



Vía Célere Desarrollos Inmobiliarios, S.A.

Annual Accounts

31 December 2019

Directors' Report

2019

(With Independent Auditor's Report Thereon)

(Free translation from the original in Spanish. In the event
of discrepancy the Spanish-language version prevails.)



KPMG Auditores, S.L.
Paseo de la Castellana, 259-C
28046 Madrid

Independent Auditor's Report **on the Annual Accounts**

(Translation from the original in Spanish. In the event of discrepancy the Spanish-language version prevails.)

To the shareholders of Vía Célere Desarrollos Inmobiliarios, S.A.

Opinion

We have audited the annual accounts of Vía Célere Desarrollos Inmobiliarios, S.A. (the "Company"), which comprise the balance sheet at 31 December 2019, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 to the accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the annual accounts pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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



Most Relevant Aspects of the Audit

The most relevant aspects of the audit are those that, in our professional judgement, have been considered as the most significant risks of material misstatement in the audit of the annual accounts of the current period. These risks were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risks.

Valuation of inventories (see notes 2.d, 4.g) and 11)

At 31 December 2019, the Company has Euros 1,166,374 thousand in property inventories for development and sale in the normal course of business. The Company tests these assets for impairment every year, and to determine the net realisable value of the inventories, it uses appraisals or valuations made by independent experts. For this purpose, the valuation process for these assets has been considered as a relevant aspect of the audit insofar as the valuation techniques used often require the exercising of judgement and the use of assumptions and estimates.

Our audit procedures included assessing the design and implementation of key controls relating to the valuation of property inventories, as well as evaluating the methodology and assumptions used to prepare the appraisals or valuations used in this process, for which we involved our valuation specialists. We also assessed whether the disclosures in the annual accounts meet the requirements of the financial reporting framework applicable to the Company.

Recognition and recoverability of deferred tax assets (see notes 2.d, 4.i) and 16)

At 31 December 2019, the Company has deferred tax assets amounting to Euros 69,568 thousand. The recognition of deferred tax assets entails a high level of judgement by the Directors in assessing the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and tax planning opportunities. Due to the significance of the amount of deferred tax assets and the uncertainty associated with their recovery, this has been considered a key audit matter.

Our audit procedures included assessing the design and implementation of controls over the recognition and measurement of deferred tax assets, and evaluating the key assumptions used to estimate the Company's future taxable profits, compared with data from external sources, such as economic forecasts, and the Company's historical data. In addition, we assessed the sufficiency of future taxable profits to offset deferred tax assets and we evaluated whether the information disclosed in the annual accounts meets the requirements of the financial reporting framework applicable to the Company.

Recoverable amount of investments in Group companies (see notes 2.d), 4.f) and 10)

The Company has recognised Euros 162,555 thousand and Euros 110,556 thousand under non-current and current investments in Group companies and associates, respectively. The recoverable amount for investments in which there is objective evidence of impairment is determined by applying valuation techniques which often require the exercise of judgement and the use of assumptions and estimates by the Company's Directors and management. Due to the uncertainty and judgement associated with these estimates, as well as the significance of the carrying amount of the investments, we have considered their valuation to be a relevant aspect of the audit.



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Our audit procedures included evaluating the design and implementation of relevant controls established by Company management in relation to the process of estimating the recoverable amount of the investments in Group companies and associates, as well as assessing the criteria used by the Company's Directors and management to evaluate the existence of evidence of impairment identified by the Company in the investments. Furthermore, we evaluated the methodology and assumptions used by Company management in estimating their recoverable amount, which take into account the unrealised gains of the real estate assets included in the investees, with the involvement of our specialists. We also assessed whether the disclosures in the annual accounts meet the requirements of the financial reporting framework applicable to the Company.

Other Information: Directors' Report

Other information solely comprises the 2019 directors' report, the preparation of which is the responsibility of the Company's Directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility for the directors' report, in accordance with the requirements of prevailing legislation regulating the audit of accounts, consists of assessing and reporting on the consistency of the directors' report with the annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. It is also our responsibility to assess and report on whether the content and presentation of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described in the preceding paragraph, the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2019 and the content and presentation of the report are in accordance with applicable legislation.

Directors' Responsibility for the Annual Accounts

The Directors are responsible for the preparation of the accompanying annual accounts in such a way that they give a true and fair view of the equity, financial position and financial performance of the Company in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

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



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Auditor's Responsibilities for the Audit of the Annual Accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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



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From the significant risks communicated to the Directors of Vía Célere Desarrollos Inmobiliarios, S.A., we determine those that were of most significance in the audit of the annual accounts of the current period and which are therefore the most significant risks.

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

KPMG Auditores, S.L.

On the Spanish Official Register of Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

Francisco Rabadán Molero

On the Spanish Official Register of Auditors ("ROAC") with No. 15797

20 March 2020

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A.
BALANCE SHEET AT 31 December 2019
(EXPRESSED IN THOUSANDS OF EUROS)

Assets	Note	31.12.2019	31.12.2018
Intangible assets	6	61	90
IT applications		61	90
Property, plant and equipment	7	3.782	3.313
Land and buildings		2.954	2.729
Technical installations		246	100
Other property, plant and equipment		582	292
Property, plant and equipment in progress		-	192
Long-term investments in Group, associated and related companies	9 and 10	162.555	206.095
Equity instruments		90.123	95.436
Loans to companies		72.432	110.659
Long-term financial investments	9	1.306	27.142
Other financial assets		1.305	428
Derivatives		1	26
Loans to third parties		-	26.688
Deferred tax assets	16	69.568	65.418
Total non-current assets		237.272	302.058
Inventories	11	1.175.787	414.982
Land and plots		556.767	176.316
Property developments in progress		514.246	230.210
Completed property developments		95.361	1.911
Advances to suppliers		9.413	6.545
Trade and other receivables		24.764	12.665
Trade receivables for sales and services	9	1.154	620
Clients, Group companies and associates	9 and 19	16.482	8.358
Sundry accounts receivable	9	1.393	3.242
Staff	9	45	45
Current tax assets	16	109	71
Other receivables from Public Administrations	16	5.581	329
Short-term investments in group, associated and related companies	9 and 10	110.408	53.643
Loans to companies		110.408	53.643
Short-term financial investments	9	11.566	219
Loans to third parties		7.859	-
Other financial assets		3.707	219
Short-term accruals		4.534	2.792
Cash and other equivalent liquid assets	8	132.674	29.631
Cash		13	5
Treasury		129.585	29.626
Other equivalent liquid assets		3.076	-
Total current assets		1.459.733	513.932
Total assets		1.697.005	815.990

The attached notes form an integral part of the annual accounts as of 31 December 2019.

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A.
BALANCE SHEET AT 31 December 2019
(EXPRESSED IN THOUSANDS OF EUROS)

<i>Net Equity and Liabilities</i>	<u>Note</u>	<u>31.12.2019</u>	<u>31.12.2018</u>
Capital	12.1	411.161	204.187
Share premium	12.2	736.387	239.294
Reserves		(306.397)	94.474
Legal	12.3	29.908	20.814
Voluntary reserves	12.5	(336.305)	73.660
(Negative results from previous years)		(73.133)	(154.983)
Earnings for the period/year		1.818	90.963
Total net equity		<u>769.836</u>	<u>473.935</u>
Long-term provisions	13	11.846	8.547
Long-term payables	14	<u>534.762</u>	<u>1.316</u>
Amounts owed to credit institutions		534.755	1.309
Other financial liabilities		7	7
Long-term payables to group, associated and related companies	14 and 19	25.679	26.910
Deferred tax liabilities	16	9.446	10.225
Total non-current liabilities		<u>581.733</u>	<u>46.998</u>
Short-term provisions	13	5.026	240
Short-term payables	14	<u>1.523</u>	<u>161.124</u>
Amounts owed to credit institutions		1.506	160.961
Other financial liabilities		17	163
Short-term payables to group, associated and related companies	14 and 20	98.073	44.359
Trade and other payables		<u>240.816</u>	<u>89.334</u>
Suppliers	14.3	82.657	24.602
Suppliers, group companies and associates	14.3 and 20	29.945	13.477
Staff, remuneration outstanding	14	1.964	1.192
Current tax liabilities	14.3 and 16	654	965
Other payables to Public Administrations	14.3 and 16	6.037	2.615
Customer advances	11.5 and 14.3	119.559	46.483
Total current liabilities		<u>345.438</u>	<u>295.057</u>
Total net equity and liabilities		<u>1.697.007</u>	<u>815.990</u>

The attached notes form an integral part of the annual accounts as of 31 December 2019.

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A.
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 December 2019
(EXPRESSED IN THOUSANDS OF EUROS)

	Note	31.12.2019	31.12.2018
CONTINUING OPERATIONS			
Net turnover	17.1	249.091	43.038
Sales		231.480	32.286
Provision of services		17.611	10.752
Changes in inventories of finished and in-progress goods	17.2	176.566	108.753
Supplies		(360.324)	(116.139)
Consumption of raw materials and other consumables		(89.407)	(69.143)
Work carried out by other companies		(273.748)	(56.867)
Impairment of goods, raw materials and other supplies	11	2.831	9.871
Other operating income		4.367	613
Staff expenses	17.3	(17.168)	(10.296)
Wages, salaries and similar		(13.810)	(8.480)
Social charges		(3.358)	(1.816)
Other operating expenses		(33.220)	(17.037)
External services	17.5	(21.304)	(14.648)
Tax		(4.358)	(2.185)
Loss, deterioration and change of provisions for commercial operations	13	(4.363)	(87)
Other current operating expenses		(3.195)	(117)
Depreciation of fixed assets	6 and 7	(333)	(223)
Excess provisions		-	708
Impairment and income from disposals of non-current assets and financial instruments at Group companies	17.7	(5.266)	8.235
Impairment and losses		(5.266)	8.271
Income from disposals and other		-	(36)
OPERATING INCOME		13.713	17.652
Financial income	17.6	520	72
From marketable securities and other financial instruments		520	72
Financial expenses	17.6	(29.919)	(9.809)
Payables to Group companies and associates		(2.452)	(1.535)
Payables to third parties		(27.467)	(8.274)
Activating Financial Expenses		6.548	1.509
Change in fair value of financial instruments	17.7	(24)	25.746
Impairment and gains or losses on disposal of financial instruments	17.7	-	621
FINANCIAL RESULT		(22.875)	18.139
RESULT BEFORE TAXES		(9.162)	35.791
Taxes on profits	16	10.980	55.172
EARNINGS FOR THE YEAR		1.818	90.963

The attached notes form an integral part of the annual accounts as of 31 December 2019.

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A.
STATEMENT OF CHANGES IN NET EQUITY FOR THE YEAR ENDED 31 December 2019

A) STATEMENT OF RECOGNISED INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 December 2019
(EXPRESSED IN THOUSANDS OF EUROS)

	Fiscal year 2019	Fiscal year 2018
Profit and loss account balance	1.818	90.963
Total recognised income and expense	1.818	90.963

The attached notes form an integral part of the annual accounts as of 31 December 2019.

B) TOTAL STATEMENT OF CHANGES IN NET EQUITY FOR THE YEAR ENDED 31 December 2019
(EXPRESSED IN THOUSANDS OF EUROS)

	Capital Contributions	Legal Issue	Reserves: premium and statutory	Reserves volunteers	Results from years previous	Result of year	Security of partners	Total
Balance at 31 December 2017	169.433	159.518	20.814	74.463	(10.507)	(144.476)	41.327	310.572
Recognised income and expenses	-	-	-	-	-	90.963	-	90.963
Appropriation of losses for 2017	-	-	-	-	(144.476)	144.476	-	-
Operations with partners or owners	-	-	-	-	-	-	-	-
Capital increases (Note 12.1)	34.754	79.776	-	-	-	-	(41.327)	73.203
Other changes in net equity	-	-	-	(803)	-	-	-	(803)
Balance at 31 December 2018	204.187	239.294	20.814	73.660	(154.983)	90.963	-	473.935
Recognised income and expenses	-	-	-	-	-	1.818	-	1.818
Distribution of profit for the year 2018 (Note 3)	-	-	9.096	-	81.967	(90.963)	-	-
Operations with partners or owners	-	-	-	-	-	-	-	-
Corporate transactions (AELCA) (Note 12.1)	190.482	457.484	-	(409.965)	-	-	-	238.001
Capital increase March (Note 12.1)	10.929	26.248	-	-	-	-	-	37.177
Capital increase June (Note 12.1)	5.563	13.361	-	-	-	-	-	18.924
Other changes in net equity	-	-	(2)	-	(17)	-	-	(19)
Balance at 31 December 2019	411.161	736.387	29.908	(336.305)	(73.133)	1.818	-	769.836

The attached notes form an integral part of the annual accounts as of 31 December 2019.

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A.
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 December 2019
(EXPRESSED IN THOUSANDS OF EUROS)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Result for the year before tax		(9.162)	35.791
Adjustments of the result		5.131	(64.645)
Depreciation of fixed assets	6, 7 and 8	333	223
Valuation adjustments for impairment		(11.978)	(44.853)
Change in provisions		5.391	(567)
Results from disposal of non-current assets		-	36
Profit/(loss) on disposal of financial instruments		-	(621)
Financial income		(11.986)	(1.417)
Financial expenses		23.371	8.300
Change in fair value of financial instruments		-	(25.746)
Changes in working capital		(109.636)	(20.955)
Inventories		(112.346)	(58.126)
Debtors and other receivables		(827)	(4.175)
Other current assets		424	(2.300)
Trade creditors and other payables		5.701	47.835
Other current liabilities		(1.058)	(3.215)
Other non-current assets and liabilities		(1.530)	(974)
Other cash flows from operating activities		(27.317)	(8.472)
Interest payments		(26.943)	(7.750)
Interest receivable		520	1.417
Payments for taxes on profits		(894)	(2.139)
Cash flows from operating activities		(140.984)	(58.281)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment payments		(121.903)	(27.349)
Group companies and associates		(192.182)	(26.834)
Property, plant and equipment	7	(423)	(453)
Non-current assets held for sale		-	(62)
Business acquisitions, net of cash acquired		70.702	-
Income from disposals		(173)	16.200
Group companies and associates		3.069	6.415
Property, plant and equipment		-	36
Non-current assets held for sale		(3.242)	9.749
Cash flows from investing activities		(122.076)	(11.149)
CASH FLOWS FROM FINANCING ACTIVITIES			
Collections and payments for equity instruments		37.177	183
Issuance of equity instruments		37.177	183
Collections and payments for financial liability instruments		338.701	31.857
<i>Issuance of equity instruments</i>		338.701	31.857
Payables to Group companies and associates		79.027	20.129
Amounts owed to credit institutions		259.674	11.728
Cash flows from financing activities		375.878	32.040
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		112.818	(37.390)
Cash and cash equivalents at start of year		29.631	67.021
Cash and cash equivalents at end of year		132.674	29.631

The attached notes form an integral part of the annual accounts as of 31 December 2019.

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A.

Notes to the annual accounts for the year ended
31 December 2019

1. Constitution and activity of the company

GENERAL INFORMATION

Vía Célere Desarrollos Inmobiliarios, S.A. (hereinafter, the Company) was incorporated in Pontevedra on 16 August 1989 under the name "Confecciones Udra, S.A.", which changed in 1993 to "Inmobiliaria Udra, S.A.", in June 2008 to "San José Desarrollos Inmobiliarios, S.A." and in June 2016 to "Dos Puntos Desarrollos Inmobiliarios S.A.". On 20 June 2017, the Extraordinary General Shareholders' Meeting of the Company resolved to change its name to "Vía Célere Desarrollos Inmobiliarios, S.A." and to change its registered office and the consequent amendment to the bylaws, with the new registered office at calle Carlos y Guillermo Fernández Shaw 1, 28007 Madrid (Spain).

As described in Note 10, the Company has investments in subsidiaries and associates. As a result, the Company is the parent of a group of companies in accordance with current legislation (the Group). The information relating to investments in Group, associated and related companies is detailed in Note 10.

On 19 March 2020 the Board of Directors prepared these individual annual accounts of the Company and the consolidated annual accounts of the Company and its subsidiaries at 31 December 2019, showing consolidated equity of 772,426 thousand euros, including profit for the year attributable to the Company of 22,435 thousand euros. The consolidated annual accounts have been prepared applying the International Financial Reporting Standards adopted by the European Union (EU-IFRS) and other provisions of the financial reporting framework applicable to the Group.

The Company's corporate purpose is the development of all types of buildings of a real estate nature; construction in general, whether on its own account or on behalf of third parties; the purchase and sale of construction, urban development and gardening equipment; the performance and execution of public works in general; the purchase and sale of all types of movable and immovable property, whether rustic or urban.

In addition, the Company may subscribe and acquire shares and/or holdings in other corporations and/or limited liability companies, even if their corporate purpose does not coincide with that of the Company.

In 2019, the Company's scope of action was Spain.

The Company is governed by its Articles of Association, the Commercial Code, the Capital Companies Act and other legal provisions applicable to this type of company.

In 2017 the Company decided to spin off its rental business into a newly created company, Dospuntos Asset Management, S.L., which was subsequently transferred by means of a non-monetary contribution to the Company's shareholders.

MERGER AGREEMENT OF AELCA GROUP WITH VIA CÉLERE DESARROLLOS INMOBILIARIOS

On 28 September 2018 the Company signed certain agreements with Myjoja Inversiones, S.L. (hereinafter "minority shareholder"), with the companies Lewistown Invest, S.L.U., Glenwock Invest, S.L.U., Rimbey Spain, S.L.U. and Windham Spain, S.L.U. (hereinafter "the majority shareholders"), with the companies in which the former have an interest, with Aelca Desarrollos Inmobiliarios, S.L. ("Aelca" or "ADI") and with certain of its investees, for which the parties agreed to carry out the following transactions:

- i) Acquisition by the Company of the shareholdings held by the minority shareholder (shareholdings of around 10-20% of the share capital) in Promyva Inmuebles, S.L., Myvain Inmuebles, S.L., Nalentia Urbana, S.L., Inmavy Urbana, S.L., Nirbe Inmuebles, S.L., Nirbe Meseta, S.L. and Nirbe Costa Norte, S.L. (hereinafter referred to as "parent companies"). These parent companies owned 100% of the share capital of 70 residential development companies (hereinafter the "project companies" (see Annex I).

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A.

Notes to the annual accounts for the year ended

31 December 2019

- ii) Acquisition by the Company of 100% of the ownership interest held by Aelca in Habitatio Urbana, S.L.U., Campuslar Inmuebles, S.L.U., Novosolum Urbana, S.L.U., Segeslar Inmuebles, S.L.U., Velan Urbana, S.L.U., Generlar Inmuebles, S.L.U. and Numen Inmuebles, S.L.U. (hereinafter "Aelca operating companies").
- iii) Merger by absorption of the Company (as absorbing entity) with the parent companies, the project companies of the operating companies of Aelca and Ponsnova Inmuebles, S.L.U. (as absorbed entities), by means of simultaneous execution and in unity of act, with extinction of all of them and block transfer of their respective assets to the absorbing entity, which acquires by universal succession the totality of the rights and obligations of the former. In consideration of the merger operation, the majority shareholders received shares of the Company equivalent to 80-90% of the share capital in the absorbed entities through a non-monetary contribution (issuance and delivery of new VCDI shares to these shareholders).

On 30 October 2018, the transaction was authorized by the Comisión Nacional del Mercado y Competencia (CNMC) and approved by the Company's Extraordinary General Shareholders' Meeting on 31 October 2018.

As a preliminary step to executing the transactions indicated in points i, ii and iii, on 2 January 2019 the Company signed a senior syndicated financing agreement for 223,000 thousand euros as the original borrower, undertaking to comply with certain financial covenant obligations over the term of the loan and relating to its quarterly consolidated financial statements (see Note 14).

On 9 January 2019, the merger deed was executed and it was registered at the Companies Registry of Madrid on 8 March 2019. The accounting effects of the merger are considered from 1 January 2019 as a transaction under common control (See Note 5).

Therefore, this merger by absorption implied (i) the dissolution and extinction of the absorbed entities, and (ii) the block transfer of their corporate assets to the Company that acquires, by universal succession, all the rights and obligations of the absorbed companies.

The issue of these new shares is equivalent to 48.26% of the Company's capital, while the remaining shareholders of the Company hold shares equivalent to 51.74% of the Company's capital.

The detail of the assets acquired and liabilities assumed at the date of the business combination is shown in Note 5.

