ownership interests or those of the persons related to them in any company engaged in activities that are similar, analogous or supplementary to the Group's corporate purpose, and to communicate the positions or functions that they may hold therein.

In this sense, in order to fulfil all obligations under the Spanish Companies Act and, in particular, all the duties imposed to directors, some of the directors notified the rest of Board members and the Annual General Meeting that there could be a potential conflicts of interest, as they hold, either directly or indirectly, an ownership interest in the Managing Company or in companies engaged in an activity that is identical, similar or supplementary to that of Group companies.

It is stated for the record that all the members of the Board of Directors communicated whether at 31 December 2021 they held any direct or indirect ownership interests in companies engaged in an activity that is identical, similar or supplementary to the Group's corporate purpose. However, there is no direct or indirect conflict of interest between Board of Directors' members or their related parties and Group interests.

b) Remuneration of the members of the Board of Directors and senior management

During the year ended 31 December 2022, the remuneration (wages, salaries and attendance fees) of the members of the Parent's Board of Directors amounted to EUR 140 thousand for their services in 2021. In January 2023, EUR 140 thousand will be paid for the services rendered in 2022, while no remuneration was paid to senior management at 31 December 2022 or at 31 December 2021.

In addition, the Company paid EUR 39 thousand for civil liability insurance premiums covering its Board of Directors' members or senior management for discharging their duties during the year ended 31 December 2022 (2021: EUR 41 thousand).

The members of the Parent's Board of Directors and senior management did not receive any ownership interests or share options during the years ended 31 December 2022 and 31 December 2021; neither did they exercise any options or have any options yet to be exercised.

The members of the Parent's Board of Directors and senior management have no pension funds or similar obligations granted by the Group for their benefit. During the years ended 31 December 2022 and 31 December 2021, all senior management belonged to the Parent's Board of Directors.

18 OTHER RELATED-PARTY TRANSACTIONS

18.1 Related-party transactions

The transactions carried out with related parties at 31 December 2022 and 2021 were as follows:

	Thousands of euros	
	At 31 December 2022	At 31 December 2021
Other operating income		
Merlin Properties SOCIMI, S.A.	-	28
Total	**-**	**28**
Other operating expenses		
Mazabi Gestión, S.L.	1,607	1,324
Merlin Properties SOCIMI, S.A.	-	43
Total	**1,607**	**1,367**
Finance income		
Atalaya Zorrilla Madrazo, S.L.	8	-
Atalaya Atocha, S.L.	72	53
Atalaya Playa Bella, S.L.	36	-
Merlin Properties SOCIMI, S.A.	76	101
Total	**192**	**154**

During the six-month period ended 31 December 2022, the Group did not recognise any additional amount as intervention commission payable to Mazabi Gestión, S.L., charged directly to retained earnings (no amount at 31 December 2021), and no amount was charged for a value exceeding investment property (EUR 466 thousand at 31 December 2022).

18.2 Related-party balances

The breakdown of outstanding balances with related parties at 31 December 2022 and 2021 is as follows:

Thousands of euros

At 31 December 2022	Credits with shareholders	Credits with institutions accounted for using the equity method	Debts with shareholders	Suppliers and related entities
Atalaya Atocha, S.L.	-	1,375	-	-
Atalaya Zorrilla Madrazo, S.L.	-	173	-	-
Merlin Properties SOCIMI, S.A. (*)	3,975	-	43,410	-
Dotila Holding, S.A.R.L.	-	-	-	-
Mazabi Recoletos, S.L.	-	-	-	-
Total	**3,975**	**1,548**	**43,410**	**-**

Thousands of euros

At 31 December 2021	Credits with shareholders	Credits with institutions accounted for using the equity method	Debts with shareholders	Suppliers and related entities
Atalaya Atocha, S.L.	-	1,116	-	-
Merlin Properties SOCIMI, S.A. (*)	5,699	-	104,534	-
Dotila Holding, S.A.R.L.	-	-	96	-
Mazabi Recoletos, S.L.	-	690	-	-
Total	**5,699**	**1,806**	**104,630**	**-**

(*) The amount recognised at 31 December 2022 and 31 December 2021 with the company Merlin Properties SOCIMI, S.A. refers to the receivable recognised under "Investment property" as part of the assets contributed in the transaction (Note 6).

Debts with shareholders: La Fira, Nassica and Thader Shopping Centres (Merlin Properties SOCIMI, S.A.)

On 27 February 2020, the Parent's Extraordinary Annual General Meeting approved a capital increase in which Merlin Properties SOCIMI, S.A. participated through a non-monetary contribution. The assets contributed, the fair value of which was EUR 173,042 thousand, are as follows:

- "Centro Comercial La Fira" for a value of EUR 84,859 thousand, with no related mortgage charge.
- "Centro Comercial Thader" for a value of EUR 72,593 thousand, with no related mortgage charge.
- The medium-sized park leased to Leroy Marlin, located in "Centro Comercial Nassica" for a value of EUR 15,590 thousand, with no related mortgage charge.

In relation to the incorporation as shareholder of Merlin Properties SOCIMI, S.A. ("Merlin"), a shareholders' agreement was signed with such company on 27 September 2019. The aforementioned agreement includes a liquidity scheme concerning Merlin's ownership interests, effective as from 2020, namely:

• Shares A. In this regard, Merlin has the right to transfer to Silicius 50% of liquid shares at a price equivalent to 50% of the total issuance price of liquid shares on the date of the second anniversary of the first contribution closing, i.e. 27 February 2020. As to this mechanism, the Parent recognised liabilities for EUR 86,521 thousand as a result of the business combination and, even though it is subject to the condition that they cannot be transferred in advance by Merlin in full or in part, following a principle of prudence in the business combination, for the purpose of reflecting the repurchase obligations previously described in relation to Shares A.

• Shares B. In this regard, upon the fifth anniversary of closing of the first contribution by Merlin, Silicius may proceed, within five months following the end of that term ("Fifth Anniversary"), to purchase or amortise the remaining 50% of shares in cash at a price per share equivalent to the last net asset value per available share at the Fifth Anniversary, increased by 30%. If Silicius decides not to exercise its right as established in the previous paragraph, Merlin may request Silicius, within the month following the end of the five-month term, to purchase or amortise Liquid Shares B through any of the following procedures:

(a) The full amortisation by Silicius of Merlin's ownership interest by returning in kind certain real estate assets preselected by Merlin (the "Assets"), or alternatively,
(b) The acquisition of the Assets by Merlin and the subsequent application by Silicius of part of the monetary consideration of such acquisition to repurchase or amortise in cash Merlin's full ownership interest in Silicius.

The net value attributed to Silicius's Assets for the purposes of paragraphs (a) and (b) above will be calculated based on the last net asset value of Silicius's Assets available at the Fifth Anniversary, applying a 30% premium over the net asset value (NAV). In addition, in the event of buyback or amortisation in cash under paragraph (b) above, the price of such buyback or amortisation will be calculated based on the last net asset value per available share of Silicius at the Fifth Anniversary.

However, if the Board of Directors of Silicius is not satisfied with the selection of Assets carried out by Merlin, Silicius shall inform Merlin about this situation within fifteen business days from the date on which Merlin communicated the selection of the Assets and would be required to purchase or amortise in cash Liquid Shares B at their issuance price (including nominal value and premium). Under these circumstances, the content of the previous paragraph will apply in relation to the purchase or amortisation price adjustments if, prior to the Fifth Anniversary, Merlin had transferred a number of shares to the Parent exceeding the number of Liquid Shares A. In relation to this mechanism, the Parent recognised liabilities for a value of EUR 10,000 thousand as a result of the business combination and, even though it is subject to the condition that the shares cannot be transferred in advance by Merlin in full or in part, following a principle of prudence in the business combination, for the purpose of reflecting the buyback obligations previously described in relation to Shares B.