2. Basis of presentation of the notes

a) Financial reporting framework applicable to the Company

These annual accounts have been prepared by the Directors in accordance with the regulatory framework for financial information applicable to the Company, which is set forth in:

- Commercial Code and other commercial legislation.
- General Accounting Plan approved by Royal Decree 1514/2007, and the modifications incorporated into it by RD 1159/2010 and additionally the Sectoral Adaptation of the General Accounting Plan published in the Ministerial Order of 28 December 1994, approving the rules for adaptation of the General Accounting Plan for real estate companies. In accordance with Transitory Provision Five of Royal Decree 1514/2007 approving the General Accounting Plan, sector adaptations and other implementing provisions on accounting matters in force on the date of publication of said Royal Decree will continue to apply in all matters that do not conflict with the provisions of the Commercial Code, the Spanish Companies Act, approved by Royal Legislative Decree 1/2010, of 2 July, specific provisions and the General Accounting Plan.
- The mandatory rules approved by the Institute of Accounting and Auditing ("ICAC") in development of the General Accounting Plan ("PGC") and its complementary regulations.
- All other applicable Spanish accounting regulations.

b) True and fair view

These annual accounts have been prepared from the Company's accounting records and are presented in accordance with the applicable financial reporting framework, and in particular the accounting principles and criteria contained

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therein, in order to give a true and fair view of the net equity and financial position at 31 December 2019 and of the results of its operations, changes in equity and cash flows for the year then ended.

These annual accounts, which were prepared by the Company's directors on 19 March 2020, will be submitted for approval by the Ordinary General Shareholders' Meeting, and it is considered that they will be approved without any changes. The annual accounts for 2018 were approved by the shareholders at the General Shareholders' Meeting held on 30 May 2019

c) Non-mandatory accounting principles applied

No non-mandatory accounting principles have been applied. In addition, the Company's Directors prepare these annual accounts taking into consideration all the mandatory accounting principles and standards that have a significant effect on these accounts. There is no accounting principle which, being mandatory, has ceased to apply.

d) Critical aspects of the valuation and estimation of uncertainty

In preparing the annual accounts, estimates were made based on historical experience and on other factors considered reasonable under current circumstances and which form the basis for establishing the carrying amount of certain assets, liabilities, income, expenses and commitments whose value cannot be easily determined from other sources. The Company reviews its estimates on an ongoing basis.

- Relevant accounting estimates and assumptions:

The main assumptions made and other relevant sources of uncertainty in the estimates at the balance sheet date, which could have a significant effect on the annual accounts in the next year, are as follows:

- Inventory impairment: estimates used to calculate recoverable amounts. The comparative valuation method (for Completed Property Developments) and the static and dynamic residual methods (for Land and Property Developments in Progress) were used to calculate the fair value of inventories. Key assumptions for determining these values include expected rates of sales price growth, construction costs, discount rates and returns on investment. Estimates, including the methodology applied, can have a significant impact on the value and impairment of inventories. For this reason, the Company uses valuations carried out by a prestigious independent expert (See Note 4.g).
- The useful life of intangible assets and property, plant and equipment (See Notes 4.b and 4.c).
- The fair value of certain investments in Group, associated and related companies (See Note 4.f.v). The Company tests its holdings in Group, associated and related companies for impairment. The determination of the recoverable amount of these investments involves the use of estimates by management. Recoverable amount is the higher of fair value minus costs to sell and value in use. The Company generally uses cash flow discounting methods, considering the recoverable value of inventories held by its subsidiaries, as defined above, or other similar methods to determine such values. The flows consider past experience and represent the best estimate of future market developments. Where appropriate, estimates, including the methodology used, can have a significant impact on values and impairment losses.
- The amount of certain provisions (See Note 4.k).

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- The assessment of recoverable amounts of tax credits (See Note 4.i). The tax credits generated in corporate income tax are capitalised when it is probable that the Company will have future taxable profits that allow the application of these assets. Management estimates the tax benefits of the tax group to which the Company belongs and the recoverability of capitalised tax credits. At 31 December 2019, the Company had recognised deferred tax assets amounting to 69,568 thousand euros (31 December 2018: 65,418 thousand euros) relating to deductible temporary differences and part of the tax loss carryforwards (See Note 16.2).
- Changes in estimates

Although the estimates made by the Company's Directors have been calculated on the basis of the best information available as of 31 December 2019, it is possible that events that may take place in the future will require them to be modified in coming years. The effect on the annual accounts of any changes resulting from adjustments to be made in coming years would be recorded prospectively.

e) Comparison of information

For comparative purposes, the annual accounts present, for each item on the balance sheet, profit and loss account, statement of changes in net equity, cash flow statement and notes to the annual accounts, in addition to the figures for 2019, the figures for the previous year, which formed part of the annual accounts for 2018 approved through the General Shareholder's Meeting on 30 May 2019.

f) Grouping of Items

Certain items in the attached profit and loss account, profit and loss statement of changes in net equity and cash flow statement are presented in a group for ease of understanding, although, to the extent significant, the disaggregated information has been included in the relevant notes to the consolidated annual accounts.

g) Consolidation

The Company is the head of a group of subsidiaries and associates (See Note 10), which prepares separate consolidated annual accounts. The consolidated annual accounts for 2019 prepared jointly with these annual accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council (hereinafter EU-FRS). The consolidated annual accounts for 2018 were approved by the Company's shareholders at the General Shareholders' Meeting held on 30 May 2019 and filed with the Companies Registry of Madrid.

These annual accounts do not reflect the changes in value that would result from consolidating the annual accounts of its investees.

The main figures in the consolidated annual accounts are as follows:

	Thousands of EUR	
	31.12.2019	31.12.2018
Capital and share premium	1.147.548	443.481
Reserves and other equity assigned to the parent company	(397.557)	(69.725)
Net earnings for the year attributed to the parent company	22.435	84.786
Total assets	1.713.797	861.526
Turnover	362.714	157.063

h) Functional and presentation currency

These annual accounts are presented in thousands of euros, rounded to the nearest thousand. The euro is the functional and presentation currency of the main economic environment in which the Company operates.

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3. Distribution of results

The distribution of the Company's profit for the year ended 31 December 2018, formulated by the Directors and approved by the General Shareholders' Meeting on 30 May 2019, was as follows:

	<u>Thousands of EUR</u>
Basis of application	
Profit for the year	<u>90.962.730,00</u>
Application	
Negative results from previous years	81.866.457,00
Legal reserve	<u>9.096.273,00</u>
	<u><u>90.962.730,00</u></u>

The profit for 2019 amounted to 1,817,948.12 euros, and the proposed distribution of this profit, formulated by the directors and pending approval by the General Shareholders' Meeting, was to offset losses from previous years amounting to 1,636,153.31 euros and to allocate a legal reserve of 181,794.81 euros.

The amount of undistributable reserves is limited to the balance of the legal reserve amounting to 29,908 thousand euros at 31 December 2019 and and to the share premium and voluntary reserves for the amount necessary to cover the negative results from previous years, provided that, if distributed, the resulting equity is not less than half of the share capital.

4. Registration and valuation rules

The main recording and valuation standards used by the Company in preparing these annual accounts, in accordance with the General Accounting Plan, and the standards for adapting the former Spanish National Chart of Accounts to real estate companies, provided that they do not contradict what is currently established, are as follows:

a) *Borrowing costs*

The Company includes in the cost of intangible assets, property, plant and equipment and inventories that require a period of more than one year to be ready for use, operation or sale, financial expenses related to specific or generic financing directly attributable to acquisition, construction or production.

To the extent that the financing has been obtained specifically, the amount of interest to be capitalised is determined on the basis of the interest expense accrued thereon. In cases where the financing has not been used temporarily to finance assets in the process of construction, the related financial expenses are not capitalised. The amount of interest to be capitalised relating to generic non-commercial financing is determined by applying a weighted average interest rate to the investment in progress, discounting the portion specifically financed, up to the limit of the financial expenses accrued in the profit and loss account.

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Capitalisation of interest begins when expenses related to assets have been incurred, interest has been incurred and activities necessary to prepare the assets or parts thereof for their intended use or sale are being carried out and ends when all or substantially all activities necessary to prepare the assets or parts of assets for their intended use or sale have been completed. However, the capitalisation of interest is suspended during periods in which the development of activities is interrupted, if these extend significantly over time, unless the temporary delay is necessary to bring the asset into working order or for sale.

The capitalisation of interest is carried out through the item "Activation of financial expenses" in the profit and loss account.

b) Intangible assets

As a general rule, intangible assets are initially measured at acquisition cost. They are subsequently measured at cost minus any accumulated amortisation and any impairment losses. These assets are depreciated over their useful lives.

IT applications

Disbursements made for the development of a website for promotional or advertising purposes of the Company's products or services are recognised as an expense at the time they are incurred. IT maintenance expenses are expensed as incurred.

The Company depreciates intangible assets on a straight-line basis over their useful lives and based on the following depreciation percentages:

Description	Years	Coefficient
IT applications	4	25%

The Company evaluates and determines value adjustments for impairment and reversals of impairment losses on intangible assets in accordance with the criteria mentioned in section 4.d) (impairment).

The Company reviews the residual value, useful life and depreciation method of intangible assets at each year-end. Changes in the criteria initially established are recognised as a change in estimate.

c) Property, plant and equipment

Property, plant and equipment are initially measured at acquisition or production cost and subsequently reduced by the related accumulated depreciation and impairment losses, if any, in accordance with the criteria mentioned in Note 4.d).

Upkeep and maintenance costs of the various items of property, plant and equipment are allocated to the profit and loss account for the year in which they are incurred. On the other hand, amounts invested in improvements that contribute to increasing the capacity or efficiency or extending the useful life of these assets are recognised as an increase in their cost.

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The annual depreciation ratios of assets, which are applied on a constant straight-line basis over the estimated useful lives of the assets, are as follows:

Description	Coefficient
Other fixed assets	20%-25%
Technical installations	10%-33%
Buildings	2%

The Company reviews the residual value, useful life and depreciation method of property, plant and equipment at each year-end. Changes in the criteria initially established are recognised as a change in estimate.

d) Impairment of non-financial assets subject to amortisation or depreciation

The Company evaluates, at each reporting date, the existence of indications that could reveal the potential impairment of non-financial assets subject to amortisation or depreciation in order to verify whether the carrying amount of these assets exceeds their recoverable amount, understood as the higher of fair value, minus the costs to sell and value in use.

Impairment losses are recognised in the profit and loss account and are only reversed if there has been a change in the estimates used to determine the recoverable amount of the asset.

The reversal of the impairment loss is credited to the profit and loss account. However, the reversal of the loss cannot increase the carrying amount of the asset above the carrying amount that it would have had, net of amortisation, had no impairment been recognised.

Once the valuation adjustment for impairment or reversal has been recognised, the amortisation of subsequent years is adjusted to the new carrying amount.

e) Leases

Lessee accounting

The Company has assigned the right to use certain assets under lease agreements.

Leases in which the contract transfers substantially all the risks and rewards of ownership of the assets to the Company are classified as finance leases, and otherwise as operating leases.

Operating leases

Lease payments under operating leases, net of incentives received, are recognised as an expense on a straight-line basis over the lease term.

f) Financial Instruments

(i) Classification and separation of financial instruments

Financial instruments are classified upon initial recognition as a financial asset, financial liability or equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, financial liability or equity instrument.

The Company classifies financial instruments into the various categories based on the characteristics and intentions of management at the time of their initial recognition.

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Transactions for the purchase or sale of financial assets instrumented through conventional contracts, understood as those in which the reciprocal obligations of the parties must be consummated within a time frame established by regulation or by market conventions and which cannot be settled by differences, are recognised on the contract or settlement date.

However, the contract that can be settled for differences is recognised as a derivative financial instrument during the period between the contract date and settlement.

(ii) Compensation principles

A financial asset and a financial liability are offset only when the Company has the right to offset the recognised amounts and intends to settle the net amount or to realise the asset and settle the liability simultaneously.

(iii) Financial assets and liabilities held for trading

Financial assets or liabilities held for trading are those that are classified as such from the moment of their initial recognition.

A financial asset or liability is classified as held for trading if:

- It is originated, acquired or issued primarily for the purpose of sale or repurchase in the short term,
- It forms part of a portfolio of identified financial instruments that are managed jointly and for which there is evidence of a recent pattern of short-term profit, or
- It is a derivative, except for a derivative that has been designated as a hedging instrument and meets the conditions to be effective and is not a financial guarantee contract.

Financial assets and liabilities held for trading are initially recognised at fair value. Transaction costs directly attributable to the purchase or issue are recognised as an expense in the profit and loss account as they are incurred.

Subsequent to their initial recognition, they are recognised at fair value and the variations are recorded in the earnings. Fair value is not reduced by the transaction costs that may be incurred by its eventual sale or other disposal. Accrued interest and dividends are included in items by their nature.

The Company does not reclassify any financial assets or liabilities in this category as long as they are recognised in the balance sheet, except for a change in the rating of hedging derivative financial instruments.

(iv) Loans and receivables

Loans and receivables consist of trade receivables and non-trade receivables with fixed or determinable payments. These assets are initially recognised at fair value, including transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method.

However, financial assets that do not have an established interest rate, the amount of which matures or is expected to be received in the short term and the effect of discounting of which is not significant, are valued at their par value.

The Company values loans and receivables at amortised cost provided that reliable estimates of cash flows can be made on the basis of contractual conditions.

The Company values at cost, increased by the results to be attributed, loans on which interest is contingent on the condition that a milestone has been reached in the borrowing company, for example, the obtaining of profits, or because it is calculated solely by reference to the evolution of the borrowing company's activity. In these cases, transaction costs are allocated on a straight-line basis over the life of the loan.

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(v) Investments in Group, associated and related companies

Group companies are considered to be those over which the Company, directly or indirectly through subsidiaries, exercises control in accordance with Article 42 of the Commercial Code, or when the companies are controlled by any means by one or more natural or legal persons acting jointly or under a single management through agreements or clauses in the bylaws.

Control is the power to direct the financial and operating policies of a company in order to obtain profits from its activities, considering for these purposes the potential voting rights exercisable or convertible at the end of the year held by the Company or third parties.

Associates are defined as companies over which the Company, directly or indirectly through subsidiaries, exercises significant influence. Significant influence is the power to intervene in a company's financial and operating policy decisions without implying the existence of control or joint control over the company. In assessing the existence of significant influence, the potential voting rights exercisable or convertible at the end of each year are taken into account, also taking into account the potential voting rights held by the Company or by another company.

Investments in Group, associated and related companies are initially recognised at cost, which is the fair value of the consideration provided, including transaction costs incurred for investments in associates and related parties, and are subsequently measured at cost minus accumulated impairment losses.

If an investment no longer meets the conditions for classification in this category, it is reclassified to investments available for sale and is valued as such from the date of reclassification.

(vi) Interest and dividends

Interest is recognised using the effective interest method.

Dividend income from investments in equity instruments is recognised when the Company's rights to receive it have arisen. If the dividends distributed arise unequivocally from results generated prior to the acquisition date because amounts greater than the profits generated by the investee since the acquisition have been distributed, they reduce the carrying amount of the investment.

(vii) Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows relating to them have expired or have been transferred and the Company has substantially transferred the risks and rewards of ownership.

The derecognition of a financial asset in its entirety implies the recognition of results for the difference between its carrying amount and the sum of the consideration received, net of transaction expenses, including the assets obtained or liabilities assumed and any deferred gain or loss in income and expenses recognised in net equity.

(viii) Impairment of financial assets

A financial asset or group of financial assets is impaired and an impairment loss has occurred if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and said event or events causing the loss have an impact on the estimated future cash flows of the asset or group of financial assets that can be reliably estimated.

The Company records the appropriate valuation adjustments for impairment of loans and receivables and debt instruments when there has been a reduction or delay in the estimated future cash flows due to the insolvency of the debtor.

Also, in the case of equity instruments, impairment exists when the carrying amount of the asset is not recoverable due to a prolonged or significant decrease in its fair value.

- Impairment of financial assets measured at amortised cost

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In the case of financial assets carried at amortised cost, the amount of the impairment loss is the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows, excluding future credit losses not incurred, discounted at the asset's original effective interest rate.

An impairment loss is recognised with a charge to income and is reversible in subsequent years if the decrease can be objectively related to an event subsequent to its recognition. However, the reversal of the loss is limited to the amortised cost of the assets if the impairment loss had not been recognised.

- Investments in Group companies, associates and equity instruments measured at cost

The calculation of impairment is determined as a result of comparing the carrying amount of the investment with its recoverable amount, understood as the higher of value in use and fair value minus costs to sell.

In this respect, value in use is calculated on the basis of the Company's interest in the present value of the estimated cash flows from ordinary activities and the final disposal or the estimated cash flows expected from the distribution of dividends and the final disposal of the investment.

However, in certain cases, unless there is better evidence of the recoverable amount of the investment, when estimating the impairment of this asset class, the net equity of the investee is taken into account, adjusted, where appropriate, to the generally accepted accounting principles and standards in Spanish GAAP that are applicable, adjusted for the unrealized net gains existing at the valuation date.

For these purposes, the carrying amount of the investment includes any monetary item receivable or payable that is not expected or likely to be settled in the foreseeable future, excluding items of a commercial nature.

In subsequent years, reversals of impairment are recognised to the extent that there is an increase in recoverable amount, up to the limit of the carrying amount that the investment would have had if the impairment had not been recognised.

The loss or reversal of the impairment is recognised in the profit and loss account.

Impairment losses on equity instruments measured at cost are not reversible and are therefore recognised directly against the asset value.

(ix) Financial liabilities

Financial liabilities, including trade creditors and other payables, which are not classified as held for trading or as financial liabilities at fair value with changes in the profit and loss account, are initially recognised at fair value minus any transaction costs that are directly attributable to their issue. Subsequent to initial recognition, liabilities classified under this category are measured at amortised cost using the effective interest method.

However, financial liabilities that do not have an established interest rate, the amount of which matures or is expected to be received in the short term and the effect of discounting of which is not significant, are valued at their par value.

The Company values financial liabilities at amortised cost provided that, in view of the contractual conditions, reliable estimates of cash flows can be made.

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(x) Bonds

The bonds provided as a result of operating leases are valued according to the criteria set out for financial assets. The difference between the amount delivered and the fair value, is recognised as an advance payment which is allocated to the profit and loss account during the lease term.

Long-term advances are revalued at each year-end based on the market interest rate at the date of initial recognition. When the bond is short term, the cash flow discount is not performed if its effect is not significant.

(xi) Derecognition and modifications of financial liabilities

The Company derecognises a financial liability or part of it when it has met the obligation contained in the liability.

The Company recognises the difference between the carrying amount of the financial liability or a portion thereof cancelled or transferred to a third party and the consideration paid, including any asset transferred other than the cash or liability assumed, with a charge or credit to the profit and loss account.

g) Inventories

This heading in the balance sheet includes the assets that the Company:

- Maintains for sale in the ordinary course of its business.
- Has in the process of construction or development for this purpose.
- Estimates that it will consume in the production process or in the provision of services.

Consequently, "Inventories" includes land and other property held for sale or for integration into a real estate development in the ordinary course of the Company's business, and not for appraisal or rental purposes.

The Company uses the following criteria in the valuation of its inventories:

- Land and plots acquired for disposal or for the development of real estate developments are recorded at their acquisition price, which includes the expenses directly related to their purchase (registration expenses, fees, expenses for studies and technical projects prior to the acquisition of plots, etc.).
- The Company does not capitalise as an increase in the value of land and plots the finance costs accrued on the loans obtained to finance the purchase thereof during the period between the date of acquisition and the date on which the construction permit is obtained and they are transferred to "Property Developments in Progress".
- As "Property Developments in Progress", the costs incurred at source in the developments in the execution phase are recorded. These costs include, for each development, the amounts corresponding to the acquisition price of the plot, development and construction costs, as well as other costs directly related to the development (studies and projects, licences, etc.) and the financial expenses accrued by the specific financing obtained during the construction period.

Short-cycle Property Developments in Progress are all those accumulated costs of developments whose completion period is estimated not to exceed 12 months.

At the end of each development, the Company follows the procedure of transferring the cost corresponding to those developments still pending sale from the Property Developments in Progress account to the Completed Property Developments account.

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The Company makes the appropriate valuation adjustments, recognising them as an expense in the profit and loss account when the net realisable value of the inventories is lower than their acquisition price (or production cost). This net realisable value is based on valuations performed by an independent expert.

Valuation adjustments and reversals for impairment of inventories are recognised under "Changes in inventories of finished and in-progress goods" or "Supplies", depending on whether they are developments in progress or completed or land and plots of land.

h) Cash and other equivalent liquid assets

Cash and other equivalent liquid assets include cash on hand and demand deposits at credit institutions. Other short-term, highly liquid investments are also included under this heading provided that they are readily convertible into specified amounts of cash and are subject to a negligible risk of changes in value.

This heading also includes the cash received as advances from customers and deposited in a special account separate from the Company's other funds, which is intended to cover the expenses arising from the corresponding development.

i) Profit tax

Expenses or revenue due to taxes on profits comprises the portion relating to current tax expense or income and the portion relating to deferred tax expense or income.

Assets or liabilities due to current taxes on profits are measured at the amounts expected to be paid to or recovered from the tax authorities, using tax rates and regulations in force or approved and pending publication at year-end.

Current or deferred tax on profits is recognised in the results, unless it arises from an economic transaction or event that has been recognised in the same or a different period, against net equity or a business combination.

At 31 December 2019, the Company filed a consolidated corporate income tax return and is the parent company of a consolidated tax group.