The commitment to acquire Shares B by the Parent must be analysed and authorised expressly by the Annual General Meeting of Silicius within the limits and requirements applicable to treasury shares under the Spanish Companies Act. Upon non-compliance by Silicius with the obligations arising from this liquidity scheme, Merlin may request the termination of the Management Agreement signed between Silicius and Mazabi as managing company.

Merlin's right to terminate the Management Agreement shall not be exercised after the sixth anniversary of the Date of Notarisation of the Capital Increase.

In addition, to execute the Second Phase, Merlin grants to Silicius the right to demand the non-monetary contribution of the real estate assets La Vital and/or Factory Bonaire, at any time from the Date of Notarisation of the Capital Increase, provided that the following conditions are met:

i. Both companies must have obtained the authorisations of their relevant corporate bodies to contribute the relevant real property.
ii. Merlin must have transferred all Liquid Shares A.
iii. Both companies must negotiate and assess in good faith the issuance price of the new shares to be delivered to Merlin in consideration for the non-monetary contributions of real property.

Silicius's right to require the contribution of the real property shall be exercised in due time and manner at any time from the moment the Second Phase Conditions are met.

In addition, Silicius shall be entitled to a Purchase Option effective for a minimum term of two years as from the Date of Notarisation of the Capital Increase, should Merlin decide to dispose of any of the Real Property; for that purpose, it shall previously offer Silicius the possibility to acquire such property.

Pursuant to the terms and conditions under the Agreement, the liquidity scheme should be carried out no later than 27 May 2022. However, on 8 July 2022, it was agreed to extend the execution term through 27 July 2022 (Note 11).

18.3 Management Agreement

Below is a summary of the most important aspects of the Management Agreement signed with Mazabi Gestión, S.L.:

In August 2018 the Parent and its related entity Mazabi Gestión, S.L. (the "Managing Company" or "Manager") signed a management agreement (the "Management Agreement") with retroactive effect to 1 January 2018, whereby the relationship between the parties was established and to which the parties added supplementary addenda during 2019. On 27 September 2019, a new agreement was formalised between the parties to set the following new terms and conditions:

<u>Services</u>

The Management Agreement describes the main services that the Managing Company will render to the Parent. Below is a description of the main services related to the organisational and financial, technical and legal management aspects:

1. Assuming the general daily management of the Parent and its real property and advising the Board of Directors as stipulated in the Agreement: attendance to the Board of Directors, bookkeeping and compliance with legal obligations, documentation archiving and custody, manual compliance coordination, procedures and compliance, monthly cash flow preparation, support and preparation of documentation required or necessary for admittance into a regulated market, preparation within the term of 120 days from each year-end of a report on the risks covered by the Parent's insurance, annual preparation of ratio compliance reports concerning financing agreements, real property theoretical valuations, reports on sector situation, and coordination of real property and office services management.

2. Preparing and implementing the Investment Strategy, Business Plan and Budget: making all efforts to allow the Parent to attain or exceed the goals mentioned in the Strategy and the Business Plan.

3. Other services: The Managing Company will monitor the Parent's activity and provide advise on its tasks to the Management Team/Shareholders/Board of Directors.

Parties' obligations

The Managing Company commits to rendering the services described in a diligent and timely manner, acting pursuant to applicable laws and regulations, obtaining and keeping all the permits required to render the service, act in accordance with the Parent's strategy, having the necessary resources available, cooperating professionally with other consultants or professionals and, in short, fulfilling its functions as Manager.

The Parent commits to providing the information required for the proper rendering of services in due time and manner.

Remuneration

In consideration for the services described in the Management Agreement, the Managing Company will receive a fixed annual remuneration and a variable remuneration calculated as a percentage of income earned by the Parent.

Fixed remuneration: The fixed remuneration shall amount to EUR 10 thousand per year for the coordination services concerning the Parent's accounting records, and EUR 6 thousand per year for investees in which the Parent holds over 50%. Such amount will be adjusted on an annual basis every 1 January subject to the CPI.

Variable remuneration: Variable remuneration will consist of the following amounts:

- For management tasks, every month the Manager will receive 5% of income billed by the Parent and its subsidiaries or investees for the lease of real estate assets.
- Intervention commission (commission for acquisition transactions, for the search and acquisition of real estate assets, for legal and tax structuring services, and for the intervention in transactions): 1.5% of the higher of the purchase price of the real estate asset, and the value granted to the non-monetary contribution in the event of contribution of an ownership interest or real estate asset. Commissions for intervention in transactions for the disposal of real estate assets: 1.5% of the amount of each sale or the gross value granted to the real estate asset.

Form of payment

The Managing Company's fees accrued as previously mentioned will be paid by the Parent on a monthly basis within the first 5 days of each month.

Finally, the Manager may request the Managing Company to pay up to 50% of the amount of all commissions to one of the entities appointed in its group as ownership interests or shares of the Parent, which will be stated at the NAV of the Parent and its Group, calculated as per the last semi-annual valuation made. The Parent agrees to honour this payment through ownership interests held in its treasury shares or, if not sufficient, through the issuance of new shares. The Parent's directors consider that the likelihood of paying through ownership interests to the Managing Company is remote. At the date of preparation of these consolidated financial statements, the amounts owed to the Managing Company were fully settled in cash.

The commissions that the Manager is entitled to receive in accordance with the previous conditions are not deemed to include the costs to be borne by the Parent, which are incurred and related directly to the services under the Agreement, and therefore, these costs will be paid separately by the Parent.

Effective term

The rendering of services starts on the date of signature of the Agreement and shall remain effective for 20 years thereafter. Then it will be extended for 5-year terms, unless otherwise notified by any other party.

The Management Agreement may be cancelled on an early basis due to non-compliance with the clauses under the Agreement by any of the parties.

19 REPORTING REQUIREMENTS ARISING FROM REIT STATUS – ACT 11/2009, AMENDED BY ACT 16/2012 AND ACT 11/2021

a) Reserves from years prior to the application of the tax regime established under Act 11/2009, amended by Act 16/2012 of 27 December and by Act 11/2021 of 9 July.

Before 1 January 2020 the Parent had negative reserves amounting to EUR 108 thousand.

b) Reserves from the years in which the tax regime set out in this Act was applied, distinguishing the portion of income subject to 0%, 15% or 19% rates, as compared to those subject to the general tax rate, as applicable.

Not applicable.

c) Dividends distributed with a charge to income for each year in which the tax regime established in this Act was applied, distinguishing the portion of income subject to 0%, 15% or 19% rates, as compared to those subject to the general tax rate, as applicable.

No dividends were distributed in 2021. During 2022 the profit for 2021 was allocated, out of which EUR 1,039 thousand were used as dividends (Note 11).

In addition, during 2023 the profit for 2022 will be allocated, out of which EUR 10,892 thousand will be applied as dividends (Note 11).

d) In the case of dividends distributed with a charge to reserves, reference to the year of the reserve applied and whether the reserve has been subject to 0%, 15% or 19% rates or to the general tax rate.

Not applicable.

e) Date of the dividend distribution resolution to which items c) and d) above refer.

- Dividend for 2022 for an amount of EUR 1,039 thousand, approved at the Annual General Meeting of 5 April 2022.

f) Date of acquisition of the real property for lease and the ownership interests in the share capital of entities referred to in Article 2.1 of this Act.

See Appendix II.

g) Identification of the assets that are included in the calculation of the 80% to which Article 3.1 of the aforementioned Act refers.

All real estate investments recognised by the Group are included in this paragraph. In addition, the ownership interests in companies meet the requirements under Article 2.1 of Act 11/2009.

h) Reserves from years in which the tax regime established in this Act was applicable, which were drawn down over the tax period for purposes other than their distribution or to offset losses, identifying the year when those reserves were generated.

Not applicable.

20 AUDITOR'S FEES

The fees paid to PricewaterhouseCoopers Auditores, S.L. or to firms within its network for the years ended 31 December 2022 and 2021 were as follows:

	Thousands of euros	
	2022	**2021**
	PwC	**PwC**
Audit services	91	75
Other non-compliance services	-	-
Tax services	-	-
Other services required by current regulations	-	-
Other auditor's attest services	4	4
Other auditor's services	11	19
Other services rendered by entities within auditor's network	-	-
	106	**98**

21 ENVIRONMENTAL DISCLOSURES

The Group's activities do not cause any negative environmental impact and, therefore, no material costs or investments are incurred to mitigate such potential impact.

22 EVENTS AFTER THE REPORTING PERIOD

On 9 March 2023, the loan related to the asset Cala Mandía was novated, which is financed through the entity Banca March. The amount drawn down was EUR 1,448 thousand, increasing the borrowing amount up to EUR 3,000 thousand. In addition, it was agreed with Banco Santander to use money (EUR 1,500 thousand) from the Carretas loan against FRSD's pledged account to amortise their loans; the first cash amortisation was carried out on 21 March 2023.

On 22 March 2023, addenda were signed in relation to some of the alternative financing agreements executed on 15 July 2022, for a total amount of EUR 19,500 thousand. By signing these addenda, the initial maturity date of a total of EUR 16,500 thousand was changed from 15 July 2023 to 31 March 2024. As a result, the Parent would have a short-term obligation maturing on 15 July 2023 for EUR 3,000 thousand in relation to alternative financing.

On 29 March 2023, two assets, "Nassica" and "Amara 20" were sold for an amount of EUR 18,402 thousand and EUR 6,280 thousand, respectively.

From the closing of the year ended 31 December 2022 until the authorisation for issue of these consolidated financial statements, no material subsequent events that should be disclosed in these consolidated notes took place.

APPENDIX I – SUBSIDIARIES, JOINT VENTURES AND JOINT OPERATIONS WITHIN THE SCOPE OF CONSOLIDATION

At 31 December 2022

Name	Main activity centre	Registered offices	Interest-owning company	Interest in nominal capital (%)	Type of relationship	Consolidation method	Activity
Mazabi General Dávila, S.L.	Spain	Alameda Mazarredo 69, 7º f 48009	Silicius Real Estate SOCIMI, S.A.	65.17	Subsidiary	Global consolidation	Real estate
Mazabi Santa Eulalia, S.L.	Spain	Alameda Mazarredo 69, 7º f 48009	Silicius Real Estate SOCIMI, S.A.	53.21	Subsidiary	Global consolidation	Real estate
Atalaya Atocha, S.L.	Spain	Alameda Mazarredo 69, 7º f 48009	Silicius Real Estate SOCIMI, S.A.	32.14	Joint venture	Equity method	Real estate
Shark Capital, S.A.	Luxembourg	Cl Copérnico Num. 54 P.5 Pta.2 08021	Silicius Real Estate SOCIMI, S.A.	34.05	Joint venture	Proportional consolidation	Real estate
Atalaya Superficies Comerciales, S.L.	Spain	Alameda Mazarredo 69, 7º f 48009	Silicius Real Estate SOCIMI, S.A.	21.87	Joint venture	Equity method	Real estate
Atalaya Zorrilla Madrazo, S.L.	Spain	Calle Velázquez 123 5º	Silicius Real Estate SOCIMI, S.A.	20.24	Joint venture	Equity method	Real estate
Mazabi Recoletos, S.L.	Spain	Alameda Mazarredo 69, 7º f 48009	Silicius Real Estate SOCIMI, S.A.	20	Joint venture	Equity method	Real estate

At 31 December 2021

Name	Main activity centre	Registered offices	Interest-owning company	Interest in nominal capital (%)	Type of relationship	Consolidation method	Activity
Atalaya Carretas, S.L.U.	Spain	Alameda Mazarredo 69, 7º f 48009	Silicius Real Estate SOCIMI, S.A.	100	Subsidiary	Global consolidation	Real estate
BIN 2017, S.L.U.	Spain	Calle Velázquez 123, 6º, 28006	Silicius Real Estate SOCIMI, S.A.	100	Subsidiary	Global consolidation	Real estate
Mazabi Tropicana, S.L.U.	Spain	Alameda Mazarredo 69, 7º f 48009	Silicius Real Estate SOCIMI, S.A.	100	Subsidiary	Global consolidation	Real estate
Mazabi General Dávila, S.L.	Spain	Alameda Mazarredo 69, 7º f 48009	Silicius Real Estate SOCIMI, S.A.	65.17	Subsidiary	Global consolidation	Real estate
Atalaya Playabella, S.L.	Spain	Alameda Mazarredo 69, 7º f 48009	Silicius Real Estate SOCIMI, S.A.	54.64	Subsidiary	Global consolidation	Real estate
Mazabi Santa Eulalia, S.L.	Spain	Alameda Mazarredo 69, 7º f 48009	Silicius Real Estate SOCIMI, S.A.	53.21	Subsidiary	Global consolidation	Real estate
Atalaya Atocha, S.L.	Spain	Alameda Mazarredo 69, 7º f 48009	Silicius Real Estate SOCIMI, S.A.	32.14	Joint venture	Equity method	Real estate
Shark Capital, S.A.	Luxembourg	Cl Copérnico Num. 54 P.5 Pta.2 08021	Silicius Real Estate SOCIMI, S.A.	29.88	Joint venture	Proportional consolidation	Real estate
Atalaya Superficies Comerciales, S.L.	Spain	Alameda Mazarredo 69, 7º f 48009	Silicius Real Estate SOCIMI, S.A.	21.87	Joint venture	Equity method	Real estate
Atalaya Zorrilla Madrazo, S.L.	Spain	Calle Velázquez 123 5º	Silicius Real Estate SOCIMI, S.A.	20.24	Joint venture	Equity method	Real estate
Mazabi Recoletos, S.L.	Spain	Alameda Mazarredo 69, 7º f 48009	Silicius Real Estate SOCIMI, S.A.	20	Joint venture	Equity method	Real estate