The corporate income tax expense accrued by companies filing consolidated returns is determined taking into account, in addition to the parameters to be considered in the event of individual taxation set forth above, the following:

- Temporary and permanent differences arising from the elimination of gains or losses on transactions between companies in the tax group arising from the process of determining the consolidated tax base.
- The deductions and allowances corresponding to each company in the tax group under the consolidated tax return regime. For these purposes, the deductions and allowances are allocated to the company that carried out the activity or obtained the yield necessary to obtain the right to the tax deduction or allowance.

Temporary differences arising from the elimination of profit or loss between companies in the tax group are recognised in the company that generated the profit or loss and are measured at the tax rate applicable to it.

As a result of the negative tax results from some of the companies in the tax group that have been offset by the rest of the companies in the tax group, a reciprocal credit and debit arises between the companies to which they correspond and the companies that offset them. If there is a negative tax result that cannot be offset by the rest of the companies in the tax group, these tax loss carryforwards are recognised as deferred tax assets and the tax group is considered a taxpayer for recovery.

The parent company of the tax group records the total amount payable (refundable) for consolidated corporate income tax with a charge (credit) to Credits (Debts) with group companies and associates.

The amount of the debt (credit) corresponding to dependent companies is recorded with a credit (charge) to Debts (Credits) with Group companies and associates.

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(i) Recognition of deferred tax liabilities

The Company recognises deferred tax liabilities in all cases, except when they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that at the date of the transaction affects neither accounting profit nor the tax base.

(ii) Recognition of deferred tax assets

The Company recognises deferred tax assets whenever it is probable that there will be sufficient future taxable income to offset them, or when tax legislation contemplates the possibility of future conversion of deferred tax assets into a receivable from the Public Administration.

However, assets that arise from the initial recognition of assets or liabilities in a transaction that is not a business combination and that at the date of the transaction affects neither accounting profit nor taxable profit are not recognised.

Unless there is evidence to the contrary, it is not considered probable that the Company will have future taxable profits when it is expected that their future recovery will take place within a period of more than ten years from the closing date of the fiscal year, regardless of the nature of the deferred tax asset or, in the case of credits derived from tax deductions and other tax advantages pending to be applied due to insufficient tax liability, when the activity has taken place or the income giving rise to the right to the deduction or rebate has been obtained, there are reasonable doubts as to whether the requirements for making them effective have been met.

The Company only recognises deferred tax assets arising from tax loss carryforwards to the extent that there is convincing evidence that future taxable profits will be obtained that will allow them to be offset within a period not exceeding that established by applicable tax legislation, with a maximum limit of ten years.

It is considered probable that the Company has sufficient taxable profits to recover deferred tax assets provided that there are sufficient taxable temporary differences related to the same tax authority and relating to the same taxpayer that are expected to reverse in the same tax year in which the deductible temporary differences are expected to reverse or in years in which a tax loss arising from a deductible temporary difference can be offset against prior or subsequent gains.

The Company recognises deferred tax assets that have not been recognised for exceeding the ten-year recovery period as long as the future reversal period does not exceed ten years from the year-end date, or when there are sufficient taxable temporary differences.

In order to determine future taxable profits, the Company takes tax planning opportunities into account whenever it intends to adopt them or is likely to adopt them.

(iii) Valuation of deferred tax assets and liabilities

Deferred tax assets and liabilities are measured at the tax rates that will be applicable in the years in which the assets are expected to be realised or the liabilities paid, based on the regulations and rates that are in force or approved and pending publication, and after consideration of the tax consequences that will result from the manner in which each company expects to recover the assets or settle the liabilities. For these purposes, each Company considered the deduction for reversal of temporary measures developed in transitional provision thirty-seven of Law 27/2014, of 27 November, on Corporate Income Tax, as an adjustment to the tax rate applicable to the deductible temporary difference associated with the non-deductibility of depreciation in 2013 and 2014.

(iv) Compensation and classification

The Company only offsets income tax assets and liabilities if there is a legal right to offset them against the tax authorities and it intends to settle the resulting amounts on a net basis or to realise the assets and settle the liabilities simultaneously.

Deferred tax assets and liabilities are recognised in the balance sheet as non-current assets or liabilities, regardless of the expected date of realisation or settlement.

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j) Revenue from the sale of goods and provision of services

Revenue from the sale of goods or the provision of services is recognised at the fair value of the consideration received or receivable. Prompt payment, volume and other discounts, as well as the interest included in the nominal amount of the loans, are recorded as a reduction thereof.

However, the Company includes interest included in trade loans maturing in no more than one year that do not have a contractual interest rate, when the effect of not discounting cash flows is not material.

In the case of sales of property developments, the Company recognises the sales and the cost thereof when the corresponding public deed of sale is executed, i.e. when the property has been delivered and the ownership of the property has been transferred.

Advances on account of future sales are valued at the value received. Long-term advances are revalued at each year- or period-end based on the market interest rate at the date of initial recognition.

k) Provisions and contingencies

The Company's Directors, in the formulation of the annual accounts of the Company, differentiate between:

- a) Provisions: credit balances covering current obligations arising from past events, the settlement of which is likely to give rise to an outflow of resources, but which are undetermined as to their amount and/or timing.
- b) Contingent liabilities: possible obligations arising from past events, the future materialisation of which is conditional on the occurrence or non-occurrence of one or more future events beyond the control of the Company.

The balance includes all the provisions with respect to which it is estimated that the probability that the obligation will have to be met is greater than otherwise. Unless considered probable, contingent liabilities are not recognised in the balance sheet but are disclosed in the explanatory notes.

The amounts recognised in the balance sheet correspond to the best estimate at the closing date of the disbursements necessary to settle the present obligation, after considering the risks and uncertainties related to the provision.

Provisions are reversed against "Excess Provisions" when it is not probable that there will be an outflow of resources to settle the obligation.

l) Short-term employee benefits and severance indemnities

The Company recognises the expected cost of short-term benefits in the form of remunerated leave, the rights of which accrue as the employees render the services that entitle them to receive them. If permits are not cumulative, the expense is recognised as the permits are produced.

Except in the case of dismissal for just cause, the Company is obliged to indemnify its employees when they leave the Company.

In the absence of any foreseeable need for abnormal termination of employment, and given that employees who retire or voluntarily cease their services do not receive indemnities, severance payments, when they arise, are expensed when a formal termination plan has been approved by Company management and a valid expectation has arisen for those affected that termination of the employment relationship will occur.

m) Merger and segregation operations between Group companies

In the case of mergers and divisions between Group companies in which the parent company of the same or the parent company of a subgroup and its subsidiary, directly or indirectly, the assets acquired are valued at the amount that would correspond to them, once the transaction has been performed, in the consolidated annual accounts of the group or subgroup in accordance with the Standards for the Preparation of Consolidated Annual

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Accounts. Any difference which may become apparent in the accounting records as a result of the application of the above criteria shall be recorded under an item of voluntary reserves.

The consolidated annual accounts to be used for these purposes will be those of the largest group or subgroup in which the assets and liabilities are included whose parent company is Spanish. In the event that the aforementioned accounts are not prepared under any of the reasons for exemption provided for in the consolidation rules, the existing values will be taken before the operation is carried out in the individual annual accounts of the contributing company.

In the case of mergers and divisions between Group companies, as stated in the consultations of the Institute of Accounting and Auditing, the accounting effect date will be the beginning of the year in which the transaction is approved, provided that it is later than the date on which the companies were incorporated into the Group. If one of the companies joined the Group in the year in which the merger or segregation takes place, the accounting effect date will be the date of acquisition.

In the case of non-monetary contributions to a Group company, the contributor will value its investment at the carrying amount of the assets delivered in the consolidated annual accounts on the date on which the operation is carried out, in accordance with the Standards for the Formulation of Consolidated Annual Accounts. The acquirer recognises them for the same amount. Any difference which may arise in respect of individual securities shall be recorded under an item of voluntary reserves.

Transfer prices are adequately supported and, therefore, the Company's directors consider that there are no significant risks in this respect from which material liabilities may arise in the future.

For the purposes of presenting the balance sheet, it shall be understood that another company forms part of the Group when they constitute a decision-making unit under the terms provided for in Article 42 of the Commercial Code.

A company is considered to be an associate when, although it is not a Group company in the sense indicated above, one or more of the companies that make it up, including the dominant entity or individual, exerts a notable influence over such company.

Capital reduction, dividend distribution and dissolution of companies operations between Group companies

The following criteria will be followed in transactions between Group companies for the distribution of dividends, provided that the business in which the capital reduction materialises, the payment of the dividend is agreed or the liquidation quota of the partner or owner is cancelled, remains in the Group.

The ceding company shall account for the difference between the amount of the debt to the partner or owner and the carrying amount of the business delivered with a credit to a reserve account.

The transferee company shall account for it by applying the criteria set out in this section.

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Related party transactions

Transactions between Group companies, except those related to mergers, spin-offs and non-monetary business contributions, are recognised at the initial moment at the fair value of the consideration given or received. If the agreed price differs from its fair value, the difference is recorded on the basis of the economic reality of the transaction. Subsequent valuation is carried out in accordance with the relevant standards.

n) Classification of assets and liabilities between current and non-current

The Company presents the balance sheet by classifying assets and liabilities between current and non-current. For these purposes, current assets or liabilities are those that meet the following criteria:

- Assets are classified as current when they are expected to be realised or sold or consumed in the course of the Company's normal operating cycle, are held primarily for trading purposes, are expected to be realised within twelve months after the balance sheet date or are cash or equivalent liquid assets, except in those cases in which they cannot be exchanged or used to settle a liability, at least within twelve months after the balance sheet date.
- Liabilities are classified as current when they are expected to be settled in the Company's normal operating cycle, are held primarily for trading, have to be settled within twelve months from the balance sheet date or the Company does not have the unconditional right to defer the settlement of liabilities for twelve months from the balance sheet date.
- Financial liabilities are classified as current when they must be settled within twelve months of the balance sheet date, even if the original term is for more than twelve months and there is an agreement to refinance or restructure long-term payments that was concluded after the explanatory notes and before the annual accounts are prepared, or are earmarked for financing assets classified in the balance sheet as "current".

o) Heritage elements of an environmental nature

Environmental assets are assets that are used on a lasting basis in the Company's activities, the main purpose of which is to minimise environmental impact and to protect and improve the environment, including the reduction or elimination of future pollution.

The Company's activity, by its nature, does not have a significant environmental impact.

p) Cash flow statement

In the cash flow statement, prepared using the indirect method, the following expressions are used in the following senses:

1. Cash flows: inflows and outflows of cash and cash equivalents, i.e. short-term, highly liquid investments with no significant risk of changes in value.
2. Operating activities: activities that constitute the Company's main source of ordinary income, as well as other activities that cannot be classified as investment or financing activities.
3. Investing activities: the acquisition or disposal by other means of long-term assets and other investments not included in cash and cash equivalents.
4. Financing activities: activities that result in changes in the size and composition of net equity and liabilities that are not part of operating activities.

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5. Business combinations

MERGER AGREEMENT BETWEEN AELCA GROUP AND VIA CELERE REAL ESTATE DEVELOPMENTS

On 28 September 2018 the Company signed certain agreements with Myjoja Inversiones, S.L., Lewistown Invest, S.L.U., Glenwock Invest, S.L.U., Rimbey Spain, S.L.U. and Windham Spain, S.L.U. and with the companies in which the aforementioned companies have an interest, with Aelca Desarrollos Inmobiliarios, S.L. and with certain of its investees (see Note 1).

On 30 October 2018, the transaction was authorized by the Comisión Nacional del Mercado y Competencia (CNMC) and approved by the Company's Extraordinary General Shareholders' Meeting on 31 October 2018.

The Board of Directors of the Parent Company has considered the transactions and agreements described in this section to be an integral part of a single transaction. This interpretation has been agreed on the basis that the operations and agreements have been carried out for the benefit of the merged companies and the timing of these has been defined in a single framework of the merger, not generating profit for the previous owners except those who receive as part of the merged entity.

The operation described above is subject to the special tax regime for mergers, divisions, contributions of assets, exchange of securities and change of registered office of a European company or a European cooperative from one Member State to another of the European Union regulated in Heading VII of Chapter VIII of Royal Legislative Decree 4/2014, of 27 November, on Corporation Tax.

The detail of the assets acquired and liabilities assumed at the date of the business combination is as follows:

<i>Business combination</i>	<i>(Thousand of euros)</i>
Fixed assets (Note 7)	296
Long-term financial investments and loans	4.539
Inventories (Note 11)	575.691
Trade and other receivables	9.637
Financial investments in associates	23
Short-term financial investments and loans	26.078
Accruals	89
Cash and other equivalent liquid assets	71.617
Total assets	687.970
Long-term provisions (Note 13)	1.128
Long-term financial debt	54
Debt with associates	19
Short-term financial debt (Note 14)	113.574
Long-term payables to associated companies	57.659
Trade and other payables	105.257
Total liabilities	277.691
Value of the net assets	410.279
Payment to minority shareholders	(166.772)
Paid consideration	(647.966)
Merger reserve	(404.459)

The expenses incurred in the merger of Aelca amounting to 5,506 thousand euros were recognised in the Company's net equity (see Note 12.1).

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The cash outflow produced in the business combination is as follows:

	Country	Thousands of euros Consideration paid in cash
Acquisition 10%-20% from minority shareholders (i)	Spain	126.031
Acquisition 100% "Aelca operating companies" (ii)	Spain	40.741
Contributed companies (80-90%) (iii)	Spain	-
Contribution 100% "Posnova" (iv)	Spain	-

The net turnover and profit attributable to the combination from the acquisition date to 31 December 2019 amounted to 100,251 thousand euros and 22,843 thousand euros, respectively.

6. Intangible assets

The changes in intangible assets in 2019 and 2018 were as follows:

	Thousands of EUR	
	Application IT	Total
Cost		
01 January 2018	158	158
Additions	85	85
31 December 2018	243	243
Additions	15	15
31 December 2019	258	258
Depreciation		
Accumulated at 01 January 2018	(105)	(105)
Depreciation for the year	(48)	(48)
Accumulated at 31 December 2018	(153)	(153)
Depreciation for the year	(44)	(44)
Accumulated at 31 December 2019	(197)	(197)
Net carrying amount at 31 December 2018	90	90
Net carrying amount at 31 December 2019	61	61

The cost of fully depreciated assets at 31 December 2019 amounted to 116 thousand euros (31 December 2018: 33 thousand euros).

The additions of computer applications correspond entirely to the acquisition of new software for accounting and administrative use.

The Company has assessed the existence of indications that could reveal the potential impairment of the assets composing the intangible assets, and has verified that there are no indications of impairment.

During 2019 and 2018 the additions to "IT Applications" correspond entirely to the acquisition of new software for accounting and administrative use.

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7. Property, plant and equipment

The changes in property, plant and equipment in 2019 and 2018 were as follows:

	Thousands of EUR				
	Buildings	Installations buildings	Other and equipment PPE	property, plant installations in progress	Total
Cost					
01 January 2018	2.836	144	375	-	3.355
Additions	-	-	176	192	368
Derecognitions	-	-	(13)	-	(13)
31 December 2018	2.836	144	538	192	3.710
Additions	-	26	382	-	408
Merger additions (Note 5)	-	172	124	-	296
Transfers	192	-	-	(192)	-
31 December 2019	3.028	342	1.044	-	4.414
Depreciation					
Accumulated at 01 January 2018	(23)	(31)	(117)	-	(171)
Depreciation for the year	(30)	(13)	(132)	-	(175)
Derecognitions	-	-	3	-	3
Accumulated at 31 December 2018	(53)	(44)	(246)	-	(343)
Depreciation for the year	(21)	(52)	(216)	-	(289)
Derecognitions	-	-	-	-	-
Accumulated at 31 December 2019	(74)	(96)	(462)	-	(632)
Impairment					
Accumulated impairment at 1 January 2018	-	-	-	-	-
Impairment losses for the year	(54)	-	-	-	(54)
Accumulated impairment at 31 December 2018	(54)	-	-	-	(54)
Accumulated impairment at 01 January 2019	(54)	-	-	-	(54)
Reversal of impairment for the year	54	-	-	-	54
Accumulated impairment at 31 December 2019	-	-	-	-	-
Net carrying amount at 31 December 2018	2.729	100	292	192	3.313
Net carrying amount at 31 December 2019	2.954	246	582	-	3.782

In 2018 property, plant and equipment were derecognised for a net carrying amount of 10 thousand euros, giving rise to a profit of 26 thousand euros (see Note 17.7).

The Company has evaluated the existence of indications that could reveal the potential impairment of the value of the assets composing the property, plant and equipment at 31 December 2019, determining the reversal of the impairment of 54 thousand euros in constructions (See Note 17.7). This deterioration had been endowed in 2018.

The cost of fully depreciated assets at 31 December 2019 and 2018 amounts to:

	Thousands of EUR	
	31.12.2019	31.12.2018
Other property, plant	287	96
	287	96

The Company has taken out various insurance policies to cover the risks to which its property, plant and equipment are subject. The coverage of these policies is considered sufficient.

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8. Cash and other equivalent liquid assets

“Cash and other equivalent liquid assets” includes the Company’s cash and short-term bank deposits maturing in three months or less. The carrying amount of these assets approximates their fair value.

The detail of the composition of this balance at 31 December 2019 and 2018 is as follows:

	Thousands of EUR	
	31.12.2019	31.12.2018
Petty cash	13	5
Petty cash EUR	13	5
Bank current accounts	129.585	29.626
Unrestricted accounts	50.990	2.398
“Customer development” accounts	78.595	27.228
Other equivalent liquid assets	3.076	-
	132.674	29.631

At 31 December 2019 and 2018 there were no restrictions on the use of cash except for the amounts regulated by Law 20/2015, according to which advances received in relation to residential developments must be deposited in a special account separate from the Company’s other funds and may only be used to cover expenses arising from the construction of the respective developments. These amounts are classified under the item “Customer development accounts”.

9. Financial Assets

Classification of financial assets by category

	Thousands of EUR			
	Non-current		Current	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Investments in group, associated and related companies (Note 10)				
Equity instruments	90.123	95.436	-	-
Loans to companies	72.432	110.659	110.408	53.643
Financial investments	1.306	27.142	11.566	219
Trade receivables for sales and services	-	-	1.154	620
Clients, Group companies and associates	-	-	16.482	8.358
Staff	-	-	45	45
Sundry accounts receivable	-	-	1.393	3.242
	163.861	233.237	141.048	66.127

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Financial investments

The detail of "Long-Term Financial Investments" at 2019 and 2018 year-end is as follows:

	Thousands of EUR			
	Non-current		Current	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Loans to third parties	-	26.688	7.859	-
Derivatives (Note 14.2)	1	26	-	-
Bonds and guarantees	1.305	428	3.707	219
	1.306	27.142	11.566	219

Loans to third parties

At 31 December 2019 and 2018, these included mainly loans acquired through assignment agreements with financial institutions, which were secured by mortgages on land amounting to 7,703 thousand euros and 26,250 thousand euros, respectively.

In 2019, loans amounting to 26,250 thousand euros were foreclosed as a result of the extrajudicial execution of mortgages.

Also, in 2019, as part of the merger process (see Notes 1 and 5), the Company included in its net assets 26,078 thousand euros, of which 24,911 thousand euros relate to loans to third parties in arrears secured by land, of which in 2019 the Company foreclosed on the purchase and sale of these assets as a result of the extrajudicial foreclosure of a mortgage amounting to 15,115 thousand euros.

On 26 July 2019, the Company signed a loan agreement with Udralar, S.L.U., one of its subsidiaries, amounting to 2,165 thousand euros and agreed that the latter would execute the purchase and sale of the property asset that guaranteed a loan that the Company had recognised for the carrying amount of 2,085 thousand euros.

The fair value of loans to third parties amounted to 18,353 thousand euros at 31 December 2019 and 79,430 thousand euros at 31 December 2018.

Bonds and guarantees

As of 31 December 2018 and 2017, "Deposits and Bonds" correspond mainly to bonds deposited with autonomous agencies as a guarantee of possible damage to public roads associated with the development of real estate developments.

Trade and other receivables

The detail of trade and other receivables is as follows:

	Thousands of EUR	
	31.12.2019	31.12.2018
Group		
Group company customers (Note 19)	16.482	8.358
Non-Group		
Clients	1.310	776
Sundry accounts receivable	3.038	3.242
Staff	45	45
Other receivables from public administrations (Note 16.1)	5.690	400
Valuation adjustments for impairment	(1.801)	(156)
	24.764	12.665

Group corporate customers includes balances receivable for the Company's holding activity (See Note 19).

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At 31 December 2019, Sundry accounts receivable mainly include 3,160 thousand euros pending collection due to penalties invoiced to construction companies for breach of contract. 1,645 thousand euros of this amount was provided for and an expense was recognised in the profit and loss account as a result of the entry into insolvency proceedings of one of the construction companies sued by the Company.

At 31 December 2018, Sundry accounts receivable included 3,242 thousand euros pending receipt for the sale of the Cortijo Norte land, collected in full during 2019.

Impairment

The analysis of the movement in the corrective accounts representing the impairment losses originated by the credit risk of financial assets measured at amortised cost is as follows:

	Thousands of EUR	
	31.12.2019	31.12.2018
Opening balance	(156)	(1.953)
Allocations	(1.645)	(156)
Application	-	1.884
Reversal	-	69
Closing balance	(1.801)	(156)

10. Group, associated and related companies

Short- and long-term investments in Group, associated and related companies

The detail of and movement in investments in Group, associated and related companies in the short and long term at 31 December 2019 is as follows:

	Thousands of EUR				31 December 2019
	31 December 2018	Additions/ Allocations	Derecognition /Reversal	Transfers	
Long Term					
Group equity instruments	136.096	-	-	2.141	138.237
Associated equity instruments	13.212	-	(2.100)	-	11.112
Impairment of investments	(53.872)	(9.089)	3.735	-	(59.226)
Total Holdings	95.436	(9.089)	1.635	2.141	90.123
Loans to Group companies (Note 19)	138.017	1.497	(26)	(41.520)	97.968
Impairment loans	(27.358)	(80)	114	1.788	(25.536)
Total Long-term loans	110.659	1.417	88	(39.732)	72.432
Total EEGGAA Investments and related to L/T	206.095	(7.672)	1.723	(37.591)	162.555
Short term					
Loans to Group companies (Note 19)	53.284	22.416	(2.927)	39.379	112.152
Loans to Associates and Related Parties (Note 19)	366	-	(167)	(148)	51
Impairment loans	(7)	-	-	(1.788)	(1.795)
Total EEGGAA Investments and related to S/T	53.643	22.416	(3.094)	37.443	110.408

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In 2019 the most significant additions and disposals of investments in Group companies and associates were as follows

- Capitalisation of short-term loans with the Portuguese subsidiary Douro Atlántico, S.A., in order to resolve its equity imbalance, as a result of which part of its current account in the amounts of 1,041 thousand euros and 1,100 thousand euros were converted into supplementary benefits (commercial figure used in Portugal) representing an increase in the share and a decrease in the current account for the aforementioned amounts.
- Reduction of the interest in the associate Célere Fórum Barcelona, S.L., amounting to 2,100 thousand euros, agreed by the Company's shareholders at its Annual General Shareholders' Meeting held on 24 May 2019, in order to return contributions to the shareholders. In addition, the investee also agreed to distribute dividends with a charge to the share premium amounting to 5,325 thousand euros. 13,866 thousand euros in interim dividends was also declared at the Meeting, which was paid in full. The shareholders of the investee unanimously agree that these interim dividends shall be distributed as follows:
 - Via Celere Desarrollos Inmobiliarios S.A. corresponds to 9,089 thousand euros. The Company has received the aforementioned amount in cash and has recorded it as income under the heading of services rendered.
 - AREO, S.à.r.l. is responsible for an amount of 4,777 thousand euros

In 2019, the most significant derecognitions of investments in Group and related companies in the short term were

- On 31 December 2019, the Company offset 4,941 thousand euros of debt with its subsidiary Udralar, S.L.U. Such compensation has occurred due to:
 - The maturity of the current account they held between them.
 - The loan signed on 26 July 2019.
 - The debt that the subsidiary Udralar, S.L.U. had with the Company for corporate services rendered in 2018.
- The transfer of 41,520 thousand euros from long-term to short-term of the loans to Group companies, due to the maturity of these loans in 2020.
- The transfer of 148 thousand euros of receivables from associates and related companies is due to amounts with Vía Ágora, S.L.U., which at 2019 year-end did not present this condition and was classified as a receivable from third parties.

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The detail of and movement in investments in Group, associated and related companies in the short and long term at 31 December 2018 is as follows:

	Thousands of EUR				31 December 2018
	31 December 2017	Additions/ Allocations	Derecognition /Reversal	Transfers	
Long Term					
Group equity instruments	90.384	33.512	-	12.200	136.096
Associated equity instruments	14.012	-	(800)	-	13.212
Impairment of investments	(18.212)	-	6.270	(41.930)	(53.872)
Total Holdings	86.184	33.512	5.470	(29.730)	95.436
Loans to Group companies (Note 19)					
Loans to Group companies (Note 19)	141.018	150	(3.151)	-	138.017
Impairment loans	(62.932)	(1.503)	3.565	33.512	(27.358)
Total Long-term loans	78.086	(1.353)	414	33.512	110.659
Total EEGGAA Investments and related to L/T	164.270	32.159	5.884	3.782	206.095
Short term					
Loans to Group companies (Note 19)	32.790	34.747	(2.053)	(12.200)	53.284
Loans to Associates and Related Parties (Note 19)	681	96	(411)	-	366
Impairment loans	(8.418)	(7)	-	8.418	(7)
Total EEGGAA Investments and related to S/T	25.053	34.836	(2.464)	(3.782)	53.643

In 2018, the most significant additions and derecognitions of investments in Group companies and associates were:

- On 23 February 2018, the Company agreed to subrogate itself as a debtor before the creditor position of the loans held by its subsidiary Udralar, S.L.U. with Bank of America Merrill Lynch, and to capitalise the loan arising with that subsidiary amounting to 33,512 thousand euros and maturing on the same date as the loans assigned.
- Capitalisation of short-term loans held with the Portuguese subsidiary Parquesoles Inversiones Inmobiliarias y Proyectos, S.A. to resolve the equity imbalance it had and, therefore, part of its current account amounting to 8,450 thousand euros and 3,750 thousand euros were converted into supplementary benefits (a business entity used in Portugal), representing an increase in the share and a decrease in the current account for the aforementioned amount.
- On 10 June 2018, the investee Célere Fórum Barcelona, S.L. distributed a premium amounting to 800 thousand euros.

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Equity instruments of Group companies and associates

The amount of the valuation adjustments for impairment and reversals recorded in the various investments at 31 December 2019 and 2018 is as follows:

<i>Share</i>	Thousands of EUR			31 December 2019
	31 December 2018	Endowment	Reversals	
Group Companies				
Copaga, S.A.	(2.755)	-	-	(2.755)
Douro Atlántico, S.A.	(14.920)	-	48	(14.872)
Udrasur Inmobiliaria, S.L.U.	(3)	-	-	(3)
Udralar, S.L.U.	(33.515)	-	-	(33.515)
Vía Célere 1, S.L.U.	(20)	-	-	(20)
Portugal Parquesoles SPGS S.A.	(2.659)	-	630	(2.029)
Associated companies				
Célere Forum Barcelona, S.L.	-	(9.089)	3.057	(6.032)
Total Group	(53.872)	-	678	(59.226)

<i>Share</i>	Thousands of EUR			31 December 2018
	31 December 2017	Reversal / Derecogniton	Transfers	
Group Companies				
Copaga, S.A.	(2.755)	-	-	(2.755)
Douro Atlántico, S.A.	(15.049)	129	-	(14.920)
Udrasur Inmobiliaria, S.L.U.	(3)	-	-	(3)
Udralar, S.L.U.	(3)	-	(33.512)	(33.515)
Vía Célere Gestión de Proyectos, S.L.U.	(381)	381	-	-
Vía Célere 1, S.L.U.	(20)	-	-	(20)
Vía Célere Catalunya, S.L.U.	-	-	-	-
Conspace, S.L.U.	(1)	1	-	-
Portugal Parquesoles SPGS S.A.	-	5.759	(8.418)	(2.659)
Total Group	(18.212)	6.270	(41.930)	(53.872)

In relation to the investments held in Group companies, in the opinion of the Company's directors the excess of net book value over their underlying book value is covered by the gains associated with the future results of these investees, taking into account the valuations performed by independent experts at 31 December 2019 of the assets held by the investees in question.

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The most significant information relating to the Group companies, jointly controlled entities and associates in which the Company participates at 31 December 2019 and 2018 is as follows:

Thousands of EUR									
31.12.2019									
Company	Address	% holding			Capital	Result		Rest of Net equity Net	Net value in books of the holdings
		Direct	Indirect	Total		Exploitation	From the period		
Copaga, S.A.	Madrid	100%	-	100%	144	(37)	(24)	(1.352)	-
Udralar, S.L.U. (a)	Madrid	100%	-	100%	3	(961)	(726)	(27.783)	-
Torok Investment 2015, S.L.U.	Madrid	100%	-	100%	3	(268)	(532)	(1.181)	7
Udrasur Inmobiliaria, S.L.U.	Madrid	100%	-	100%	3	(37)	(33)	(485)	-
Douro Atlántico, S.A. (a)	Lisbon, Portugal	100%	-	100%	8.062	(848)	(995)	(2.929)	6.944
Maywood Invest, S.L.U. (a)	Madrid	100%	-	100%	833	(2.154)	(2.475)	1.705	12.110
Vía Célere, S.L.U. (a)	Madrid	100%	-	100%	22.749	29.843	22.646	8.102	31.914
Vía Célere 1, S.L.U.	Madrid	100%	-	100%	3	(66)	(57)	(911)	-
Vía Célere 2, S.L.U.	Madrid	100%	-	100%	3	59	221	8.010	7.336
Vía Célere Catalunya S.L.U.	Madrid	100%	-	100%	11.112	(63)	312	5.127	16.180
Vía Célere Gestión de Proyectos, S.L.U. (a)	Madrid	100%	-	100%	3	1.885	1.116	465	381
Conspace, S.L.U.	Madrid	100%	-	100%	3	(17)	148	(592)	1
Parquesoles Inversiones Inmobiliarias Y Proyectos, S.A. (a)	Lisbon, Portugal	100%	-	100%	50	(592)	(1.270)	9.518	10.171
Célere Forum Barcelona, S.L. (a)	Madrid	50%	-	50%	2	12.394	9.487	(6.933)	5.079
									90.123

(a) Company audited as of 31 December 2019

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Thousands of EUR									
31.12.2018									
Company	Address	% holding			Capital	Result		Rest of Net equity Net	Net value in books of the holdings
		Direct	Indirect	Total		Exploitation	From year		
Copaga, S.A.	Madrid	100%	-	100%	144	(66)	(36)	(1.316)	-
Udralar, S.L.U. (a)	Madrid	100%	-	100%	3	1.734	4.347	(32.130)	-
Torok Investment 2015, S.L.U.	Madrid	100%	-	100%	3	(165)	210	(1.391)	7
Udrasur Inmobiliaria, S.L.U.	Madrid	100%	-	100%	3	(44)	(30)	(455)	-
Douro Atlántico, S.A. (a)	Lisbon, Portugal	100%	-	100%	8.062	(266)	(509)	(4.795)	4.754
Maywood Invest, S.L.U. (a)	Madrid	100%	-	100%	833	(3.018)	(1.781)	3.485	12.110
Vía Célere, S.L.U. (a)	Madrid	100%	-	100%	22.749	(13.795)	13.118	(2.441)	31.914
Vía Célere 1, S.L.U.	Madrid	100%	-	100%	3	96	87	(999)	-
Vía Célere 2, S.L.U. (a)	Madrid	100%	-	100%	3	6	184	7.735	7.336
Vía Célere Catalunya S.L.U. (a)	Madrid	100%	-	100%	11.112	(72)	220	4.907	16.181
Vía Célere Gestión de Proyectos, S.L.U. (a)	Madrid	100%	-	100%	3	886	646	(242)	381
Conspace, S.L.U.	Madrid	100%	-	100%	3	(57)	(51)	(522)	-
Parquesoles Inversiones Inmobiliarias Y Proyectos, S.A. (a)	Lisbon, Portugal	100%	-	100%	50	(219)	(1.184)	5.625	9.541
Célere Forum Barcelona, S.L. (a)	Madrid	50%	-	50%	2.102	(640)	(640)	3.303	13.212
									95.436

(a) Company audited as of 31 December 2019

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Loans to Group, associated and related companies

Loans granted by the Company to its investees that are of a participating nature bear interest at a variable rate, determined on the basis of the investee's earnings performance, of between 4% and 7% over the limit of the investee's loan. The detail at 31 December 2019 is as follows:

Company	Short term		Maturity
	Thousands of EUR		
	Limit	Drawn down	
Udrasur Inmobiliarias, S.L.U.	1.000	526	31/12/2020
Copaga, S.L.U.	2.000	1.563	30/12/2020
Vía Célere 1, S.L.U.	5.000	12	20/12/2020
Conspace, S.L.U.	2.000	756	31/12/2020
Vía Célere Gestión de Proyectos, S.L.U.	7.000	4856	31/12/2020
Total	17.000	7.713	

Company	Long Term		Maturity
	Thousands of EUR		
	Limit	Drawn down	
Torok Investments 2015, S.L.U.	26.100	22.246	15/03/2022
Maywood Invest, S.L.U.	1.400	1.400	31/12/2021
Udralar, S.L.U.	80.000	74.322	31/12/2023
	107.500	97.968	

The detail of other ordinary loans that the Company has assigned to investees at 31 December 2019 is as follows

Ordinary loans	Thousands of EUR		Maturity
	Limit	Drawn down	
Vía Célere, S.L.U.	37.000	33.807	31/12/2020
Total	37.000	33.807	

In addition, short-term receivables include cash transfers between Group companies under the current account contracts that the Company has with its investees and with its parent company. These accounts are remunerated at Euribor plus a market spread.

The most significant event in 2019 is the reclassification of short-term loans from participating loans to ordinary long-term loans.

The most significant additions to short-term loans in 2018 are as follows:

- On 23 February 2018, the Company agreed to subrogate itself as a debtor to the creditor position of the loans held by Douro Atlántico, S.A. with Deutsche Bank AG, to maintain the account receivable from the subsidiary amounting to 5,762 thousand euros and not to modify the conditions of the loans assigned.
- In addition, in 2018 the current accounts with Maywood Invest, S.L.U. and Vía Célere Gestión de Proyectos, S.L.U. increased by 9,576 thousand euros and 9,456 thousand euros, respectively, due to the current operations of both companies.

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11. Inventories

The movement in inventories during 2019 and 2018 is as follows:

	Thousands of EUR				Total
	Land and plots	Developments finished	Developments in progress	Advances to suppliers	
Cost at 01 January 2018	531.944	38.248	198.201	11.277	779.670
Additions	49.015	-	70.016	1.754	120.785
Derecognitions	(8.487)	(35.480)	-	(6.486)	(50.453)
Transfers	(34.950)	-	34.950	-	-
Cost at 31 December 2018	537.522	2.768	303.167	6.545	850.002
Additions	104.072	-	262.285	4.080	370.437
Merger additions (See Note 5)	383.279	8.370	183.689	353	575.691
Derecognitions	(3.346)	(197.656)	-	(1.565)	(202.567)
Transfers	(127.160)	284.361	(157.201)	-	-
Cost at 31 December 2019	894.367	97.843	591.940	9.413	1.593.563
Valuation adjustments due to impairment at 01 January 2018	(370.087)	(20.481)	(81.034)	-	(471.602)
Allocations	(10.597)	(443)	(2.874)	-	(13.914)
Reversals	20.468	20.067	9.961	-	50.496
Transfers	(990)	-	990	-	-
Valuation adjustments due to impairment as of 31 December 2018	(361.206)	(857)	(72.957)	-	(435.020)
Allocations	(7.665)	(11)	(5.699)	-	(13.375)
Reversals	10.496	17.851	2.272	-	30.619
Transfers	20.775	(19.465)	(1.310)	-	-
Valuation adjustments due to impairment as at 31 December 2019	(337.600)	(2.482)	(77.694)	-	(417.776)
Net carrying amount at 31 December 2018	176.316	1.911	230.210	6.545	414.982
Net carrying amount at 31 December 2019	556.767	95.361	514.246	9.413	1.175.787

As "Property Developments in Progress", the Company records the cost of short-cycle and long-cycle developments in progress.

As of 31 December 2019, the developments Célere Arco, Célere Cortijo Norte (phase I), Célere Navis, Célere Casa Banderas (phase II), Célere Retamar II, Célere Terran, Célere Jalón, Célere Serenity, Célere Cortijo Norte (phases II-III), Célere Llum Patraix, Célere Perales, Célere Els Ametllers, Célere Cubic II, Célere Bremen, Célere Domeny (Phase I), Célere Cala Serena, Célere Lemos, Célere Nova Rivas are considered to be short-cycle inventories and are recorded at a value of 273.080 thousand euros.

At 31 December 2018, the developments Forestier, Banderas, Ventura, Casa de la Cierva, Retamar Fase I, Barama and Ponce de León were considered to be short-cycle inventories recorded for a value of 109,707 thousand euros.

The Company capitalises the financial expenses accrued during the year relating to financing for the development of real estate inventories, provided that they are related to inventories with a production cycle of more than one year. In 2019 and 2018, 6,548 thousand euros and 1,509 thousand euros of financial expenses, respectively, were capitalised.

11.1 Land and plots

The balance of this account relates to the acquisition price of various plots of land and plots of land which at 31 December 2019 and 2018 were in the final stage or under urban development management, and which are basically intended for residential use (although there are public service or industrial plots).

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At 31 December 2019 and 2018, the building area above ground of the Company's land portfolio was 2,027,624 m2 and 1,054,104 m2, respectively. The detail, by geographical area, of the Company's land is as follows:

City	total m2	
	31.12.2019	31.12.2018
Madrid	820.864	594.813
Malaga	353.079	76.371
Seville	312.630	96.228
Valencia	144.999	-
Valladolid	72.563	114.302
Other provinces	323.489	172.390
	2.027.624	1.054.104

At 31 December 2019 and 2018, "Land and Plots" had a net cost of 78,664 thousand euros (31 December 2018: 15,441 thousand euros), which were mortgaged to secure the repayment of various bilateral loans, of which 139,425 thousand euros and 12,384 thousand euros, respectively, had been drawn down (see Note 14.1).

The main movements in 2019 were:

- The acquisition of a plot of land in Berrocales (Madrid) for 11,475 thousand euros.
- The acquisition of a plot of land called "Coslada RML1" (Madrid) for 5,232 thousand euros, with 4,709 thousand euros outstanding at 31 December 2019.
- The execution of the purchase option on a piece of land held in Barajas (Madrid) for approximately 24,000 thousand euros, with 17,621 thousand euros outstanding at 31 December 2019.
- The acquisition of the land through the 41,365 thousand euros of the third party loans described in Note 9.1.
- Derecognitions corresponding to the sale of land for a net amount of 5,319 thousand euros and a cost of 3,346 thousand euros. The most significant sale corresponds to Sevilla Este 13G for 4,745 thousand euros.

In 2018 land costing 8,487 thousand euros was sold. 49,015 thousand of land and plots, the most significant of which were acquired:

- Purchase of a plot of land in Campomanes for 1,900 thousand euros.
- Purchase of a plot in Ibiza UA 14 for 26,900 thousand euros.
- Purchase of land in Los Cerros (Madrid) for 11,500 thousand euros (See Note 9.1).

11.2 Land and plot purchase commitments

At 31 December 2019 and 2018, the Company had entered into pledge agreements or agreements with purchase options on land and building plots totalling approximately 62,000 thousand euros and 44,135 thousand euros, respectively, and had delivered interim amounts of 2,342 thousand euros and 5,242 thousand euros, respectively. These amounts are recorded under "Advances to Suppliers" in the balance sheet.

As of 31 December 2019, the principal advances are as follows:

- The purchase option contract entered into on 6 April 2017 with Resto HG, S.L. on several pieces of land that formed part of UZ 2,4-03 "ARPO", of which 2,941 thousand euros have been advanced. On 11 February 2020, the option to buy this land was exercised.

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As of 31 December 2018, the principal advances are as follows:

- On 14 February 2017, the Company signed a purchase agreement with Iberia Líneas Aéreas de España, Sociedad Anónima Operadora, for several plots of land located on the Camino de la Fuente road in Madrid, which was executed in June 2019, leaving an amount of 17,621 thousand euros pending for development costs at 31 December 2019.
- On 6 April 2017, the Company signed a purchase agreement with Resto HG, S.L. for several plots of land, all of them part of UZ 2.4-03 "ARPO".

11.3 Property Developments in Progress

At 31 December 2019 and 31 December 2018, it includes the costs incurred in the development of the property developments in progress at that date, including the cost of purchasing the land.

As of 31 December 2019, the main developments in progress were:

- Property developments Casa Banderas phase II and Célere Serenity in Malaga, Célere Perales and Célere Cubic II in Madrid and Cortijo Norte phase I-II-III in Boadilla del Monte.

As of 31 December 2018, the main developments in progress are:

- Residential developments Barama and Casa Banderas in Malaga, Casa de la Cierva in Getafe, Casa Forestier in Seville and Cortijo Norte Fase I in Boadilla del Monte.

The property developments in progress at 31 December 2019 and 2018 had a net cost of 514,246 thousand euros and 230,210 thousand euros, respectively, of which 438,265 thousand euros and 194,170 thousand euros, respectively, had been mortgaged to secure the repayment of development loans in progress, and the balances drawn down at that date amounted to 116,799 thousand euros and 28,310 thousand euros, respectively (see Note 14.1).

11.4 Completed Developments

The "Completed Developments" heading in the balance sheet as of 31 December 2019, includes the cost of the unsold portion of, mainly, the following developments:

Malaga

- Residential Barama and Casa Banderas phase I.

Madrid

- Célere Boreal III, Célere Nueva Gavia, Célere Aquam, Célere Nacari, Célere Harmony, Célere Infanta III and Célere Monet.