APPENDIX II – GROUP'S INVESTMENT PROPERTY

Property	City	Province	Acquisition date	Starting date as REIT	Type of asset
Velázquez 136	Madrid	Madrid	23/08/2016	01/01/2019	Retail
Paseo de la Castellana 178	Madrid	Madrid	23/08/2016	01/01/2019	Retail
Paseo de Yeserías 9	Madrid	Madrid	23/08/2016	01/01/2019	Retail
Blanca de Navarra 10	Madrid	Madrid	23/08/2016	01/01/2019	Retail
Hotel Conil Park	Conil de la Frontera	Cádiz	27/04/2017	01/01/2019	Hotel
Obenque 4	Madrid	Madrid	28/04/2017	01/01/2019	Offices
Amara 20	San Sebastián	Guipúzcoa	26/09/2017	01/01/2019	Retail
Velázquez 123	Madrid	Madrid	20/04/2018	01/01/2019	Offices
Avda. de Aragón 148-150	Vigo	Pontevedra	13/12/2018	01/01/2019	Retail
Plaza Fernández Duró 3	Zamora	Zamora	31/12/2019	31/12/2019	Retail
Parque Tecnológico Zamudio	Zamudio	Biscay	08/02/2019	08/02/2019	Offices
Careaga 109	Barakaldo	Biscay	08/02/2019	08/02/2019	Retail
San Onofre 5	Madrid	Madrid	08/02/2019	08/02/2019	Residential
San Joaquín 8	Madrid	Madrid	08/02/2019	08/02/2019	Retail
Paseo de la Habana 16	Madrid	Madrid	06/06/2019	06/06/2019	Retail
Conde de Peñalver 60	Madrid	Madrid	06/06/2019	06/06/2019	Retail
Felipe V 2	Madrid	Madrid	06/06/2019	06/06/2019	Retail
Plaza Mayor 6	Madrid	Madrid	06/06/2019	06/06/2019	Residential
Riu Segura	Valencia	Valencia	06/06/2019	06/06/2019	Logistics
Bahía Plaza Shopping Centre	Los Barrios	Cádiz	23/07/2019	23/07/2019	Shopping Centre
Eduardo Dato 12	Vitoria-Gasteiz	Álava	11/07/2019	11/07/2019	Retail
Urb. Cala Mandía	Mallorca	Balearic Islands	24/07/2019	24/07/2019	Hotel
Grecia - Ciudad Tte	Castellón de la Plana	Castellón	31/07/2019	31/07/2019	Retail
Los Madrazo 6-8-10	Madrid	Madrid	21/11/2019	21/11/2019	Residential
La Fira Shopping Centre	Reus	Tarragona	27/02/2020	27/02/2020	Shopping Centre
Thader Shopping Centre	Murcia	Murcia	27/02/2020	27/02/2020	Shopping Centre
Nassica	Getafe	Madrid	27/02/2020	27/02/2020	Retail
Hotel Plaza Las Matas	Las Rozas	Madrid	08/09/2020	08/09/2020	Hotel
Las Matas	Las Rozas	Madrid	08/09/2020	08/09/2020	Retail
Mediana Vacía Parque Oeste	Alcorcón	Madrid	08/09/2020	08/09/2020	Retail
Edificio Arista	Rivas Vaciamadrid	Madrid	29/12/2020	29/12/2020	Offices
Parque Comercial Pamplona	Pamplona	Navarra	31/05/2019	31/05/2019	Retail
Carretas 10 - Paz 11	Madrid	Madrid	24/07/2019	27/09/2022	Hotel
Cala Domingos w/n	Mallorca	Balearic Islands	24/07/2019	27/09/2022	Hotel
Paseo General Dávila 87	Santander	Cantabria	24/07/2019	24/07/2019	Offices
Atocha 8-10	Madrid	Madrid	24/07/2019	24/07/2019	Residential
130 Route d' Arlon	Strassen	Luxembourg	21/11/2019	21/11/2019	Retail
166 Vauxhall Bridge Road	London	United Kingdom	21/11/2019	21/11/2019	Offices
Reguliersdwarsstraat 90-92	Amsterdam	Netherlands	21/11/2019	21/11/2019	Offices
Biniancollet	Menorca	Balearic Islands	05/02/2021	27/09/2022	Hotel
Conforama Av. de la Libertad	Tenerife	Santa Cruz de Tenerife	26/03/2021	26/03/2021	Retail
Parque Comercial Salamanca	Salamanca	Salamanca	05/08/2021	05/08/2021	Retail

APPENDIX III – BALANCE SHEET OF MERGERS

Balance sheet of "BIN 2017, S.L.U." Merger (Absorbed Company)

	31/12/2021
ASSETS	
NON-CURRENT ASSETS:	
Investment property	**18,316,790**
Non-current investment property	**109,167**
Other financial assets	109,167
Deferred tax assets	**17,156**
Total non-current assets	**18,443,113**
CURRENT ASSETS:	
Inventories	**223**
Trade and other receivables	**572,031**
Cash and cash equivalents	**129,451**
Total current assets	**701,705**
TOTAL ASSETS	**19,144,818**

APPENDIX III – BALANCE SHEET OF MERGERS

	31/12/2021
EQUITY AND LIABILITIES	
EQUITY:	
Subscribed share capital	2,525,000
Share premium	-
Reserves	(51,747)
Business combination adjustment reserve – Shares A and B	
Other capital contributions	
Adjustments for changes in value	
Treasury shares	-
Interim dividend	
Profit/(loss) for the year attributable to the Parent	(511,688)
Equity attributable to the Parent	1,961,565
Total equity	11,206,099
NON-CURRENT LIABILITIES:	
Debentures and other marketable securities	
Non-current bank borrowings	7,332,289
Other financial liabilities	109,167
Payables to related parties – Shares A and B	-
Deferred tax liabilities	-
Provisions	-
Total non-current liabilities	7,441,456
CURRENT LIABILITIES:	
Provisions	-
Debentures and other marketable securities	
Current bank borrowings	481,338
Other current financial liabilities	-
Payables to related parties – Shares B	-
Trade and other payables	15,924
Current income tax liabilities	-
Other current liabilities	-
Total current liabilities	497,263
TOTAL EQUITY AND LIABILITIES	19,144,818

APPENDIX III – BALANCE SHEET OF MERGERS

Balance sheet of "ATALAYA CARRETAS, S.L.U." Merger
(Absorbed Company)

ASSETS	At 31 December 2021
NON-CURRENT ASSETS	
Investment property	**47,699,784**
Non-current financial assets	**65,940**
Other financial assets	65,940
TOTAL NON-CURRENT ASSETS	**47,765,724**
CURRENT ASSETS	
Current investments in Group companies and associates	**1,495,850**
Loans to companies	1,495,850
Trade and other receivables	**480,110**
Customers	127,279
Sundry receivables	1,308
Other accounts receivable from public authorities	351,523
Cash and cash equivalents	**2,006,559**
TOTAL CURRENT ASSETS	**3,982,519**
TOTAL ASSETS	**51,748,243**

APPENDIX III – BALANCE SHEET OF MERGERS

EQUITY AND LIABILITIES	At 31 December 2021
SHAREHOLDERS' EQUITY	**5,961,050**
Share capital	60,000
Share premium	10,539,870
Loss from previous years	(4,814,715)
Profit for the year	175,895
TOTAL EQUITY	**5,961,050**
NON-CURRENT LIABILITIES	
Non-current payables	**38,232,325**
Bank borrowings	38,164,325
Other financial liabilities	68,000
Non-current payables to shareholders	-
TOTAL NON-CURRENT LIABILITIES	**38,232,325**
CURRENT LIABILITIES	
Current payables	**1,776,000**
Bank borrowings	1,776,000
Trade and other payables	**4,372,704**
Suppliers	4,355,108
Other accounts payable to public authorities	17,596
Current accruals and deferrals	**1,406,164**
TOTAL CURRENT LIABILITIES	**7,554,868**
TOTAL LIABILITIES	**45,787,193**
TOTAL EQUITY AND LIABILITIES	**51,748,243**

APPENDIX III – BALANCE SHEET OF MERGERS

Balance sheet of "MAZABI TROPICANA, S.L.U." Merger (Absorbed Company)

	31/12/2021
ASSETS	
NON-CURRENT ASSETS:	
Investment property	**44,304,622**
Non-current investment property	**92,750**
Other financial assets	92,750
Total non-current assets	**44,397,372**
CURRENT ASSETS:	
Inventories	**27,093**
Trade and other receivables	**380,793**
Cash and cash equivalents	**322,199**
Total current assets	**730,085**
TOTAL ASSETS	**45,127,457**

APPENDIX III – BALANCE SHEET OF MERGERS

	31/12/2021
EQUITY AND LIABILITIES	
EQUITY:	
Subscribed share capital	60,002
Share premium	5,242,474
Reserves	(2,663,563)
Loss for the year attributable to the Parent	(2,182,463)
Equity attributable to the Parent	456,450
Total equity	456,450
NON-CURRENT LIABILITIES:	
Debentures and other marketable securities	
Non-current bank borrowings	22,781,656
Other financial liabilities	92,750
Provisions	765,526
Total non-current liabilities	23,639,932
CURRENT LIABILITIES:	
Current bank borrowings	2,850,797
Other current financial liabilities	17,957,659
Trade and other payables	222,619
Total current liabilities	21,031,075
TOTAL EQUITY AND LIABILITIES	45,127,457

CONSOLIDATED DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

CONSOLIDATED DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

(in thousands of euros)

INTRODUCTION

This report includes comments on the variations of the consolidated financial statements of Silicius Real Estate SOCIMI, S.A. and its subsidiaries and other outstanding events.