Almería

- Célere Duna Beach

Barcelona

- Célere Aviació

Valladolid

- Célere Ponce de León

The "Completed Developments" heading in the balance sheet at 31 December 2018 includes mainly the following developments:

Murcia

- Viña del mar Residential

Valladolid

- Juan de Austria Building
- Residential Paseo Jalón

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In 2019, 197,656 thousand (35,480 thousand in 2018) of the cost of the inventories delivered in the year were derecognised from "Completed Developments".

The developments completed at 31 December 2019 had a net cost of 95,631 thousand euros, which had been mortgaged to secure the repayment of development loans to completed developments, and the balances drawn down at that date amounted to 48,011 thousand euros (see Note 14.1). At 31 December 2018 there were no property assets recorded under "Completed Developments" mortgaged to secure loan repayment.

11.5 Commitments to sell property developments in progress and completed developments

The Company recognises under the heading "Trade and other payables" the amount received in advance, in cash or in bills payable, received from the customers with whom it has entered into these sale commitments.

At 31 December 2019 and 2018, the Company had signed property sale contracts for developments in progress at that date, or for completed developments, amounting to 822,510 and 325,595 thousand euro, respectively. Of the total sales commitments, at 31 December 2019 and 2018 the Company had received advance payments totalling 119,559 thousand and 46,483 thousand euros, respectively (see Note 14.3). The advances recognised at 31 December 2019 and 2018 include 78,795 thousand euros and 27,228 thousand euros of restricted cash (see Notes 8 and 14)

As a normal procedure, almost all pre-sales are subject to indemnity clauses for late delivery consisting, for the most part, of statutory interest on the quantities delivered during the period between the expected date of delivery in the contract and the actual delivery date. The Company does not estimate any impact on these annual accounts for this reason, due mainly to the historical experience of recent years and the fact that the delivery date envisaged in the contracts considers a safety margin. Also, pre-sales generally include indemnities for the Company in the event of cancellation by the customer, although no amount is recorded for this item until it is collected.

11.6 Impairment of inventories

The Company annually commissions valuations by independent experts to determine the fair values of its inventories. At 31 December 2019 and 2018 the valuations were performed by "Savills Aguirre Newman Valoraciones y Tasaciones, S.A.U." Valuations have been carried out on the basis of market value, as defined by the Royal Institution of Chartered Surveyors (RICS) and in line with the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC), the leading international real estate and general valuation organisations, respectively.

For the calculation of the market value, the comparison valuation method was used (mainly for finished products) and the static and dynamic residual methods (mainly for land and plots and property developments in progress). Using the dynamic residual method, the residual value of the property being valued is obtained by discounting the cash flows established on the basis of the forecast of pending expenses and income, taking into account the period that must elapse until the realisation of said flow, at the fixed discount rate. To the result of this calculation the total cash income considered to have been realised prior to the valuation date is added, thereby obtaining the total value. The discount rate used is that which represents the average annual profitability of the project, without taking into account the third-party financing that an average promoter would obtain in a development with the same characteristics of the one analysed.

The Cash Flow Discount ("CFD") defined by Savills comprises the analysis of development and its derecognition at completion, or when urban status is granted, discounting the costs necessary to bring the project to a successful conclusion (construction, architecture, town planning and cost of completion) and recognition of revenues as sales are completed. This will result in a cash flow that will be updated at the valuation date using the IRR, which is indicative of the level of risk that the developer is willing to accept and the profits it expects to obtain.

At 31 December 2019, the Company recognised an impairment loss of 13,375 thousand euro (13,914 thousand euro in 2018) and a reversal of 13,275 thousand euro (31,635 thousand euro in 2018) in order to adjust the carrying amount to its estimated realisable value, which is determined on the basis of the independent expert's appraisal.

At 31 December 2019 and 2018, the overall fair value of the Company's inventories arising from the aforementioned valuations amounted to 1,828 thousand euros and 614 thousand euros, respectively.

Savills' main assumptions in the valuation are as follows:

Selling price (EUR/m²)	Margin	Internal Rate of Return
951 - 8.451	3%-48%	6%-25%

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The discount rates applied vary depending on the stage of development of the asset (land not yet developed, under construction, with pre-sales or completed), ranging from 6% to 25%, with a weighted average of 12.4%, as follows:

IRR (%)	Discount rate (%)
	31.12.2019
Products in progress	9,8%
Fully authorised land	12,2%
Strategic land	15%
TOTAL	12,4%

12. Net equity

12.1. *Capital and share premium*

On 23 February 2018, the Company's General Shareholders' Meeting resolved to increase its share capital by 22,158 thousand euros through the issue of 3,692,956 new shares with a par value of 6 euros each and with the same rights as the existing shares. This capital increase was carried out through a non-monetary consideration consisting of the capitalisation of certain bilateral loans that the shareholders had granted to the Company for a book value of 98,839 thousand euros. The increase in share capital was recognised at the fair value of the loans capitalised at that date (73,020 thousand euros) and the difference of 25,819 thousand euros was recognised as a contribution from shareholders and is recognised as finance income in the profit and loss account (See Note 17.7). The public deed of capital increase, dated 2 March 2018, has been registered in the Companies Registry of Madrid.

In addition, at the same General Shareholders' Meeting of the Company, it was resolved to increase its share capital by 56 thousand euros through the issue of 9,280 new shares, each with a par value of 6 euros, with the same rights as the existing shares. This capital increase was executed in a public deed on 28 March 2018, having been registered in the Companies Registry of Madrid.

On 2 March 2018, the Company's General Shareholders' Meeting approved an increase in share capital by 12,540 thousand euros through the issue of 2,090,120 new shares with a par value of 6 euros each and with the same rights as the existing shares. This capital increase was executed by public deed on 3 April 2018 and is registered in the Companies Registry of Madrid.

On 9 January 2019 the deed of merger of the Aelca Group with the Company was executed, which involved a capital increase by contribution, as approved at the General Shareholders' Meeting held on 31 October 2018, through the issue of 31,746,987 new shares with a par value of 6 euros each and with the same rights as the existing shares. On 10 January 2019 it was filed with the Companies Registry of Madrid and on 8 March 2019 it was duly registered.

On 15 March 2019, a capital increase of 10,929 thousand euros was granted in a public deed approved by the Company's shareholders at the Annual General Shareholders' Meeting held on 10 December 2018, through the issue of 1,821,490 new shares with a par value of 6 euros each and the same rights as those existing at that date. This increase was made by means of monetary contributions and is registered in the Companies Registry of Madrid on 1 April 2019.

On 15 March 2019, a capital increase of 5,563 thousand euros was granted in a public deed, as approved by the Company's shareholders at their Annual General Shareholders' Meeting held on 10 December 2018, through the issue of 927,189 new shares with a par value of 6 euros each and the same rights as the existing shares. This increase was made by means of credit compensation and is registered in the Companies Registry of Madrid on 27 June 2019.

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Following the transactions described above, as of 31 December 2019, the Parent Company's share capital amounted to 411,161,118 euros (204,187,122 euros as of 31 December 2018), and is made up of registered shares of 6 euros par value each, all of them authorized, subscribed and paid up, not listed on the stock exchange, all with the same corporate rights.

The shareholders of the Company at 31 December 2019 and 2018 are as follows:

Company	2019		2018	
	Number of shares	Percentage of ownership	Number of shares	Percentage of ownership
Maplesville Invest, S.L.U	17.828.983	26,0%	17.828.983	52,4%
Windham Spain, S.L.U.	10.170.558	14,8%	-	-
Lewistown Invest, S.L.U.	10.042.179	14,7%	-	-
Glenwock Invest, S.L.U.	8.258.332	12,1%	5.513.934	16,2%
Rimbey Spain, S.L.U.	6.024.597	8,8%	-	-
Greencoat B.V.	5.513.934	8,0%	-	-
Trinity Investment Ltd.	5.112.989	7,5%	5.112.989	15,0%
Merrill Lynch International	2.229.368	3,3%	2.229.368	6,6%
MELF B.V.	1.832.276	2,7%	1.832.276	5,4%
Barclays Bank PLC	1.329.208	1,9%	1.329.208	3,9%
Deutsche Bank AG, London Branch	97.877	0,1%	97.877	0,3%
JP Morgan Securities PLC	86.552	0,1%	86.552	0,3%
	68.526.853	100,0%	34.031.187	100,0%

The expenses incurred in the merger of Aelca amounting to 5,506 thousand euros were recognised in the Company's net equity.

The expenses incurred in the capitalisations for the year 2018 were not significant and were recorded in the profit and loss account.

The movement in the number of shares during 2019 was as follows:

Company	Number of shares at 31.12 2018	Capital increase "Operation Aelca" (10.01.2019)	Capital increase (15.03.2019)	Capital increase by credit compensation (15.03.2019)	Transfers	Number of shares at 31.12.2019
Maplesville Invest, S.L.U	17.828.983	-	-	-	-	17.828.983
Greencoat B.V.	5.513.934	-	-	-	-	5.513.934
Trinity Investment Ltd.	5.112.989	-	-	-	-	5.112.989
MELF B.V.	1.832.276	-	-	-	-	1.832.276
Barclays Bank PLC	1.329.208	-	-	-	-	1.329.208
Merrill Lynch International	2.229.368	-	-	-	-	2.229.368
Deutsche Bank AG, London Branch	97.877	-	-	-	-	97.877
JP Morgan Securities PLC	86.552	-	-	-	-	86.552
Lewistown Invest, S.L.U.	-	8.217.065	897.925	-	927.189	10.042.179
Glenwock Invest, S.L.U.	-	7.758.416	499.916	-	-	8.258.332
Rimbey Spain, S.L.U.	-	5.986.150	38.447	-	-	6.024.597
Windham Spain, S.L.U.	-	9.785.356	385.202	-	-	10.170.558
Aelca Desarrollos Inmobiliarios, S.L.U.	-	-	-	927.189	(927.189)	-
	34.031.187	31.746.987	1.821.490	927.189	-	68.526.853

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The movement in the number of shares during 2018 was as follows:

Company	Number of shares at 31.12.2017	Capital increase (23.02.2018)	Capital increase (02.03.2018)	Transfer	Number of shares at 31.12.2018
Maplesville Invest, S.L.U	15.143.442	-	1.356.077	1.329.464	17.828.983
Greencoast B.V.	4.110.294	1.329.464	74.176	-	5.513.934
Trinity Investment Ltd.	4.898.247	245.159	-	(30.417)	5.112.989
MELF B.V.	1.411.943	-	420.333	-	1.832.276
Barclays Bank PLC	1.192.045	-	106.746	30.417	1.329.208
Bank of America Merrill Lynch International	307.351	690.992	126.437	(1.124.780)	-
Merrill Lynch International	1.104.588	-	-	1.124.780	2.229.368
Deutsche Bank Aktiengesellschaft	-	97.877	-	-	97.877
JP Morgan Securities PLC	70.921	9.280	6.351	-	86.552
Arvo Investimenti Holdings S.á.r.l.	-	1.329.464	-	(1.329.464)	-
	28.238.831	3.702.236	2.090.120	-	34.031.187

12.2 Share premium

The Spanish Companies Act expressly permits the use of the share premium balance to increase the share capital of the entities in which it is registered and establishes the same restrictions as regards its availability as the voluntary reserves.

12.3 Legal reserve

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

12.4 Limitations on the distribution of dividends

At 31 December 2019, the Parent Company has limitations on the distribution of dividends as a result of the conditions agreed in the corporate finance contract signed on 2 January 2019 mentioned in Note 14.

At 31 December 2018, there are no significant limitations on the distribution of dividends, except that the total equity remaining after the distribution of any dividend must not fall below half of the share capital.

12.5 Voluntary reserves

During 2019 and 2018, voluntary reserves had the following movement:

	Thousands of EUR
Opening Balance 31.12.2017	74.463
Prior years' adjustments	(803)
Opening Balance 31.12.2018	73.660
Reserves for corporate transactions	(409.965)
Closing balance 31.12.2019	(336.305)

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13. Provisions and contingencies

The breakdown of the balance of these balance sheet items relates in full to the provision for litigation and is detailed below:

	Thousands of EUR			
	31.12.2019		31.12.2018	
	Non-current	Current	Non-current	Current
Provisions for other liabilities	11.846	4.628	8.547	240
After-sales provision	-	398	-	-
	11.846	5.026	8.547	240

The activity in provisions during 2019 and 2018 is as follows:

	Thousands of EUR		
	Provision for other responsibilities		After-sales provision
	Non-current	Current	Current
Balance as at 1 January 2019	8.547	240	-
Allocations	3.348	5.446	398
Merger acquisitions	1.128	-	-
Application	(1.177)	(1.058)	-
Balance at 31 December 2019	11.846	4.628	398

	Thousands of EUR	
	Provision for other responsibilities	
	Non-current	Current
Balance at 1 January 2018	9.876	3.401
Endowment	-	54
Reversals	(708)	-
Application	(621)	(3.215)
Balance at 31 December 2018	8.547	240

13.1 *Provision for other responsibilities*

In 2019, as part of the merger process (see Notes 1 and 5), the Company recognised provisions amounting to 1,128 thousand euros in connection with potential liabilities arising from the business activities of the absorbed companies.

At 31 December 2019, the most significant procedures maintained by the Company are:

1. Claims by suppliers for loss of profit and expenses incurred due to the definitive suspension of construction work and consequent termination of the contract by the Company due to force majeure, for which the Company has made a provision of 1,341 thousand euros.
2. The Company delivered two letters of guarantee to Antigua Rehabitalia, S.A., an indirect subsidiary of the Company until 29 December 2017, covering two mortgage loans between Antigua Rehabitalia, S.A. and SAREB amounting to 12,400 thousand euros to secure two properties owned by Antigua Rehabitalia, S.A. located in the Conil de la Frontera Sector (Cádiz). During 2017, Antigua Rehabitalia, S.A. entered the competition. Consequently, the Company decided to make a provision of 7,900 thousand euros relating to the difference between the guarantee and the fair value of the land, which remains at the end of 2019. The amount claim action is time-barred on 7 October 2020.

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3. In 2019, the Company recognised in the provisions for irrigation and property tax (IBI) expenses relating to the foreclosure of loans to third parties amounting to 1,707 thousand euros, of which 1,177 thousand euros were used in the year, and 530 thousand euros were outstanding in this connection at 31 December 2019.

13.2 After-sales provision

During 2019, the Company has made a provision for possible customer complaints about the property developments delivered, amounting to 398 thousand euros.

13.3 Traffic provisions

In 2019, the Company made a provision for construction completion costs for construction services received but not yet invoiced in delivered developments amounting to 5,446 thousand euros. They are recognised at the date of sale of the relevant assets, according to the best estimate of the possible expense made by the Company and for the amount necessary to settle the Company's liability.

In the opinion of the board of directors, the provisions recorded at 31 December 2019 and 2018 reasonably cover the existing risks, not considering that significant additional losses may arise from the resolution of litigation in progress.

14. Long-term and short-term debts and trade creditors

Classification of Financial Liabilities by categories is as follows:

	Thousands of EUR			
	31.12.2019		31.12.2018	
	Non-current	Current	Non-current	Current
Amounts owed to credit institutions	222.401	313.860	1.309	160.961
Payable to Group, associated and related companies (Note 19)	-	123.752	26.910	44.359
Remunerations to be paid	-	1.964	-	1.192
Suppliers (Note 14.3)	-	83.133	-	24.602
Suppliers of group and associated companies (Note 19)	-	29.467	-	13.477
Advances from clients (Note 11.5)	-	119.559	-	46.483
Other financial liabilities	7	17	7	163
	222.408	671.752	28.226	291.237

Regardless of the effective amortisation date, financial debt that affects the financing of assets also classified as current in the balance sheet is classified as "current".

The detail of "Amounts owed to credit institutions" at 31 December 2019 and 2018 is as follows:

	Thousands of EUR			
	31.12.2019		31.12.2018	
	Non-current	Current	Non-current	Current
Mortgage loans on inventories (Note 14.1)	-	201.907	-	40.694
Interest	-	4.513	-	524
Other loans	222.401	107.440	1.309	119.743
	222.401	313.860	1.309	160.961

Other current loans as of 31 December 2019 and 31 December 2018 include the amount drawn down, recorded at amortized cost, mainly from a credit line arranged with Banco Popular to finance the purchase of land, with an available limit of 121 million euros, which is fully drawn down 31 December 2018, of which 105 million euros were drawn down as of 31 December 2019 (fully drawn down as of 31 December 2018).

Additionally, on 2 January 2019, the Company entered into a senior syndicated financing agreement for 223,000 thousand euros, with the Company as the original borrower and Vía Célere, S.L.U., Maywood Invest, S.L.U. and Udralar, S.L.U. as the original guarantors, J.P. Morgan Securities PLC and Credit Suisse International as coordinators, a number of financial entities as original lenders, and Credit Suisse International as agent and security agent. The initial amount was distributed by means of an Acquisition facility (loan) amounting to 185,331 thousand euros and a Revolving Credit Facility (RCF) amounting to 37,669 thousand euros.

The senior syndicated loan has a duration of two years, with final maturity on 2 January 2021, which can be extended for an additional year if certain conditions are met, and bears an interest rate linked to EURIBOR plus a market spread.

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The Company undertakes to comply with certain covenant financial obligations during the term of the loan and relating to its quarterly Consolidated Financial Statements. These obligations are as follows:

- Commitment to comply with a ratio known as "LTV", understood as the quotient between: Net Debt and Gross Assets Value ("GAV").

This ratio must be less than 45%, which is met by 31 December 2019.

- Commitment to comply with at least 85% of the consolidated EBITDA, the contribution by the guarantor companies of the senior syndicated loan and at least 5% of the total aggregate assets (calculated on a non-consolidated basis and excluding all intragroup elements and investments in investees).

In addition, a guarantee was provided for the shares of the investees: Vía Célere, S.L.U., Maywood Invest, S.L.U. and Udralar, S.L.U. In relation to these guarantees, during 2019 the guarantee on Maywood Invest, S.L.U and Udralar, S.L.U has been released.

Classification by maturity

The maturity classification of financial liabilities by maturity is as follows:

Thousands of EUR						
31.12.2019						
	Year 2020	Year 2021	Year 2022	Year 2023 and subsequent	Year 2024 and subsequent	Total
Mortgage loans on inventories	173.713	22.313	1.740	4.141	-	201.907
Other loans	16.705	312.139	160	164	673	329.841
Total financial liabilities	190.418	334.452	1.900	4.305	673	531.748

Thousands of EUR						
31.12.2018						
	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023 and subsequent	Total
Mortgage loans on inventories	32.702	7.992	-	-	-	40.694
Other loans	17.061	11.563	91.431	160	837	121.052
Total financial liabilities	49.763	19.555	91.431	160	837	161.746

14.1 Loans secured by mortgages on inventories

The main movement that took place during the year 2018 in mortgage loans on inventories was related to cancellation operations of mortgage loans with delivery of assets that guaranteed the loans for an amount of 1,072 thousand euros, which resulted in a positive financial result for the Company of 621 thousand euros.

The detail of the loans secured by mortgages on inventories at 31 December 2019 and 2018 is as follows:

	Thousands of EUR	
	31.12.2019	31.12.2018
Mortgage loans secured by developments		
Property under construction (Note 11.3)	116.799	28.310
Mortgage loan on completed developments (Note 11.4)	48.011	-
Loans secured by mortgages on land and plots (Note 11.1)	37.097	12.384
	201.907	40.694

These mortgage loans bear annual market interest, which in 2019 ranged from 1.00% to 4.00% (2.00% to 2.50% in 2018).

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14.2 Derivative Financial Instruments

The Company has entered into OTC derivative financial instruments with national and international financial institutions with a high credit rating.

The interest rate derivative arranged by the Company and in force at 31 December 2019 and 31 December 2018, together with its fair value at that date, is as follows:

Financial Instruments	Maturity	Notional	Variable reference rate	CAP rate	Thousands of Euros
					Value at 31 December 2019
CAP	22/04/2021	9.000.000	Euribor 12M	0%	1

Financial Instruments	Maturity	Notional	Variable reference rate	CAP rate	Thousands of Euros
					Value at 31 December 2018
CAP	22/04/2021	9.000.000	Euribor 12M	0%	26

For this instrument the Company is entitled to receive a positive settlement if the 12-month Euribor fixed at the beginning of the quarterly calculation period is higher than the corresponding CAP rate. This settlement is paid quarterly and is the difference between the 12-month Euribor and the CAP rate, based on the nominal value of the transaction.

14.3 Trade payables

The "Trade and other payables" heading includes mainly the amounts payable for trade purchases and related expenses. The detail of this heading is as follows:

	Thousands of EUR	
	31.12.2019	31.12.2018
Suppliers	83.133	24.602
Suppliers, group companies and associates (Note 19)	29.467	13.477
Advances to customers (Note 11.5)	119.559	46.483
Staff	1.964	1.192
Payable to public administrations (Note 16)	6.691	3.580
	240.814	89.334

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15. Information on payment deferrals made to suppliers. Final provision three, "Duty to provide information" of Law 15/2010, of 5 July.

The information required by the third additional provision of Law 15/2010, of 5 July, (modified through the second final provision of Law 31/2014, of 3 December) prepared in accordance with ICAC Resolution of 29 January 2016, on the information to be included in the report.

	Payments made and outstanding	
	2019	2018
	Days	Days
Average period of payment to suppliers	71	54
Ratio of paid transactions	77	55
Ratio for transactions pending payment	36	50
	Amount (EUR)	Amount (EUR)
Total payments made	197.279.517	46.650.749
Total payments pending	31.748.512	17.788.493

16. Fiscal situation

Since 1 January 2016, the Company has been taxed on a consolidated basis for corporate income tax purposes as the head of the group (Group 0258/16). Subsidiaries in the tax group are all subsidiaries resident in Spain in which the Company has a direct or indirect ownership interest of 75% or more.

At 31 December 2019, the scope of the tax consolidation group was as follows:

IS Group
Parent
Vía Célere Desarrollos Inmobiliarios, S.A.
Subsidiaries
Copaga, S.A.
Udralar, S.L.U.
Udrasur Inmobiliaria, S.L.U.
Torok Investment 2015, S.L.U.
Vía Célere, S.L.U.
Vía Célere 1, S.L.U.
Vía Célere 2, S.L.U.
Vía Célere Gestión de Proyectos, S.L.U.
Conspace, S.L.U.
Vía Célere Catalunya, S.L.U.
Maywood Invest, S.L.U.

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16.1. Balances with Public Administrations

The detail of the balances with Public Administrations is as follows:

	Thousands of EUR			
	31.12.2019		31.12.2018	
	No current	Current	No current	Current
Assets				
Deductible temporary differences	69.568	-	65.418	-
Current tax assets	-	109	-	71
Value-added tax and similar	-	5.573	-	-
Other	-	8	-	329
	69.568	5.690	65.418	400
Liabilities				
Deferred tax liabilities	9.446	-	10.225	-
Corporate income tax	-	654	-	965
Social Security	-	339	-	200
Withholdings	-	587	-	504
Value-added tax and similar	-	5.111	-	1.911
	9.446	6.691	10.225	3.580

16.2. Deferred tax assets and liabilities

The detail of the heading "Deferred tax assets" at 31 December 2019 and 2018 is as follows:

	Thousands of EUR			
	31.12.2018	Additions	Derecognitions	31.12.2019
Assets with a tax value other than carrying amount	5.770	303	-	6.073
Credits for loss carryforwards	22.567	-	-	22.567
Non-deductible financial expenses	36.208	2.170	-	38.378
Limitation to depreciation	853	-	(99)	754
Non-deductible provisions	-	268	-	268
Impairment of portfolio	-	1.508	-	1.508
Tax deductions	20	-	-	20
	65.418	4.249	(99)	69.568

	Thousands of EUR			
	31.12.2017	Additions	Derecognitions	31.12.2018
Assets with a tax value other than carrying amount	6.778	-	(1.008)	5.770
Credits for loss carryforwards	-	22.567	-	22.567
Non-deductible financial expenses	-	36.208	-	36.208
Limitation to depreciation	953	-	(100)	853
Tax deductions	20	-	-	20
	7.751	58.775	(1.108)	65.418

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The detail of the heading “Deferred tax liabilities” at 31 December 2019 and 2018 is as follows:

	Thousands of EUR		
	31.12.2018	Derecognitions	31.12.2019
Revaluation of assets from previous reorganisations	8.633	(728)	7.905
Exemption for reinvestment of profits	1.592	(51)	1.541
	10.225	(779)	9.446

	Thousands of EUR			
	31.12.2017	Additions	Derecognitions	31.12.2018
Revaluation of assets from previous reorganisations	8.802	234	(403)	8.633
Exemption for reinvestment of profits	-	1.644	(52)	1.592
	8.802	1.878	(455)	10.225

The Company's main deferred tax assets and liabilities are related to the following items:

- Non-deductible financial expenses. In accordance with article 16 of the IS Law, net financial expenses will be deductible annually up to a limit of 30 % of the year's operating profit, and net financial expenses of 1 million euros may be deducted in any case. In 2018 the Company recognised as a deferred tax asset the non-deductible finance costs of previous years amounting to 36,208 thousand euro (tax liability), since the Company's governing body considered that at 2018 year-end it was reasonably assured that future taxable profits would be obtained that would allow the finance costs not deducted in previous years to be deducted. In 2019, an addition of 2,170 thousand euros was recognised in this connection.
- Limitation to book depreciation. In 2013 and 2014 only 70 % of the accounting depreciation expense was deductible for tax purposes, and the remaining 30 % was recorded as a tax credit (deferred tax asset) which reverts on a straight-line basis over 10 years.
- Credits for loss carryforwards. In 2018 the Company recorded deferred tax assets relating to tax losses from previous years that have not yet been offset. In previous years, the Company's board of directors considered that the economic and financial situation of the tax group was not consolidated and, therefore, the recovery of the aforementioned bases was not reasonably assured. In the financial year 2018 the board of directors of the Company carried out a reassessment of the situation of the tax group and concluded that the obtaining of future tax benefits that would allow the offsetting of these tax losses is reasonably assured.
- In 2019 the Company recognised an impairment loss for the investment in Célere Fórum Barcelona, S.L. amounting to 6,032 thousand euros (see Note 10), and recognised a deferred tax asset of 1,508 thousand euros for the difference between the carrying amount and the tax value of the investment.
- Difference between book and tax value of assets from different business restructuring operations.

To assess the recoverability of the deferred tax assets, the Company also took into account the valuation of the inventories at the end of 2019 by an independent expert, which reflected a fair value of 1,828 million euro (see Note 11.6), as well as the business plan prepared by the Group for 2019-2029 and the forecast sales of developments included in the aforementioned plan, which also included those of the companies integrated during the year (see Note 1), and which were prepared taking into account the characteristics of the Spanish real estate sector in which the Group operates. At 31 December 2019, the Group had signed sales contracts amounting to EUR 119 million (see Note 11.5). On the basis of this evidence, the Group estimates that it will recover all the tax credits recognised in less than ten years.

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16.3. Reconciliation of accounting profit and tax base

The reconciliation between the net amount of income and expenses for the year and the tax base is as follows:

	Thousands of EUR	
	31.12.2019	31.12.2018
Balance of revenue and expenditure for the fiscal year	1.818	90.963
Corporate income tax	(10.980)	(55.172)
Profit/(loss) before taxes	(9.162)	35.791
Permanent differences	(29.531)	(34.139)
Temporary differences	15.633	4.753
Offsetting of tax losses from previous years	-	(1.129)
Taxable income (taxable income)	(23.060)	5.276

The relationship between income tax expense/(income) and profit/(loss) for the year is as follows:

	Thousands of EUR	
	31.12.2019	31.12.2018
Balance of income and expenditure before taxes for the fiscal year	(9.162)	35.791
25% tax	(2.291)	8.948
Permanent differences	(7.383)	(8.547)
Deductions and bonuses for the current year	(77)	(247)
Adjustments from previous years	(208)	-
Tax credits applied but not recognised in prior years	-	(279)
Deferred tax assets not recognised in prior years	(294)	(35.375)
Expense for reduction of deferred tax assets	(727)	-
Tax credits not recognised in prior years	-	(22.567)
Exemption for reinvestment of profits	-	1.644
Assets with a carrying amount other than fair value	-	1.008
Revaluation of assets from previous reorganisations	-	243
Cost / (Income) due to taxes on profits	(10.980)	(55.172)

The detail of income tax expense/(income) in the profit and loss account is as follows:

	Thousands of EUR	
	2019	2018
Current tax		
From year	(5.765)	1.319
Adjustments from previous years	(209)	-
Tax deductions applied but not recognised in prior years	(77)	(247)
	(6.051)	1.072
Deferred taxes		
Creation and reversal of temporary differences		
Activations of financial expenses	(2.170)	(22.567)
Provisions for impairment of investments	(1.508)	-
Limitation on the deduction of depreciation	99	100
Assets with a tax base other than carrying amount	(303)	1.008
Other deferred adjustments	(268)	-
Revaluation of assets from previous years	(727)	(169)
Exemption for reinvestment of profits	(52)	1.592
Deferred tax assets not recognised in prior years	-	(36.208)
	(4.929)	(56.244)
From continuing activities	(10.980)	(55.172)

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The main adjustments for permanent differences to the accounting profit for 2019 are as follows:

- In 2017, as a result of the transfer of real estate in the carve-out operation carried out in favour of Dospuntos Asset Management, S.L. (an entity related to the Company under the terms established in Article 42 of the Commercial Code), an accounting loss was generated that was not considered deductible for tax purposes in application of the provisions of Article 11.9 of the Corporate Income Tax Law. In 2019, Dospuntos Asset Management, S.L. transferred to independent third parties a portion of the assets that generated the non-deductible loss at the Company's headquarters and, accordingly, the Company included in its tax base an amount of 20,232 thousand euros relating to part of the loss deferred in 2017.
- Elimination of the financial income of 9,088 thousand euros arising from the dividend received from Célere Fórum Barcelona, S.L., since it meets the requirements established in Article 21 of the Corporate Income Tax Law.

The main adjustments for permanent differences to the accounting profit for 2018 were as follows:

- Impairment of holdings (negative non-accounting adjustment amounting to 6,270 thousand euros). The accounting impairments recorded were positively adjusted in accordance with the provisions of Article 13 of the Corporate Income Tax Law.
- Accounting impairment of loans with related entities and participation loans. The Company negatively adjusted the reversal of accounting impairment losses recorded in prior years and positively adjusted the impairment losses recorded in the first half of 2018 in accordance with Article 13 of the Corporate Income Tax Law. The net result was a negative adjustment of 2,055 thousand euros.
- Bilateral capitalisation (negative non-accounting sheet adjustment of 25,819 thousand euros. According to article 17.2 LIS, "operations to increase capital or net equity by offsetting credits shall be valued for tax purposes at the amount of such increase from a commercial point of view, regardless of the accounting valuation". Therefore, in accordance with the aforementioned precept, regardless of the fact that from an accounting point of view an income had to be recorded (for the difference between the par value of the loan and its fair value), it would not have a fiscal impact and, therefore, a negative adjustment to the taxable base is made.

In 2019, the main temporary tax differences are as follows:

- Impairment of certain inventories with carrying values different from taxable values (1,215 thousand euros).
- Impairment of the Company's ownership interest in Célere Fórum Barcelona, S.L. amounting to 6,032 thousand euros.
- Positive adjustment of 7,496 thousand euros arising from the limitation on the deductibility of financial expenses, in accordance with Article 16 of the Corporate Income Tax Law.
- Negative adjustment of 399 thousand euros corresponding to the reversal of accounting amortisation expenses.

In 2018, the main temporary tax differences were as follows:

- Impairment of certain inventories that had carrying amounts other than tax values (1,610 thousand euros).
- Positive adjustment of 3,333 thousand euros arising from the limitation on the deductibility of financial expenses, in accordance with Article 16 of the Corporate Income Tax Law.
- Negative adjustment of 399 thousand euros corresponding to the reversal of accounting amortisation expenses.

16.4. Deductions and tax loss carryforwards to be offset

The legislation in force regarding Corporate Tax establishes various tax incentives. The tax credits earned in a given year that cannot be offset during that year because they exceed the applicable legal limits may be taken to reduce the income tax payable in subsequent years, within the limits and time periods established by the related tax legislation.

The tax credits taken in prior years are as follows:

<u>Year</u>	<u>Thousands of euros</u>	<u>Description</u>
2015	20	Deductions due to reversal of temporary measures
	<u>20</u>	

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The deductions generated and applied in the year are as follows:

<u>Year</u>	<u>Thousands of Euros</u>	<u>Description</u>
2019	57	Donation deduction
	<u>57</u>	

As of 31 December 2019, there are no deductions outstanding.

The individual tax losses (pre-consolidation) not yet offset at 31 December 2019 are detailed below:

<u>Year of origin</u>	<u>EUR</u>
2009	1.382
2010	27.374
2011	44.313
2012	54.446
2013	133.580
2015	160.436
	<u>421.531</u>

At 31 December 2019, the tax loss carryforwards generated in the tax group are detailed below:

<u>BINS Consolidation Group</u>	
<u>Year of origin</u>	<u>EUR</u>
2017	26.804

16.5 Restructuring operations

During 2019 the merger by absorption of the Company (as the absorbing entity) with the parent companies, the project companies of the operating companies of Aelca and Ponsnova Inmuebles, S.L.U. was carried out. (as absorbed entities), by means of simultaneous execution and in unity of act, with extinction of all of them and block transfer of their respective assets to the absorbing entity, which acquires by universal succession the totality of the rights and obligations of the former (See Notes 1 and 5).

The merger by absorption was subject to the tax neutrality regime provided for in Heading VIII, Chapter VII of the LIS, and the corresponding notification was made to the Tax Authorities within the term provided for in the LIS.

Although the merger was tax-neutral, there is no difference between the book and tax values, since all the assets were recorded at the same value as the absorbed entities.

For the disclosures required by Article 86 of the LIS to be included in the notes to the annual accounts, see Annexes I, II, III and IV to these annual accounts.

16.6. Fiscal years pending verification and inspection actions

According to the legal provisions in force, tax assessments cannot be considered definitive until they have been inspected by the tax authorities or the four-year limitation period has elapsed.

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The Company currently has the following taxes open for tax inspection:

	<u>Years Open to Inspection</u>
Corporate income tax	2013-2019
Value Added Tax	2016-2019
Personal Income Tax	2016-2019
Capital gains tax	2016-2019

Corporate income tax year 2019 cannot be reviewed until the tax return has been filed (July 2019).

However, the right of the tax authorities to check or investigate tax losses used or not yet used, double taxation deductions and deductions to encourage the performance of certain activities applied or not yet applied prescribes 10 years from the day following the end of the period established for filing the tax return or self-assessment corresponding to the tax period in which the right to offset or apply for it arose. Once this period has elapsed, the Company must accredit the negative tax bases or deductions, by means of the exhibition of the settlement or self-assessment and of the accounting, with accreditation of its deposit during the stipulated period in the Companies Registry.

With respect to the rest of the dependent entities not resident in Spain, the years open for inspection are all the years established as maximums by each of the legislation in force in the country of residence.

On 8 March 2019, the Company received notification from the Spanish tax authorities of the commencement of inspection, verification and investigation actions in relation to the following Taxes and periods:

- Corporate income tax: 2013 and 2014
- Value-added tax: 04/2014 to 06/2015.

On 1 September 2017, the Company received notification of the processing of allegations and proposal for the provisional liquidation of the corporate income tax for the year 2015. Under the proposal, the tax authorities made the following deductions as a result of a formal error in the completion of the 2014 consolidated tax return filed by Grupo Empresarial San José (the parent company of the tax group in which the Company was then integrated), in which all of the tax losses corresponding to the Company were allocated:

1. Consolidated tax loss carryforwards: reduction of 259,713 thousand euros.
2. Tax credits for double taxation: a reduction of 48 thousand euros.

On 10 April 2018, the tax authorities requested the Company to clarify the allocation of negative tax bases that were pending compensation at the beginning of fiscal year 2016, and that coincided with those credited in the self-assessment for fiscal year 2015.

Grupo Empresarial San José presented a rectification of the self-assessment of the consolidated tax, recognising the rights questioned by the tax administration in the aforementioned procedure.

On 3 May 2018, the tax administration notified the positive resolution of the open procedure on the negative tax bases for 2016. Therefore, once the tax loss carryforwards declared by the Company in 2016 have been validated, the tax loss carryforwards that were questioned with respect to 2015 have been tacitly validated.

As a result of this procedure, no sanctioning procedures have been opened.

In any event, the Company's Board of Directors considers that the aforementioned taxes have been properly settled and, therefore, even if discrepancies arise in the current legal interpretation of the tax treatment of the transactions, any resulting liabilities, if any, would not materially affect these annual accounts.

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17. Income and expenses

17.1 *Net turnover*

The breakdown of this heading at 31 December 2019 and 2018 is as follows:

	Thousands of EUR	
	National	
	2019	2018
Revenue from the sale of property developments	231.480	32.286
Income from Holding activities (Note 18)	17.611	10.752
	249.091	43.038

According to a consultation published in 2009 by the Institute of Accounting and Auditing (Instituto de Contabilidad y Auditoría de Cuentas - ICAC)), in the case of a holding company such as Vía Céleres Desarrollos Inmobiliarios, S.A., dividends and income from financing granted to investees or from the provision of management services must be classified and presented as part of the net turnover, since this is considered to be the Company's main activity.

The Company recognises under "Income from Holding Activities" the income from the financing granted and services provided to the investees, which in 2019 and 2018 amounted to 17,611 thousand euros and 10,752 thousand euros, respectively (see Note 18).

17.2 *Changes in inventories of finished and in-progress goods*

The breakdown of this item is as follows:

	Thousands of EUR	
	31.12.2019	31.12.2018
Expenses capitalised as an increase in inventories (Note 11)	359.809	117.522
Cost of sales (Note 11)	(197.656)	(35.480)
Impairment losses on sales (Note 11)	17.344	18.861
Impairment of inventories (Note 11)	(5.710)	(3.317)
Reversal of impairment of inventories (Note 11)	2.779	11.167
	176.566	108.753

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17.3. Staff expenses

The breakdown at 31 December 2019 and 2018 is as follows:

	Thousands of EUR	
	31.12.2019	31.12.2018
Wages and salaries	13.798	7.947
Indemnities	12	533
Social Security	3.079	1.702
Other social charges	279	114
	17.168	10.296

17.4 Staff

The composition of the Company's workforce at 2019 and 2018 year-end, broken down by professional category and gender, is as follows:

	31.12.2019		31.12.2018	
	Women	Men	Women	Men
Group General Management	3	2	3	2
Directors and Department Heads	31	52	22	32
Technicians	54	37	26	37
Trade	36	12	20	6
Administration workers	47	21	32	14
Other staff	3	-	3	-
	174	124	106	91

At 31 December 2019 and 2018, the composition of the Company's average headcount is as follows:

	31.12.2019	31.12.2018
Group General Management	5	5
Directors and Department Heads	80	46
Technicians	83	46
Trade	42	20
Administration workers	61	30
Other staff	3	3
	275	150

As of 31 December 2019 and 2018, there are 4 directors, all of whom are men. In 2019 the Company had two employees with a disability of 33% or more on its payroll (one employee in 2018).

17.5 External Services

The detail of this heading in 2019 and 2018 is as follows:

	Thousands of EUR	
	31.12.2019	31.12.2018
Leasing	1.482	655
Repairs and maintenance	196	260
Independent professional services	10.758	9.392
Insurance premiums	474	191
Banking and similar services	344	89
Advertising and propaganda	4.952	1.770
Supplies	2.486	1.862
Other services	612	429
	21.304	14.648

In 2019, the Company incurred expenses for independent professional services (audit, legal and judicial consultancy, etc.) amounting to 2,295 thousand euros. Also, "Independent Professional Services" includes 6,199 thousand euros relating to

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advisory services, legal, administrative and financial management, technical assistance and marketing services provided in the first three months of 2019 by Aelca Desarrollos Inmobiliarios as a result of the merger described in Note 1.

Leasing

At 31 December 2019, the Company had leased offices in Valladolid, Barcelona, Madrid and Málaga. Future minimum lease commitments amounted to 2,123 thousand euros at 31 December 2019 (2,046 euros thousand in 2018).

The detail is as follows:

	Thousands of Euros	
	2019	2018
Up to a year	910	409
Between 1-5 years	1.137	1.637
More than five years	75	-
	2.123	2.046

Audit Fees

The auditors of the Company's annual accounts have invoiced fees for professional services for the years ended 31 December 2019 and 2018, as detailed below:

	Thousands of EUR	
	31.12.2019	31.12.2018
For audit services	187	787
For other services	5	9
	192	796

The amounts included in the foregoing table include all the fees relating to the services provided in 2019 and 2018, regardless of when they were invoiced, and have been recognised under the heading "Independent Professional Services" in the profit and loss account for the year.

The information relating to the services provided by KPMG Auditores, S.L. to the companies controlled by the Company during the year ended 31 December 2019, if applicable, is included in the consolidated annual accounts of Vía Célere Desarrollos Inmobiliarios, S.A. and subsidiaries at 31 December 2019.