1. ORGANISATIONAL STRUCTURE AND OPERATION

SILICIUS REAL ESTATE SOCIMI, S.A. (SILICIUS) was incorporated on 30 September 2015 in Spain in accordance with the Consolidated Spanish Companies Act approved by Royal Decree-Act 1/2010, of 2 July (the "Spanish Companies Act") under the company name Silicius Inmuebles en Rentabilidad, S.A. and changed to its current name on 29 April 2021.

The Parent notified the Tax Authority on 27 September 2019 about its option to apply the regime governing listed real estate investment trusts (REITs). On 23 September 2021, SILICIUS began to be listed on BME Growth (former Spanish Alternative Equity Market – MAB) with 100% of its shares. At 31 December 2022, the share capital amounted to EUR 30,955 thousand, represented by 30,955,303 fully subscribed and paid-in shares of EUR 1 par value each, all of the same class.

The Group's strategy is intended to achieve a high-quality diversified portfolio generating sustainable income in the long term and liquidity for its shareholders. From its incorporation, a growth strategy has been carried out based on the acquisition and contribution of new assets and their management for the purpose of adding value to its portfolio and increasing shareholders' profitability in order to enhance revenues, lessees' loyalty and environmental sustainability.

The Parent's purpose is to become a benchmark equity-based company in the real estate market, well-known for the quality and profitability of its real property, long-term stability and professional equity management.

The Parent's investment policy is focused on investing in a diversified manner in office assets, high street, logistics, residential areas, hotels, parks and shopping centres located in prime areas in the main Spanish cities.

As to lessees, the Company focuses on the selection of customers with high solvency and long-term agreements in order to ensure an optimal level of occupancy in each one of its assets.

The Group's strategy is supported by the following pillars, which also enables it to stand out from other third parties:

- Management and maximisation of rent from real property in order to enhance shareholders' remuneration.
- Growth through contributions and purchases to reach a size that is sufficient to render shares liquid by listing them in a regulated market.
- Optimisation of the Company's indebtedness to achieve the distribution of approved dividends, as well as other Company's commitments related to its activity.
- Real property investment and maintenance based on the business plan of each asset to reach proper and defined quality and maintenance levels.
- Corporate restructuring to optimise costs and achieve growth and liquidity targets.
- Management and corporate cost control to obtain one of the best EBITDA/NOI ratios in the market.

CONSOLIDATED DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The Board of Directors of SILICIUS carries out its activity pursuant to the corporate governance regulations contained mainly in its by-laws, the Annual General Meeting Regulations and the Board of Directors' Regulations.

The Board of Directors is the body in charge of overseeing and controlling the Company's activity. It has competence over matters such as the approval of the Group's general policies and strategies, the corporate governance and corporate social responsibility policies, the risk control and management policy and, in any case, the compliance with requirements to maintain the Group's status as REIT.

2. EVOLUTION OF THE GROUP'S BUSINESS AND RESULTS

The Group had a good operating performance with comparable rent increases in all its assets.

The Group closed the year with gross rents amounting to EUR 39.9 million (+39.0% as compared to 2021), EBITDA for EUR 26.1 million (+77.6% as compared to 2021) and FFO for EUR 20.2 million (+42.2% higher than in 2021).

The value of assets (RICS valuation by the independent valuer Savills Valoraciones y Tasaciones, S.A.U.) amounted to EUR 705 million, down EUR 36 million (5%) against 2021. This figure is broken down in EUR 17.5 million in capex investment, EUR 51.3 million in sales for the period, and EUR (1.6) million in valuation variation on a like-for-like basis.

The portfolio resilience is based on solid fundamentals notwithstanding the macroeconomic context, reaching an increase in gross rents (39%), as well as an 89% occupancy in real property used in operations (-0.01 b.p. as compared to 2021).

Hotels:

The hotel portfolio reported a rent increase as a result of the new agreements reached with lessees, containing staggered rents in the lease agreements accrued in 2022. Gross rents rose to EUR 12,442 thousand (+149.8% as compared to 2021). The year closed with 100% occupancy (no variation with respect to 2021).

In 2022 the works for the improvement and refurbishment of Hotel Teatro Albéniz in Madrid were completed for EUR 6,523 thousand, as well as those of the property Urb. Cala Mandía for an amount of EUR 2,885 thousand, and Hotel Cala Domingos in Mallorca for EUR 1.4 million.

Shopping centres:

Gross rents increased to EUR 13,673 thousand (+17.47% as compared to 2021). Occupancy decreased by 4.35% due to expired agreements. Annual inflow rose by 8.7% as compared to 2021, and like-for-like sales grew by 16.2%, mainly due to the increase in the restaurant and fashion sectors. The main agreements and renewals signed during the year include Kiabi with 1,188 m²; OpenGym with 1,812 m² and New Yorker with 1,408 m² in La Fira shopping centre; and Toy Planet with 856 m² and MGI with 1,096 m² in Bahía Plaza shopping centre.

The improvement in assets is related to the refurbishment works carried out in La Fira shopping centre, amounting to EUR 1,157 thousand.

Offices:

The variation in the office segment increased with respect to 2021 reaching +24.27% in gross rents, i.e. EUR 5,390 thousand. Occupancy remained at 100%, with no year-on-year variations.

Residential:

The residential portfolio had a 157.69% increase in rents compared to 2021, with gross rents reaching EUR 1,608 thousand. Occupancy increased by 13.2%, reaching 89.3% with respect to 2021, due to the agreements signed in relation to the building Los Madrazo.

During 2022 works began to improve and refurbish the real estate unit located at Calle Los Madrazo 10, the investment at 31 December 2022 amounting to EUR 1,781 thousand.

Retail:

The retail segment showed a decrease in rents, totalling EUR 6,510 thousand, i.e. -5% less than in 2021. Occupancy increased by +1.0% against 2021, thus reaching 95.3% at 31 December 2022.

Logistics:

The variation in the logistics segment was due to a year-on-year 6.48% rent indexation, with gross rents totalling EUR 345 thousand. Occupancy remained stable, concluding the year at 100%.

The Group's main ratios are:

	2022		2021	
	Thousands of euros	2022 vs 2021 (%)	Thousands of euros	2021 vs 2020 (%)
Revenue	39,968	39%	28,754	31%
Net profit/(loss) (1)	10,827	(79%)	52,045	522%
Equity (1)	367,938	(4.70%)	386,078	12%

(1) Attributable to the Parent

Investing and divesting activity

On 28 April 2022, the Annual General Meeting approved the Common and Joint Merger Project, and the date for accounting purposes as from which the absorbed companies' transactions are deemed to be carried out on behalf of the Parent was set at 1 January 2022, by virtue of the merger by acquisition signed by Silicius Real Estate SOCIMI, S.A. (as absorbing company) and BIN 2017, S.L.U. −100% investee with the liquidation and dissolution of all its equity−, Mazabi Tropicana, S.L.U. −100% investee with the liquidation and dissolution of all its equity− and Atalaya Carretas, S.L.U. −100% investee with the liquidation and dissolution of all its equity−.

The improvements in assets refer to refurbishment works performed in certain real property owned by the Company, including, among others, EUR 2,886 thousand in Edificio Madrazo, EUR 6,523 thousand in Teatro Albéniz, and EUR 1,847 thousand in La Fira shopping centre, the latter properties owned by the Parent.