17.6. Financial income and expenses

The detail of this heading in 2019 and 2018 is as follows:

	Thousands of EUR	
	31.12.2019	31.12.2018
Financial expenses		
Interest accrued with group companies (Note 18)	2.452	1.535
Interest on debts	27.467	8.274
	29.919	9.809
Financial income		
From marketable securities and other financial instruments	520	72
	520	72

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17.7. Impairment and gains or losses on disposal of non-current assets and financial instruments

The detail of this heading in 2019 and 2018 is as follows:

	Thousands of EUR	
	31.12.2019	31.12.2018
(Impairment) Reversal of financial holdings and loans to companies (Note 10)	(5.320)	8.325
Reversal (Impairment) of Fixed Assets (Note 7)	54	(54)
Gains or losses on disposal of fixed assets (Note 7)	-	(36)
Financial result of disposal of inventories (Note 14.1)	-	621
Change in fair value of financial instruments	(24)	25.746
	(5.290)	34.602

18. Transactions with Group, associates and related parties

The detail of the transactions performed with groups, associates and related parties in 2019 and 2018 is as follows:

	Thousands of EUR			
	31.12.2019			
	Expenses		Income	
Services Received	Financial expenses (Note 17.6)	Provisions of service (Note 17.1)	Financial income (Note 17.1)	
<u>Group companies</u>				
Vía Célere Catalunya, S.L.U.	-	467	36	7
Vía Célere Gestión de Proyectos, S.L.U.	93.109	-	1.353	405
Torok Investments 2015, S.L.U.	-	-	36	22
Vía Célere 2, S.L.U.	-	390	36	84
Vía Célere 1, S.L.U.	-	-	36	2
Vía Célere, S.L.U.	-	993	1.020	382
Copaga, S.A.	-	2	36	1
Conspace, S.L.U.	-	-	147	26
Maywood, S.L.U.	-	-	1.267	643
Udralar, S.L.U.	-	600	896	81
Udrasur, S.L.U.	-	-	40	2
Douro Atlántico S.A.	-	-	213	147
Parquesoles Inversiones Inmobiliarias y Proyectos S.A.	-	-	355	575
<u>Associated companies</u>				
Célere Fórum Barcelona, S.L.	-	-	674	9.089
	93.109	2.452	6.145	11.466

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	Thousands of EUR			
	31.12.2018			
	Expenses		Income	
Services Received	Financial expenses (Note 17.6)	Provision of services (Note 17.1)	Financial income (Note 17.1)	
<u>Group companies</u>				
Vía Céleré Catalunya, S.L.U.	-	472	36	7
Vía Céleré Gestión de Proyectos, S.L.U.	23.357	5	1.055	53
Torok Investments 2015, S.L.U.	-	1	36	10
Vía Céleré 2, S.L.U.	-	393	36	31
Vía Céleré 1, S.L.U.	-	-	36	-
Vía Céleré, S.L.U.	-	279	3.907	152
Copaga, S.A.	-	1	36	-
Conspace, S.L.U.	-	-	107	13
Maywood, S.L.U.	-	-	2.480	310
Udralar, S.L.U.	-	327	471	31
Udrasur, S.L.U.	-	-	36	-
Douro Atlántico S.A.	-	-	-	152
Parquesoles Inversiones Inmobiliarias y Proyectos S.A.	-	-	-	586
<u>Associated companies</u>				
Céleré Fórum Barcelona, S.L.	-	-	1.171	-
Vía Ágora S.L.U.	-	57	-	-
	23.357	1.535	9.407	1.345

The Company has signed construction contracts with its investee Vía Céleré Gestión de Proyectos, S.L.U. for the construction of residential developments in Spain. The price of the work is determined by the costs incurred plus a 4% profit.

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19. Balances with Group, associates and related parties

The amount of balances on the balance sheet with group, associated and related companies is as follows:

	Thousands of EUR				
	31.12.2019				
	Long-term loans (Note 10)	Short-term loans (Note 10)	Trade accounts receivable (Note 9)	Short-term payables (Note 14)	Trade creditors (Note 14.3)
Group companies:					
Vía Célere, S.L.U.	-	44.254	5.921	80.245	-
Vía Célere Catalunya, S.L.U.	-	416	84	16.690	-
Vía Célere 1, S.L.U.	-	13	84	44	-
Vía Célere 2, S.L.U.	-	2.671	84	11.077	-
Vía Célere Gestión de Proyectos, S.L.U.	-	13.862	2.759	-	29.323
Maywood Invest, S.L.U.	1.400	24.429	4.388	1.674	-
Conspace, S.L.U.	-	1.557	280	210	144
Douro Atlántico, S.A.	-	3.470	193	-	-
Copaga, S.A.	-	1.571	84	85	-
Udralar, S.L.U.	74.323	-	1.618	13.559	-
Udrasur, S.L.U.	-	527	84	52	-
Parquesoles Inversiones Inmobiliarias y Proyectos, S.A.	-	18.686	321	-	-
Torok Investments 2015, S.L.U.	22.245	696	84	116	-
Associated companies					
Célere Fórum Barcelona, S.L.	-	-	498	-	-
Related companies					
Dospuntos Asset Management S.L.	-	51	-	-	-
	97.968	112.203	16.482	123.752	29.467

	Thousands of EUR					
	31.12.2018					
	Long-term loans (Note 10)	Short-term loans (Note 10)	Trade accounts receivable (Note 9)	Long-term payables (Note 14)	Short-term payables (Note 14)	Trade creditors (Note 14.3)
Group companies:						
Vía Célere, S.L.U.	33.807	3.239	3.907	-	24.067	-
Vía Célere Catalunya, S.L.U.	1	360	36	16.224	-	-
Vía Célere 1, S.L.U.	38	18	36	-	-	-
Vía Célere 2, S.L.U.	-	2.508	36	10.686	-	-
Vía Célere Gestión de Proyectos, S.L.U.	4.856	9.303	1.055	-	968	13.459
Maywood Invest, S.L.U.	-	12.469	2.480	-	831	-
Conspace, S.L.U.	728	727	107	-	17	18
Douro Atlántico, S.A.	-	5.591	-	-	-	-
Copaga, S.A.	1.563	-	36	-	45	-
Udralar, S.L.U.	74.323	2.281	471	-	18.375	-
Udrasur, S.L.U.	456	10	36	-	11	-
Parquesoles Inversiones Inmobiliarias y Proyectos, S.A.	-	16.337	-	-	-	-
Torok Investments 2015, S.L.U.	22.245	441	36	-	45	-
Associated companies						
Célere Fórum, S.L.	-	-	122	-	-	-
Related companies						
Vía Agora, S.L.U.	-	179	-	-	-	-
Dospuntos Asset Management S.L.	-	187	-	-	-	-
	138.017	53.650	8.358	26.910	44.359	13.477

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20. Other Information

20.1. Information regarding Directors and Senior Management

Juan Antonio Gómez-Pintado Rodríguez de Segovia was a director of the Parent until 17 July 2019. José Ignacio Morales Plaza has been the director who has replaced Juan Antonio Gómez-Pintado since 17 July 2019 until the date of formalisation of the Company's annual accounts.

During the financial years 2019 and 2018 the members of the Board of Directors of the Company have not received any remuneration for their position as directors. Senior executives' remuneration in 2019 and 2018 amounted to 1,611 thousand euros and 3,513 thousand euros, respectively.

There are no advances or loans granted to all the members of the boards of directors.

In 2019 no obligations were assumed on behalf of the management bodies by way of guarantee, and civil liability insurance premiums for damage caused by acts or omissions in the year of office of 56 thousand euros were paid (the same amount in 2018). The Company also has life insurance commitments related to current members of senior management.

As of 31 December 2019, there are four members of the Board of Directors (four men) and five members of Senior Management (two men and three women), one of whom is a member of the Board of Directors.

20.2. Transactions outside the ordinary course of business or under different market conditions carried out by the Directors and by the members of the Board of Directors of the Company

In relation to the shareholdings of the members of the administrative bodies and, in particular, the members of the Board of Directors of the Company or persons related to them, in the capital during 2019 and 2018, the Directors and the members of the Committee have not carried out transactions with the Company outside the ordinary course of business or under conditions other than those of the market.

20.3. Conflicts of interest situations for the Directors

Except for what is detailed below, the members of the administrative bodies and the persons linked to them have not incurred in any situation of conflict of interest that has had to be notified in accordance with the provisions of article 229 of the TRLSC:

Mr Héctor Serrat Sanz and his related persons have incurred, during the financial year 2019 and up to the date of preparation of these annual accounts, in a situation of direct or indirect conflict with the interest of the Company, and therefore have had to abstain from intervening in the agreements or decisions relating to such a situation of conflict, due to their status as Directors of La Finca Global Assets, SOCIMI, S.A, Director of Mansfield Invest SOCIMI, S.A., Chairman of the Board of Directors of Dospuntos Asset Management, S.L., and to his professional relationship with Värde Partners, Inc., the entity that manages the funds owned, directly or indirectly, by shareholders who, together, hold the majority of the Company's share capital. In particular, he had to abstain from the tenth resolution of the Company's Board of Directors meeting dated 13 February 2019 and the sixth resolution of the Company's Board of Directors meeting dated 22 November 2019.

Mr Francisco Milone and his related persons have incurred, during the financial year 2019 and until the date of preparation of these annual accounts, in a situation of direct or indirect conflict with the interest of the Company, and therefore he has had to abstain from intervening in the agreements or decisions relating to such a situation of conflict, due to his condition as a Director of Finca Global Assets, SOCIMI, S.A. and to his professional relationship with Värde Partners, Inc., the entity that manages the funds owned, directly or indirectly, by shareholders who, together, hold the majority of the Company's share capital. In particular, he had to abstain from the seventh resolution of the Company's Board of Directors meeting on 22 November 2019.

Mr Jaime Echevarría and his related persons have not incurred, during fiscal year 2019 and until the date of preparation of these annual accounts, in a situation of direct or indirect conflict with the Company's interest, and therefore have not had to abstain from intervening in agreements or decisions relating to this situation of conflict. However, Jaime Echevarría has responsibilities in companies whose object is similar to that of Vía Célerе Desarrollos Inmobiliarios, S.A. given his status as Director of Dos Puntos Asset Management, S.L.

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Mr Juan Antonio Gómez Pintado Rodríguez de Segovia has not incurred, since 1 January 2019 and until 17 July 2019, in any direct or indirect conflict with the interests of the Company, and therefore has not had to abstain from intervening in the agreements or decisions relating to such conflict, due to his status as sole director of Vía Ágora, S.L.U. and Managing Director of the Company (the latter position he held until 17 July 2019).

Additionally, during this period, Mr Juan Antonio Gómez-Pintado Rodríguez de Segovia, had the following responsibilities in companies with a similar corporate purpose to Vía Célere, in Spain and abroad

- In his capacity as the natural person representative of the sole director of Quick Home Residential, S.L.U.
- In his capacity as sole director of Agora Sofia 2, EOOD.
- In his capacity as sole director of Via Agora Poland, sp zoo.
- In his capacity as joint director of Wolzcyńska, sp zoo
- In his condition of direct/indirect owner and director in Via Ágora Brasil Holding, Ltda.
- In his capacity as indirect owner of 1% of the shares of Avantia Romania Desarrollos Inmobiliarios 4, S.L.
- As the indirect owner of 100% of the shares of SP Premiere Jaguaribe Empreendimientos Imobiliarios.
- As the indirect owner of 100% of the shares of Spe Meu Apê Salvador Norte Empreendimientos Imobiliarios, Ltda.
- In his capacity as indirect owner of 50% of the shares of SPE Horto Opera, Ltda.
- In his capacity as indirect owner of 100% of Via Celere Brasil 7 Empreendimientos Imobiliarios, Ltda.
- In his capacity as indirect owner of 100% of SPE Belvedere Empreendimientos Imobiliarios, Ltda.
- In his capacity as indirect owner of 100% of Via Celere Brasil 9 Empreendimientos Imobiliarios, Ltda.
- In his capacity as indirect owner of 100% of Spe Ville Jardim Empreendimientos Imobiliarios, Ltda.
- In his capacity as indirect owner of 100% of Via Ágora Construções Ltda.

Mr José Ignacio Morales Plaza and his related persons have been in a situation of direct or indirect conflict with the interests of the Company since 17 July 2019 until the date of preparation of these annual accounts, and therefore have had to abstain from intervening in agreements or decisions relating to this conflict situation, given his position as the Company's Managing Director. In particular, he had to abstain from the fourth resolution of the meeting of the Board of Directors of the Company dated 17 July 2019 and from the second and third resolutions of the meeting of the Board of Directors of the Company dated 22 November 2019.

Finally, it should be added that Mr José Ignacio Morales Plaza participates in the management of or holds an interest in Navamolo, S.L. and Moviplamola, S.L., entities with a similar corporate purpose to the Company.

20.4. Guarantees committed to third parties

At 31 December 2019, the Company held guarantees with third parties amounting to 224,671 thousand euros (66,051 thousand euros at 31 December 2018). These guarantees correspond mainly to provisional guarantees presented mostly by banks and insurance companies.

21. Environmental information

In view of the activity carried out by the Company, it has no environmental liabilities, expenses, assets, provisions or contingencies that might be material with respect to its net worth, financial position and results. For this reason, no specific breakdowns are included in the balance sheet with respect to information on environmental issues.

22. Risk and management policy

Operational risks

These are those derived from the activity of the Company in the development of the corporate purpose established in its bylaws, whether they are the purchase and sale and rental of assets, residential, tertiary or industrial development.

In order to guarantee and maximise the return on the investments made and to contribute and promote the increase in the value of the property assets, detailed and individualized economic-financial studies of the projects are carried out.

These studies are complemented with fiscal, legal and urban analysis of each of the operations to be developed. This work is carried out by the Fiscal and Legal Department, in collaboration with first class offices, analysing the possible repercussions and fiscal, legal and urban risks of the different areas in which the Company carries out its activity.

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Market risks

Market risk is one of the main risks to which the Company is exposed, both in relation to demand for new housing and to departures.

To counteract this risk, detailed studies are carried out of the geographical areas in which the Company develops or plans to develop its activity, thus determining the existence of sufficient demand to absorb future developments and the product to be marketed, guaranteeing the success of the developments, always adapting it to the customer's needs and therefore ensuring commercial viability

Financial risks

Exposure to credit risk

In general terms, the Company does not have significant credit risk, since its customers and the institutions in which cash placements or derivatives are arranged are highly solvent entities in which counterparty risk is not significant. Counterparties are banks to which international credit rating agencies have assigned high ratings.

The Company's principal financial assets are cash and cash balances, trade and other receivables and investments, which represent the Company's maximum exposure to credit risk in relation to financial assets.

The Company's credit risk is mainly attributable to its trade debts. The amounts are reflected in the balance sheet net of provisions for bad debts, estimated by Company management on the basis of experience in previous years and its assessment of the current economic environment. In any case, the Company does not have a significant concentration of credit risk.

Interest risk exposure

This is evidenced by changes in the future cash flows of debt arranged at variable interest rates (or maturing in the short term) as a result of changes in market interest rates.

Liquidity risk exposure

At 31 December 2019, the Company had working capital of 850,729 thousand euros (31 December 2018: 218,775 thousand euros).

The Company prudently manages its liquidity risk by maintaining sufficient cash and marketable securities, and by having adequate financing available through committed credit facilities and sufficient capacity to liquidate its market positions. The Company determines its cash requirements through the budget, with a time horizon of 12 months. The Company considers that the agreed financing framework is sufficiently flexible to adapt to the needs, given the dynamic nature of its business.

23. Subsequent events

Coronavirus COVID-19

The outbreak of the coronavirus (COVID-19) in February and March 2020 has led to an unprecedented international health crisis, which is expected to impact the macroeconomic environment and business performance globally. To address this situation, among other measures, the Spanish Government has declared a state of alarm by publishing Royal Decree 463/2020 of 14 March, and has approved a series of urgent extraordinary measures to address the economic and social impact of COVID-19 by Royal Decree Law 8/2020 of 17 March.

As of the date of preparation of these annual accounts, the impact on our operations is limited to the temporary slowdown in our business activities and production rate of the works, and we believe that we will be able to recover some or all of this slowdown when we return to the normal level of activity. However, the scope and duration of the preventive measures decreed by the authorities, and therefore the effect they could have on our results and future activity, are difficult to estimate given the current situation of uncertainty. The most significant risk to our business would result from a potential deterioration in the macroeconomic context, as our business is strongly related to GDP, the unemployment rate and the purchasing power of families.