During the year ended 31 December 2022, EUR 1,724 thousand was collected in relation to the receivable held by the Company with its shareholder Merlin Properties SOCIMI, S.A. In addition, such receivable was adjusted, increasing its value by EUR 76 thousand.

On 31 January 2022, the Company purchased the asset Muebles Boom Parque Oeste for an amount of EUR 4,035 thousand.

Finally, on 6 July 2022, the Annual General Meeting approved the sale of all ownership interests in Atalaya Playa Bella, S.L., i.e. 54.64%, for an amount of EUR 16,047 thousand.

Company outlook for 2023

The outlook for 2023 will depend to a large extent on the current macroeconomic situation, driven by rising inflation and European Central Bank interest rates. In any case, the Group expects to continue having high occupancy rates and keeping a solid cash flow in view of the long remaining lease term (5.5 years from 31 December 2022, weighted by gross rents). The Group also expects to continue acquiring assets to be consistent with its investment philosophy.

3. CAPITAL RESOURCES AND LIQUIDITY

3.2. Indebtedness

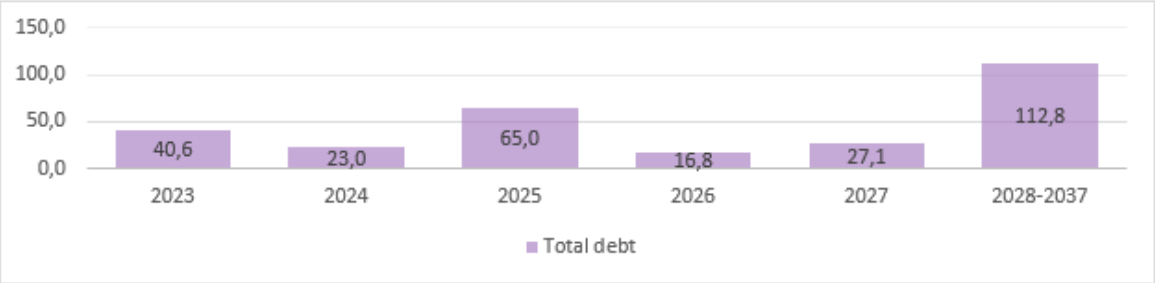
The Group's strategy consists in managing both its assets and liabilities actively. In relation to liabilities, the goal is to keep a sustained LTV ratio, extend the average debt maturity term, and take advantage of the current market conditions in order to reduce or maintain finance cost levels.

In 2022, the Group took different measures regarding its financial liabilities.

The transactions performed include:

Settling in full the Parent's payable to its shareholder Merlin Properties SOCIMI, S.A. in relation to Shares A amounting to EUR 80,964 thousand, which arise from a price of EUR 15.70/share, for the amortisation of 5,156,925 shares owned by Merlin Properties SOCIMI, S.A. To this end, funds were obtained by novating various bank loans to increase the principal thereof, and different alternative financing instruments were arranged.

Below is the payable at 31 December 2022 and its maturity:



At the end of 2022, the Group's financial debt amounted to EUR 285 million, made up of corporate financing with no mortgage guarantee, leasing and mortgage loans. The Group's LTV ratio amounted to 39.60% at the end of 2022, with an average interest rate of 4.98%.

	2022	2021
DSCR	121%	137.28%
LTV	39.60%	32%
GAV	705,839	741,400

Debt service coverage ratio (DSCR): calculated as the quotient of the following division: (a) available cash flow for debt service divided by (b) the aggregate amount of the debt service, both of them related to the calculated period ended immediately prior to the ratio measurement date.

Loan to Value (LTV): calculated as the quotient of the following division: (a) debt pending amortisation divided by (b) the appraisal value of real property at consolidated level. It measures the ratio between the amount of the loan granted and the total value of property.

Gross Asset Value (GAV): calculated as the sum of the values related to the appraisal of real property at consolidated level.

3.3. Available cash

At 31 December 2022, the available cash of SILICIUS amounted to EUR 7.4 million.

3.4. Obligations and off-balance sheet transactions

The Group also has a pipeline of projects at various progress stages committed for 2023 in the amount of EUR 3.6 million.

4. SHARE PERFORMANCE

The Company's shares have been listed on BME Growth (former Spanish Alternative Equity Market – MAB) since 23 September 2021. The initial listed price of the shares was EUR 15.40/share, closing at EUR 14.10/share at 31 December 2022, and with a trading volume slightly exceeding EUR 100,000 over the period.

5. TREASURY SHARES

The changes of this line item in 2022 were as follows:

	Number of shares	Thousands of euros
Balance at 1 January 2021	-	-
Acquisitions	11,262	(170)
Write-offs	2,618	46
Balance at 31 December 2021	8,644	(124)
Acquisitions	6,028	(93)
Write-offs	460	8
Balance at 31 December 2022	14,212	(209)

On 12 April 2021, Silicius signed a liquidity agreement with Renta 4 Banco, S.A. to increase liquidity and favour a constant listed price of the Parent's share. The Parent's shares held by the Parent at 31 December 2022 accounted for 0.046% of the Company's share capital and totalled 14,212 shares. The average cost of treasury shares at 31 December 2022 was EUR 15.70 per share.

The Parent complied with the obligations arising from Article 509 of the Spanish Companies Act, which sets forth, in relation to the shares listed in an official secondary market, that the face value of shares acquired, plus the value of those already held by the Parent and its subsidiaries, should not exceed 10% of share capital. The subsidiaries have no treasury shares or Parent's shares.

CONSOLIDATED DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

6. Group's exposure to price risk, credit risk, liquidity risk and cash flow risk

The Group has established a risk control system covering its activity, which is appropriate for its risk profile. Those policies are controlled by the Board of Directors.

The main risk to attain the Group's goals is to meet the regulatory requirements to keep its REIT status.

The risk control system also includes financial risk management.

The Company's business and activities are contingent upon intrinsic factors that are unique to it, and certain external factors that are common to any sector company.

6.1 Market risk: The Group is exposed to market risk due to potential real property vacancies or downward renegotiations in lease agreements upon their expiration. This risk would impair the valuation of the Company's assets directly.

However, market risk is mitigated by customer acquisition and selection policies and mandatory lease compliance terms negotiated with customers. Therefore, at 31 December 2022, the average occupancy of the operating asset portfolio was 89%, with an average pending lease term of 5.53 years (weighted by gross rents).

6.2 Credit risk: The credit risk of the Group's ordinary business is practically non-existent or insignificant, basically because the leases signed with tenants/lessees provide for the prepayment of the related rents, in addition to requiring additional financial and legal guarantees in executing and renewing lease agreements, thus covering any possible default on rental payments. Such risk is also mitigated by the product diversification in which the Group invests and, consequently, by the diverse types of customers.

6.3 Liquidity risk: In order to manage liquidity risk and meet all fund requirements, the Group uses an annual liquidity budget and a monthly cash provision, the latter being broken down and updated daily. Liquidity risk arises from negative working capital, which mainly includes short-term maturing debt. Liquidity risk also has the following mitigating factors: (i) the generation of recurring cash from the Group's core activities; and (ii) the capacity to renegotiate and obtain new financing lines based on long-term business plans and the quality of Group assets.

The Parent's Board of Directors prepared these consolidated financial statements under the going-concern principle of accounting, as it considers that there is no doubt as to the Group's capacity to generate resources through its operations, honour its short-term commitments and stabilise its liquidity. In addition to the foregoing, the main factors considered in preparing these consolidated financial statements, mitigating any potential uncertainty regarding the going-concern principle of accounting, are:

VI) Debt maturity extensions, credit increases and financial debt amortisation flows.

- On 22 March 2023, addenda were signed in relation to some of the alternative financing agreements executed on 15 July 2022, for a total amount of EUR 19,500 thousand. By signing these addenda, the initial maturity date of a total of EUR 16,500 thousand was changed from 15 July 2023 to 31 March 2024. As a result, the Parent would have a short-term obligation maturing on 15 July 2023 for EUR 3,000 thousand in relation to alternative financing. With this financing extension of EUR 16,500 thousand, the working capital of EUR 36,819 thousand is reduced in practice to EUR 20,319 thousand.

- On 9 March 2023, the loan related to the asset Cala Mandía was novated, which is financed by the entity Banca March. The amount drawn down was EUR 1,448 thousand, increasing the borrowing amount up to EUR 3,000 thousand.

Consequently, bank borrowing amortisation flows in 2023 would amount to EUR 18.4 million, included as short-term payables, the liquidity reserves reaching EUR 2.5 million at 31 December 2022.

VII) Cash flows from operating activities:

- The Parent's directors expect the Group's assets to generate sufficient positive cash flows from operating activities in the future, as shown by the positive cash flows from operating activities amounting to EUR 14.6 million for the year ended 31 December 2022. In this sense, apart from the aforementioned liquidity reserves of EUR 7.4 million at 31 December 2022, in 2023 the Group expects positive cash flows from operating activities for EUR 29 million and a payment of financial interest for EUR 10.29 million; therefore, the net operating flow before investment and financing is estimated at about EUR 14.7 million.

VIII) Sale transactions:

- On 29 March 2023, the Parent sold two assets, "Nassica" and "Amara 20", for an amount of EUR 18,402 thousand and EUR 6,280 thousand, respectively. These transactions implied a cash inflow after debt amortisation of EUR 12,902 thousand.

IX) Ongoing transactions:

- The Group received a non-binding offer for a price exceeding its fair value, subject to due diligence without financing, by external private purchasers, and the transaction is expected to be closed by 30 April 2023. In this sense, based on the potential closing of this transaction, the Board of Directors decided to allocate an 80% likelihood to the formalisation thereof, which would result in a cash inflow after debt amortisation of about EUR 6,070 thousand.

Asset	Type	Fair value at 31 December 2022	Mortgage debt at 31 December 2022	Difference
3	Residential	13,740	(6,153)	7,587
			Total applying a 80% likelihood	6,070

- The Group has also mandated international consulting companies to sell and turn over assets with expected closing dates prior to July 2023, which would generate sufficient cash, if considering the significant difference between the market value and debt of each asset at 31 December 2022. In this regard, based on the degree of completion and potential closing of this type of transactions, the Board of Directors decided to allocate a 50% likelihood to the formalisation thereof, which would result in a cash inflow after debt amortisation of approximately EUR 30,561 thousand:

Asset	Type	Fair value at 31 December 2022	Mortgage debt at 31 December 2022	Difference
1	Hotel	18,440	(4,102)	14,338
2	Residential	46,757	(17,824)	28,933
3	Hotel	27,350	(9,498)	17,852
				61,123
			Total applying a 50% likelihood	30,561

X) As an alternative upon failing to materialise asset turnover transactions with the mandated consulting firms:

- The 22.34% financial debt ratio of some of the assets in relation to their loan-to-value (LTV) (chart below) and the 43% ratio of indebtedness to financial institutions (chart above) are better than the sector average at 31 December 2022, and allow the Group to have the capacity for sufficient long-term indebtedness to honour its short-term obligations. Specifically, assuming a financial debt increase in such real property by EUR 10.9 million, those ratios would stand at 35% of LTV; these indicators are solvent and consistent with the industry and confirm the possibility of obtaining cash flows, other than operating cash flows, that the Parent and its subsidiaries have to settle their short-term debt.

Asset Type	Fair value at 31 December 2022	Mortgage debt at 31 December 2022 (A)	LTV ratio at 31 December	Target LTV	Potential indebtedness up to a 35% LTV (B)	(A)-(B)
1 Hotel	18,440	4,103	22%	35%	6,454	(2,351)
2 Hotel + Retail	10,883	-	0%	35%	3,809	(3,809)
3 Offices	57,268	15,241	27%	35%	20,044	(4,803)
Total	86,591	19,344			30,307	(10,963)

- There would also be other tools to control cash flows, including, among others, non-committed capex for EUR 6.4 million or dividends to be distributed for an amount of EUR 10,892 thousand.

6.4 Interest rate risk: At the end of 2022, the Group's average interest rate was 4.98%, with its debt tied to a 26.8% fixed rate.

6.5 Foreign currency risk: The Group's indebtedness policy is to borrow in the same currency as that of the cash flows of each business. Consequently, at present there is no foreign currency risk. However, the exchange rate fluctuation in the translation of the financial statements of foreign companies whose functional currency is other than the euro should be highlighted.

6.6 Share-related risks – Valuation-related risk: In assessing the Parent's shares, the Parent's Board of Directors took into account the valuation report concerning Savills's shares at 31 December 2022. In setting that price, the Company considered assumptions regarding, among others, real property occupancy levels, the future adjustment of rents and estimated exit yield.

6.7 Tax risk: The Parent has availed itself of the special tax regime applicable to listed real estate investment trusts (REITs). In 2021 the Parent's temporary period ended; therefore, compliance with all regime requirements became mandatory.

The obligations to be fulfilled by the Parent include certain obligations of a more formal nature, such as the incorporation of the term "SOCIMI" (REIT) into the corporate name, the inclusion of certain information in the notes to the individual financial statements, being listed in a stock exchange, among others, as well as other obligations requiring estimates and the application of Management's judgement, which could imply certain complexity, especially considering that the REIT system is relatively recent and has been mainly developed through the responses provided by tax authorities to the inquiries made by different companies.

In this sense, the Company's Management, based on the opinion provided by its tax advisors, assessed the compliance with regime requirements and concluded that at 31 December 2022 all requirements were met, except for the income test. According to the Parent's directors, this non-compliance is an exceptional situation that arises from the income earned by the Company from the sale of ownership interests in Playa Bellas and the sale of Mediana Comercial in Madrid, leased to Muebles Boom.

In this regard, as set out in Article 13 under the REIT Act, which allows amending such non-compliance in the following year, the Parent's directors consider that in 2023 the Company will reach the level required by the Act in relation to the income test; therefore, the Parent will continue to apply for the REIT tax regime, a situation that was taken into account upon preparing the 2022 consolidated financial statements.

Furthermore, in order to consider the financial effect of the REIT regime, and pursuant to Article 6 under Act 11/2009, of 26 October 2009, as amended by Act 16/2012 of 27 December, REITs and –according to the percentages established in such regime– the companies opting for this scheme are required to distribute the profit for the year as dividends among its shareholders, once applicable corporate obligations are fulfilled, agreeing upon such distribution within the term of six months following each year-end and its payment within the month following the distribution agreement date.

If the Parent fails to meet the requirements under the regime, or those companies' Annual General Meetings do not approve the distribution of dividends proposed by the Board of Directors, which is calculated based on the requirements under the aforementioned Act, they will be in breach thereof and, therefore, they will be required to pay taxes under the general tax system, not that applicable to REITs.

There are no risks other than those disclosed in Note 3 hereto.

7. DIVIDEND PAY-OUT POLICY

The Company is regulated by Spanish Real Estate Investment Trusts Act 11/2009, of 26 October, as amended by Act 16/2012, of 27 December. As a REIT, it will be required to distribute in the form of dividends to its shareholders, once the related corporate obligations have been met, the profit obtained over the period, the distribution of which must be approved within six months after each year-end, as follows:

a) A total 100% of the profits from dividends or shares in profits distributed by the entities referred to in Article 2.1 of this Act.

b) At least 50% of the profits derived from the transfer of real estate and shares or equity interests referred to in Article 2.1 of the aforementioned Act, carried out once the terms stated in Article 3.3 thereunder have elapsed in order to comply with its main corporate purpose. The remainder of these profits should be reinvested in other properties or interests related to the performance of such purpose within three years from the transfer date. Otherwise these profits should be distributed in full together with any profit arising in the year in which the reinvestment period expires. If the reinvested assets are transferred before the holding period, those proceeds must be distributed in full together with the profits, if any, attributable to years in which the Company was not taxed under the special tax regime provided for in the aforementioned Act.

c) At least 80% of the rest of the profits obtained.

Dividend must be paid within one month from the date of the resolution to distribute it.

The Parent is required to allocate 10% of profits for the year to the legal reserve until it reaches 20% of the share capital. This reserve may not be distributed to shareholders until it has reached 20% of share capital.

Allocation of 2021 profit:

According to the profit and reserve allocation for the year ended 31 December 2021, as approved by the Annual General Meeting of 5 April 2022, 10% was allocated to the legal reserve, while the remaining 80%, i.e. EUR 1,039 thousand, was paid out as dividends.

Allocation of 2022 profit:

The distribution of the Parent's profit to be proposed to the Annual General Meeting is the following:

	Thousands of euros	
	2022	**2021**
Basis of allocation:		
Gains and losses	**12,102**	**1,154**
Allocation:		
Legal reserve	1,210	115
Voluntary reserve		-
Loss from previous years	-	-
Dividends	10,892	1,039
	12,102	**1,154**

8. RESEARCH AND DEVELOPMENT ACTIVITIES

The Group did not perform any research and development activities in 2022 or 2021.

9. AVERAGE PERIOD OF PAYMENT TO SUPPLIERS

Below is a breakdown of trade payables settled during the year and yet to be paid upon closing the balance sheet taking into account the maximum statutory terms set out by Act 15/2010, as amended by Act 31/2014:

	2022	2021
	Days	Days
Average period of payment to suppliers	31	56
Ratio of transactions settled	34	56
Ratio of transactions not yet settled	29	45
	Amount (thousands of euros)	Amount (thousands of euros)
Total payments made	212,044	56,325
Total payments outstanding	7,581	2,684

The data in the table above was calculated in accordance with the provisions of the Spanish Accounting and Audit Institute's (ICAC) resolution of 4 February 2016. For the purpose of this note, trade payables comprise suppliers and other trade payables for the supply of goods or services included within the scope of the regulation concerning statutory payment terms.

In accordance with the new regulations required by Article 9 under Act 18/2022 of 28 September, in addition to the aforementioned information, the following disclosures are provided:

Number (units)	**2022**	**2021**
Invoices paid before the maximum statutory payment term	5,907	5,112
Percentage over total invoices of suppliers	88%	84%

Amount (in thousands of euros)	**2022**	**2021**
Invoices paid before the maximum statutory payment term	194,739	29,270
Percentage over total invoices of suppliers	92%	52%

10. ENVIRONMENTAL MATTERS

The Group is in the process of integrating sustainability into its decision-making, aware of its influence on improving asset performance and the well-being of its tenants.

The goal is to pursue the differentiation of its properties along these lines and, to this end, in 2022 the Group continued to integrate sustainability into its asset portfolio by making investments to improve the environmental performance of the properties.

When certifying assets, the Group selects the most appropriate framework and modality depending on the stage of the assets, as well as the characteristics of the building, its occupancy at the time of certification or the lessees occupying the building.

In this regard, the process to certify our portfolio under the leading standards in this market, BREEAM and LEED, is still underway.

11. EMPLOYEES

The number of employees at 31 December 2022 and 31 December 2021 broken down by category was as follows:

Categories	**At 31 December 2022**	**At 31 December 2021**
Executives (not senior management)	3	1
University graduates	7	5
Clerical staff and other	11	8
	21	**14**

The breakdown of employees by gender at 31 December 2022 was as follows:

	At 31 December 2022		
Categories	**Men**	**Women**	**Total**
Executives (not senior management)	-	3	3
University graduates	2	5	7
Clerical staff and other	6	5	11
	8	**13**	**21**

During 2022 several training activities were performed totalling 7 hours per individual:

Type of training:	At 31 December 2022		
	Men	**Women**	**Total hours**
Prevention of money laundering and terrorist financing (45 minutes)	49	91	140
Market abuse (1 hour)	49	91	140
Internal Control System (2 hours)	49	91	140
General ICFR (pill)	49	91	140
Specific ICFR S (2 1/2 hours)	0	7	7
Criminal compliance (1 1/2 hour)	49	91	140
IT-Organic Act on Data Protection (30 minutes)	49	91	140
	294	**553**	**847**

12. MEASURES AGAINST FRAUD AND CORRUPTION

Silicius's main goal is the quality of our services, with a firm and continuous commitment towards the well-being and development of our team and society in general.

The commitment with business ethics principles and transparency in all areas of action, as well as effective legislation, is critical to Silicius.

For that reason, on 29 July 2021, the Board of Directors approved the Corporate Governance System Compliance Model, which gathers the principles and values governing their daily activity and is recognised as a key instrument for the Company's short-, medium- and long-term success and growth.

The Parent has a Criminal Risk Management System or Criminal Compliance Model in place.

Silicius's Code of Ethics observes the respect for people and legislation, as well as the commitment towards our employees and the rest of stakeholders to which Silicius is related.

The Code of Ethics and Conduct is applied to all Silicius staff: the Company's Board of Directors, Management, employees, including trainees, investees in which Silicius exerts control, regardless of where they may carry out their activities, and any third parties to which it may apply for acting on behalf of Silicius.

Silicius's Compliance Model promotes the highest conduct and ethics standards for the Company's sustainable growth based on Silicius's values and principles.

Each process that is part of the activity performed by Silicius is governed by the 'zero tolerance' principle upon any act of corruption and/or bribery.

The elements making up Silicius's Compliance Model include:

Criminal Compliance, ICS; CSR; Corporate Governance, Internal Code of Conduct and Market Abuse; PMLTF, ICFR, IT Data Protection Act (LOPD).

12.1. Compliance Model – Policies approved by the Board of Directors on 29 July 2021

Silicius's Compliance Model is comprised of:

- Code of Ethics and Conduct
- Criminal Risk Prevention Policy
- General Corporate Governance Policy

Risk Management and Control Policy, ICS and ICFR

- Ethical Channel management procedure
- Compliance Committee Internal Regulations
- Internal Code of Conduct
- General Regulations on Audit Function
- PMLTF Manual
- Anti-corruption Policy
- Shareholder and Investor Communication Policy
- Tax Policy
- Sustainability Policy

https://www.socimisilicius.com/gobierno-corporativo/normativa

13. EVENTS AFTER THE REPORTING PERIOD

On 9 March 2023, the loan related to the asset Cala Mandía was novated, which is financed by the entity Banca March. The amount drawn down was EUR 1,448 thousand, increasing the borrowing amount up to EUR 3,000 thousand. In addition, it was agreed with Banco Santander to use money (EUR 1,500 thousand) from the Carretas loan against FRSD's pledged account to amortise their loans; the first cash amortisation was carried out on 21 March 2023.

On 22 March 2023, addenda were signed in relation to some of the alternative financing agreements executed on 15 July 2022, for a total amount of EUR 19,500 thousand. By signing these addenda, the initial maturity date of a total of EUR 16,500 thousand was changed from 15 July 2023 to 31 March 2024. As a result, the Parent would have a short-term obligation maturing on 15 July 2023 for EUR 3,000 thousand in relation to alternative financing.

On 29 March 2023, two assets, "Nassica" and "Amara 20" were sold for an amount of EUR 18,402 thousand and EUR 6,280 thousand, respectively.

From the closing of the year ended 31 December 2022 until the authorisation for issue of these consolidated financial statements, no material subsequent events that should be disclosed in these consolidated notes took place.