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ANNEX II

Details of property assets included in the merger plan

Group	Asset	Land acquisition date	Group	Asset	Land acquisition date
Aelca	2026 - VILLAMAYOR (VALLECAS VII)	16/11/2016	Aelca	6263-NCN-PARCELA R-17 - R-10 SECTOR EL PIZARRILLO	02/07/2018
Aelca	2028 - RES. INFANTA (VALDEMORO I)	21/12/2016	Aelca	- NCN-PARCELA 17-B PARQUE VICTORIA	28/12/2018
Aelca	2033 - RES. MIRO (VALLECAS VIII)	29/12/2016	Aelca	5132 - NM-RVAS 15 B I (LOS MONTECLOS)	05/12/2017
Aelca	5121 - P-RES. FLORIDA (MOSTOLES)	29/07/2016	Aelca	6253 - NCN- SUELO VILLAVICIOSA (AROCASA) (24 PN)	15/02/2018
Aelca	5125 - P-RES. BALTICO (PARACUELLOS BA03)	07/02/2017	Aelca	6223 - NCN- ENTRENUELOS BC 11.2	28/12/2017
Aelca	5127 - P-RES. MONET (VALLECAS IX)	30/01/2018	Aelca	5431 - NH-CABELLO II	23/05/2017
Aelca	5128 - P-RES. AVIACIO (PRAT DE LLOBREGAT)	18/05/2017	Aelca	6238 - NCN-TORRENT 12.2, 12.3	28/12/2017
Aelca	5122 - P-RES. CUBIC 1 (RVAS FASE I)	22/07/2016	Aelca	6239 - NCN-TORRENT 14.2, 14.3	28/12/2017
Aelca	2027 - SERENITY (BENALMADENA)	29/04/2016	Aelca	6262 - NCN-PARCELA 19 SECTOR MRABUENO (KUTXA))	06/07/2018
Aelca	2036 - BOREAL III (VILLAVERDE III)	29/07/2016	Aelca	6260 - NCN-PARCELA 13-D SECTOR 07 (KUTXA)	06/07/2018
Aelca	5126 - P-RES. AQUAM (PARACUELLOS BA04)	07/02/2017	Aelca	4004 - NI- SUELO PATRAIX III Patraix III.23.1	27/07/2017
Aelca	5129 - P-RES. INFANTA II (VALDEMORO II)	03/10/2016	Aelca	6244 - NCN-PERI FLEX (MALAGA)	26/01/2018
Aelca	5131 - P-RES. AMAT (VALLECAS 5.34B)	21/12/2016	Aelca	6246 - NCN-MONTCADA 5.2	30/01/2018
Aelca	5224 - M-RES. LLUM (PATRAIX I)	30/12/2016	Aelca	6258 - NCN-RPAGANA C9 (FASE II)	28/12/2017
Aelca	5320 - I-RES. NACARI (VALENOSO IV)	20/02/2017	Aelca	5620 - NM-TORROX III	31/10/2017
Aelca	5130 - P-EDIF. NAVIS (BIZCOCHERO)	16/11/2017 y 23/11/2016	Aelca	2043 - BARAKALDO II (BARAKALDO I PLUR./S)	27/12/2017
Aelca	5323 - NHUEVA GAVIA (VALLECAS 3.8D)	21/02/2018	Aelca	4012 - NCN- SUELO VILLAVICIOSA (AROCASA) (13 PN)	15/02/2018
Aelca	5220 - M-RES. INFANTA III (VALDEMORO III)	20/12/2016	Aelca	6022 - NBENALMADENA "LA SIERRA" II (6-1)	30/11/2017
Aelca	5223 - M-DUNA BEACH (TORROX)	06/04/2018	Aelca	5233 - NCN-MISLATA QUINT. II EDA B	20/12/2017
Aelca	5720 - NHR. HARMONY (BOADILLA 8.3)	27/07/2017	Aelca	6230 - NCN- VILANOVA	27/12/2017
Aelca	5222 - M-RES. TERRAM (CAN GAMBUS)	29/05/2018	Aelca	6254 - NCN-ARROYO EN MEDIO	21/03/2018
Aelca	5322 - HNOVARVAS II (RVAS S4 P20)	30/05/2018	Aelca	- NCN-ROTA PUNTA CANDOR MANZANA R-7 (F. CASTELLANOS)	28/12/2018
Aelca	5123 - P-RES. CUBIC 2 (RVAS FASE II)	22/07/2016	Aelca	5326 - NI-R. ARTEMISA (BENISAUDET 3.1)	23/11/2017
Aelca	5423 - N-R. BREMEN (T. CANTOS 9A)	29/09/2017	Aelca	4004 - NI- SUELO PATRAIX III Patraix IV. 13.2	27/07/2017
Aelca	2041 - CRUCES RES. (BARAKALDO I PLURI.)	27/12/2017	Aelca	6130 - NI-DENIA II	04/08/2017
Aelca	5421 - NHR. VEGA (H. CABELLO I)	23/05/2017	Aelca	5422 - NM-VITTA NATURE (MUJAS C. EL CHAPARRAL I) FII	22/11/2017
Aelca	5920 - NHEDIFICIO MT 22 (MANOLO TABERNER)	30/11/2017	Aelca	4006 - NCN- SUELO ENTRENUELOS BC (BA-5)	28/12/2017
Aelca	6259 - NCN-ROTA MANZANA R1 (SERV/HABITAT)	25/06/2018	Aelca	5621 - NH-EDIFICIO MOJERO (TIERRASA LA GRPIA)	01/12/2017
Aelca	5422 - NM-VITTA NATURE (MUJAS C. EL CHAPARRAL I)	22/11/2017	Aelca	6237 - NCN-BAVIERA CAJA MAR R5	22/12/2017
Aelca	6222 - NCN- ENTRENUELOS BC 11.1	28/12/2017	Aelca	5227 - M-SAN CUGAT	30/12/2016
Aelca	5426 - N-URBAM RVAS (RM 22)	31/03/2017	Aelca	5133 - NM-RVAS 15 B I II (LOS MONTECLOS)	05/12/2017
Aelca	6124 - NM-TORREJON RM 7.2 LOS GRASOLES	17/11/2017	Aelca	5432 - NH-CABELLO III	23/05/2017
Aelca	6256 - NCN-MALLA 12.2.1	06/04/2018	Aelca	5433 - NH-CABELLO IV	28/12/2017
Aelca	5821 - NI-SENSES VILLAGE (ESTEPONA CASAB. CANCELADA)	29/06/2017	Aelca	4012 - NCN- SUELO VILLAVICIOSA (AROCASA) (17 PN)	15/02/2018
Aelca	6245 - NCN-MONTCADA 6.1	30/01/2018	Aelca	2020 - XARBLANCA	24/03/2015
Aelca	6122 - NM-RES. AURA (MALLA 12.2.2)	10/11/2017	Aelca	6235 - NCN-MISLATA QUINT. II EDA D	20/12/2017
Aelca	6231 - NCN- REBOUL 19 MALAGA (ADIF II)	29/12/2017	Aelca	2045 - BARAKALDO III (BARAKALDO III UNLI)	27/12/2017
Aelca	5424 - N-R. BREMEN II (T. CANTOS RC 9B)	28/06/2018	Aelca	6023 - NBENALMADENA "LA SIERRA" II (7-1)	30/11/2017
Aelca	6240 - NCN-MATARO R3	28/12/2017	Aelca	4006 - NCN- SUELO ENTRENUELOS BC (BC-12.1)	28/12/2017
Aelca	6021 - NI-BLOSUM BENALMADENA (LA SIERRA 16.1, 6.2)	30/11/2017	Aelca	5435 - NI-PATRAIX PARC. 28.1.2	27/07/2017
Aelca	5329 - HNOVARVAS II (RVAS S4 P18)	30/05/2018	Aelca	6243 - NCN- ENTRENUELOS UH 9	22/03/2018
Aelca	5520 - NI-TORROX II SAREB	28/07/2017	Aelca	6255 - NCN-BAVIERA SOLVIA R2, R10b, R15b	20/03/2018
Aelca	2041 - CRUCES RES. (BARAKALDO I UNIF.))	27/12/2017	Aelca	6264-NCN-PARCELA R-9 - R16 SECTOR EL PIZARRILLO	06/07/2018
Aelca	5437 - NI- SUELO PATRAIX III Patraix VPP 27.1.4	27/07/2017	Aelca	6232 - NCN-MISLATA QUINT. II EDA A	25/01/2018
Aelca	6258 - NCN-RPAGANA C9 (FASE I)	28/12/2017	Aelca	6241 - NCN-VILLAVICIOSA P14 (BLACKSTONE)	02/10/2018
Aelca	5436 - NI-PATRAIX MORENAS VPP 23.1-23.2	27/07/2017	Aelca	4011 - NCN-SUELO HUARTE (RPAGANA P.11)	28/12/2017
Aelca	5425 - NI-RES. ALDARA (VISTAHERMOSA-LA CONDOMINA)	29/05/2017	Aelca	5430 - NM-MUJAS C. EL CHAPARRAL III	22/11/2017
Aelca	6128 - NHR. MARMARA (DENIA I)	04/08/2017	Aelca	4006 - NCN- SUELO ENTRENUELOS BC (BC-12.2)	28/12/2017
Aelca	6129 - NM-RES. GRACE (VALDEMARRN II)	22/11/2017	Aelca	5321 - I-RVAS S4 F14	30/03/2017
Aelca	5420 - N-PORT AVENUE (MARBELLA E. HOSTELERIA)	23/03/2018	Aelca	5324 - I-RVAS S4 2.15, 16	28/03/2017
Aelca	6224 - NCN- ENTRENUELOS UH 5	28/12/2017	Aelca	4003 - I-SUELO RVAS S4 20, 18, 17, 26	30/05/2018
Aelca	6123 - NM-VALDEMORO IV (15.1.2)	28/06/2018	Aelca	2046 - BARAKALDO FASE IV (10 PLURIFAMILIARES - 30 Unif)	27/12/2017
Aelca	5221 - M-RES. AUSTRAL (MOSTOLES II)	25/01/2018	Aelca	6127 - NM-BAVIERA SAREB (R1, R13, COMERC.)	31/10/2017
Aelca	6242 - NCN-TORRENT 10	24/01/2018	Aelca	6265-NCN-PARCELA R-15 - R8 SECTOR EL PIZARRILLO	06/07/2018
Aelca	5333 - NBENISAUDET 3.2	23/11/2017	Aelca	6228 - NCN- ENTRENUELOS BC 7.1	28/12/2017
Aelca	5428 - NM-CANAVERAL M13 D	14/12/2017	Aelca	5429 - NM-MUJAS C. EL CHAPARRAL II	22/11/2017
Aelca	6126 - NM-BOADILLA RM 3.2	22/11/2017	Aelca	- NCN-Parcela AGR1A, SUP.C-16 CHAPARRAL	24/07/2018
Aelca	5225 - M-TRES CANTOS RC 28	13/11/2018	Aelca	6266-NCN-PARCELA R-14 - R7 SECTOR EL PIZARRILLO	06/07/2018
Aelca	4005 - SUELO N- TRES CANTOS RC 11	01/12/2016	Aelca	6229 - NCN- ENTRENUELOS BC 7.2	28/12/2017
Aelca	6137 - NM-TORREJON RM 3.1	16/10/2017 y 17/10/2017	Aelca	5332 - I-RVAS M13	28/09/2018
Aelca	6138 - NM-TORREJON RMP 8B	16/10/2017 y 17/10/2017	Aelca	6267-NCN-PARCELA R-18.1 - 18.2 SECTOR EL PIZARRILLO	06/07/2018
Aelca	6125 - NM-RES. ARECA (BOADILLA RM 1.1 (EL ENCINAR))	18/09/2017	Aelca	6227 - NCN- ENTRENUELOS BA 6	28/12/2017
Aelca	5226 - M-PATRAIX II PARC.15.1	27/07/2017	Aelca	5327 - I-STYLE BOX (BOADILLA RU4.3)	27/06/2017
Aelca	5325 - I-RES. IVORY (BOADILLA RM6.3, RM6.4)	10/02/2017	Aelca	4005 - SUELO N- TRES CANTOS IN2, IC1, TG2	27/07/2018
Aelca	6234 - NCN-MISLATA QUINT. II EDA C	20/12/2017	Aelca	4004 - NI- SUELO PATRAIX III Patraix V 14.1.1	27/07/2017
Aelca	6257 - NCN-CANAVERAL M19 A	10/04/2018	Aelca	4004 - NI- SUELO PATRAIX III Patraix VPP 13.1.2	27/07/2017
Aelca	2016 - TERR. DEL ENSANCHE II (VALLECAS IV)	22/12/2015	Aelca	4004 - NI- SUELO PATRAIX III Patraix 14.1.3	27/07/2017
Aelca	5124 - P-RVAS FASE III	22/07/2016	Aelca	4004 - NI- SUELO PATRAIX III Patraix VPP 19.1.1	27/07/2017
Aelca	5330 - NHMALAGA ADIF R2	29/09/2017	Aelca	NI- ESTEPONA CASABLANCA (CANCELADA). Comercial	29/06/2017
Aelca	2043 - BARAKALDO II (BARAKALDO II UNIF./S)	27/12/2017	Aelca	4007 - NM-SUELO MUJAS C. EL CHAPARRAL (Comercial)	22/11/2017
Aelca	6236 - NCN- VALDEMORO M.8.1	02/05/2018	Aelca	5622 - NM - ENTRENUELOS BC-5	28/11/2017
Aelca	6247 - NCN-VALDEMORO 9.4	02/05/2018	Aelca	6225 - NCN- ENTRENUELOS BC-5	28/12/2017
Aelca	6249 - NCN-VALDEMORO 10.2	10/05/2018	Aelca	6226 - NCN- ENTRENUELOS UG 4	28/12/2017
Aelca	6248 - NCN-VALDEMORO 20.2 VPPL	10/05/2018	Aelca	4006 - NCN- SUELO ENTRENUELOS BC (BC-9.1)	28/12/2017
Aelca	5521 - NHMANLVA	30/11/2017	Aelca	4006 - NCN- SUELO ENTRENUELOS BC (BC-9.2)	28/12/2017
			Aelca	4015-NCN-PARCELA R-12 SECTOR EL PIZARRILLO	06/07/2018
			Aelca	4016-NCN-PARCELA R-13 SECTOR EL PIZARRILLO	06/07/2018
			Aelca	4017-NCN-PARCELA R-6 SECTOR EL PIZARRILLO	06/07/2018
			Aelca	4018-NCN-PARCELA R-5.2 SECTOR EL PIZARRILLO	06/07/2018

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ANNEX III

Pro forma consolidated financial statements

In thousand of Euros	Promysa Inmuebles Group	Ilyviah Inmuebles Group	Nalenda Urbana Group	Invarry Urbana Group	Nirbe Inmuebles Group	Nirbe Huesca Group	Nirbe Costa Norte Group	SPVs	Pasova	Consolidation adjustments	Subtotal
Property, plant and equipment	18	18	10	3	81	40	120	1	5	-	296
Non-current investments	2,972	895	296	253	158	78	12	11	1,028	-	4,539
Inventories	57,000	56,898	15,002	40,385	82,144	98,318	185,636	40,035	12,275	-	575,691
Trade and other receivables	400	493	162	661	1,711	1,359	3,837	490	504	-	9,637
Current investments in associates	4,890	-	3,655	425	7	1	15	-	-	(8,370)	23
Current investments	29	-	256	2,754	2,821	4,891	15,265	2	-	-	26,078
Prepayments and accrued income	18	15	7	18	24	11	8	-	-	-	89
Cash and cash equivalents	29,957	3,562	613	4,071	11,268	4,525	4,189	12,221	195	-	71,617
Total assets	94,388	81,673	19,371	49,352	168,215	107,576	189,860	52,760	14,005	(8,370)	887,970
Equity	36,939	18,447	12,260	28,612	94,783	98,799	137,528	(783)	(14)	-	426,571
Non-current provisions	195	114	44	57	521	38	-	159	-	-	1,128
Non-current payables	-	-	-	-	-	-	-	54	-	-	54
Non-current related party payables	-	-	-	-	3	-	-	16	-	-	19
Current payables	24,445	14,378	879	7,552	7,825	4,834	23,832	27,358	3,970	-	113,574
Current related party payables	1	7,095	2,701	781	2	19	14,965	8,975	7,804	(8,370)	33,073
Trade and other payables	32,808	21,641	3,387	12,358	5,968	3,698	14,375	16,981	2,245	-	113,551
Total liabilities	57,449	43,226	7,111	29,740	13,432	8,787	51,472	53,543	14,019	(8,370)	261,399
Total equity and liabilities	94,388	81,673	19,371	49,352	168,215	107,576	189,860	52,760	14,005	(8,370)	887,970

ANNEX IV

Proforma consolidated income statement

In thousand of Euros	Promysa Inmuebles Group	Ilyviah Inmuebles Group	Nalenda Urbana Group	Invarry Urbana Group	Nirbe Inmuebles Group	Nirbe Huesca Group	Nirbe Costa Norte Group	SPVs	Pasova	Total
Net turnover	45,001	-	1,390	-	-	-	-	15,419	-	62,330
Other income	41	7	100	7	33	1	-	7	-	196
Changes in inventories of finished and in-progress goods	2,410	15,345	886	3,529	2,729	371	272	3,350	1,165	30,057
Consumption of raw materials and other consumables	(38,891)	(15,345)	(2,278)	(3,529)	(2,729)	(371)	(272)	(17,268)	(1,165)	(81,799)
Other expenses	(2,105)	(1,729)	(797)	(1,126)	(2,109)	(161)	(790)	(1,153)	(13)	(9,993)
Depreciation of fixed assets	(2)	(6)	(1)	-	(18)	(5)	(14)	-	-	(46)
Impairment and income from disposal of non-current assets	-	-	-	-	-	-	-	-	(1)	(1)
Operating losses	6,544	(1,728)	(182)	(1,119)	(2,091)	(165)	(812)	355	(14)	788
Financial income	-	3	-	-	-	-	23	8	-	35
Financial expenses	(3)	(220)	(4)	(32)	(24)	(47)	(260)	(485)	-	(1,213)
Financial result	(3)	(217)	(4)	(32)	(24)	(24)	(389)	(485)	-	(1,178)
Profit before tax	6,541	(1,845)	(186)	(1,151)	(2,115)	(189)	(1,201)	(130)	(14)	(399)
Income taxes	(2,075)	-	(38)	-	-	-	-	(324)	-	(2,437)
Loss for the year	4,466	(1,845)	(222)	(1,151)	(2,115)	(189)	(1,201)	(454)	(14)	(2,825)

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Vía Célere Desarrollos Inmobiliarios, S.A.

1. Situation of the Entity

1.1. Organizational Structure

Vía Célere Desarrollos Inmobiliarios, S.A. (hereinafter, "the Company") was incorporated on August 16, 1989, by means of a deed granted in Pontevedra before the Notary Public of this city, Mr. Rafael Sanmartín Losada, under number 1,503 of his protocol, with the name of "Confecciones Udra, S.A.", changing its name to "Inmobiliaria Udra, S.A." in 1993.

On 20 August 2008, the resolution adopted at the Company's Extraordinary General Shareholders' Meeting held on 30 June 2008, by which the Company changed its corporate name from "Inmobiliaria Udra, S.A." to "San José Desarrollos Inmobiliarios, S.A.", was made public

On 14 June 2016, the corporate resolution adopted by the Company's Board of Directors was publicly ratified, whereby the Company changed its corporate name from "San José Desarrollos Inmobiliarios" to "Dos Puntos Desarrollos Inmobiliarios S.A."

On 20 June 2017, at the Extraordinary General Shareholders' Meeting, it was agreed that the Company's registered office would be changed to Calle Carlos y Guillermo Fernández Shaw 1, 28007 Madrid, Spain.

On 30 June 2017, the Board of Directors of the Company resolved to change the name of the company from "Dos Puntos Desarrollos Inmobiliarios, S.A." to "Vía Célere Desarrollos Inmobiliarios, S.A."

The Company's main operations are carried out in Spain and consist mainly of the development of residential real estate for disposal. The Company's statutory activity consists of providing the following services: development of all types of real estate; construction in general, in its own name or on behalf of third parties; purchase and sale of construction equipment, development and gardening material; execution of public works in general; and purchase and sale of all types of real estate, transportable or not, and of real estate, rural or urban.

The Company is the head of Grupo Vía Célere Desarrollos Inmobiliarios, which is obliged to deposit the consolidated annual accounts with the Companies Registry of Madrid. The composition of the Group is detailed in Note 10 of the report.

For tax purposes, the Company is also the header of the VAT and corporate income tax group. The composition of both groups at the close is as follows:

Since 1 January 2016, the Company has been taxed under the consolidated corporate income tax regime (Group 0258/16). Subsidiaries in the tax group are all subsidiaries resident in Spain in which the Parent has a direct or indirect ownership interest of 75% or more.

With effect from 1 January 2018 companies acquired by the Company in 2017 were included in the tax consolidation group.

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At 31 December 2019, the tax consolidation group is as follows:

<u>IS Group</u>
Parent
Vía Célere Desarrollos Inmobiliarios, S.A.
Subsidiaries
Copaga, S.A.
Udralar, S.L.U.
Udrasur Inmobiliaria, S.L.U.
Torok Investment 2015, S.L.U.
Vía Célere, S.L.U.
Vía Célere 1, S.L.U.
Vía Célere 2, S.L.U.
Vía Célere Gestión de Proyectos, S.L.U.
Conspace, S.L.U.
Vía Célere Catalunya, S.L.U.
Maywood Invest, S.L.U.

The Company has a diversified real estate portfolio in land, stock and assets, valued at 1,828,129 million euros, with a clear focus on the development and promotion of land for the sale of homes.

The shareholding situation of the Company at 31 December 2019 is as shown below:

<u>Company</u>	<u>2019</u>	
	<u>Number of shares</u>	<u>Percentage of ownership interest</u>
Maplesville Invest, S.L.U.	17.828.983	26,0%
Windham Spain, S.L.U.	10.170.558	14,8%
Lewistown Invest, S.L.U.	10.042.179	14,7%
Glenwock Invest, S.L.U.	8.258.332	12,1%
Rimbey Spain, S.L.U.	6.024.597	8,8%
Greencoat B.V.	5.513.934	8,0%
Trinity Investment Ltd.	5.112.989	7,5%
Merrill Lynch International	2.229.368	3,3%
MELF B.V.	1.832.276	2,7%
Barclays Bank PLC	1.329.208	1,9%
Deutsche Bank AG, London Branch	97.877	0,1%
JP Morgan Securities PLC	86.552	0,1%
	<u>68.526.853</u>	<u>100,0%</u>

How it works

The Company's business model aims to promote housing development in Spain and Portugal, in the areas where the highest per capita growth is concentrated, as a way of being less exposed to the risks inherent in this type of activity; at the same time as optimising the *portfolio* of assets to consolidate and increase the recurrent income generated by this business area. The Company intends to consolidate itself as one of the largest agents in the real estate sector in the residential area, its weight in the activity carried out being increasingly important and with a greater future contribution to the Company's turnover.

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2. Evolution and results of the businesses

2.1. Main magnitudes of the Company

Net turnover

Net sales amounted to 248,405 thousand euros. Income from the sale of property assets in stock for the year amounted to 231,480 thousand euros.

Net equity

During 2018, the Company made the following capital increases:

(i) On 15 March 2019, a capital increase of 37,177 thousand euros was granted in a public deed approved by the Company's shareholders at their Annual General Shareholders' Meeting on 10 December 2018, through the issue of 1,821,490 new shares with the same rights as those existing at that date. This increase was made by means of monetary contributions and is registered in the Companies Registry of Madrid on 1 April 2019.

(ii) On 15 March 2019 a capital increase of 18,924 thousand euros was granted in a public deed, approved by the Company's shareholders at their general meeting held on 10 December 2018, through the issue of 927,189 new shares with the same rights as the existing ones. This increase was made by means of credit compensation and is registered in the Companies Registry of Madrid on 27 June 2019.

(iii) On 9 January 2019 the deed of merger of the Aelca Group with the Parent was executed, which involved a capital increase by contribution, as approved by the shareholders at the Annual General Shareholders' Meeting held on 31 October 2018, through the issue of 31,746,987 new shares with a par value of 6 euros each and with the same rights as the existing shares. On 10 January 2019 it was filed with the Companies Registry of Madrid and on 8 March 2019 it was duly registered.

(iv) Following the transactions described above, as of 31 December 2019, the Parent Company's share capital amounted to 411,161,118 euros (204,187,122 euros as of 31 December 2018), and is made up of registered shares of 6 euros par value each, all of them authorised, subscribed and paid up, not listed on the stock exchange, all with the same corporate rights.

Information on actions relating to the environment and personnel

In view of the Company's business activities, it has no environmental liabilities, expenses, assets, provisions or contingencies that might be material with respect to its net worth, financial position and results.

As at 31 December 2019, the average number of employees in the Company's companies was 275. The total number of resources at the end of 2019 was 298.

The gender distribution of employees is:

	31.12.2019		31.12.2018	
	Women	Men	Women	Men
Group General Management	3	2	3	2
Directors and Department Heads	31	52	22	32
Technicians	54	37	26	37
Trade	36	12	20	6
Administration workers	47	21	32	14
Other staff	3	-	3	-
	174	124	106	91

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The average distribution of staff by category is as follows:

	31.12.2019	31.12.2018
Group General Management	5	5
Directors and Department Heads	80	46
Technicians	83	46
Trade	42	20
Administration workers	61	30
Other staff	3	3
	275	150

3. Liquidity and capital resources

Liquidity

In 2019 the Group arranged a syndicated loan and a credit line amounting to 185,331 thousand euros and 37,668 thousand euros, respectively, to finance the acquisition of part of the development business of AELCA and twenty-seven development loans with a total capital of 449,615 thousand euros, of which 60,185 thousand euros were drawn down, to secure the financing of substantially all the developments that commenced construction in the year. The Company's current approach is to finance the construction of the developments through developer-type bank loans, linking the loan provisions to the degree of progress of the work. The company's policy regarding the financing of the plots: "Initially, the Company considers the use of its own resources to acquire new plots of land, although it does not rule out bank financing of no more than 50% of the purchase price, provided that the conditions of profitability, level of commercial risk and urban development status allow it."

4. Main risks and uncertainties

The risk management policies within the different areas in which the Company operates are determined by the analysis of investment projects, taking into account the macroeconomic environment and the situation of the financial markets, as well as the analysis of the management of the assets composing the Company. To this end, we have instruments that allow us to identify them sufficiently in advance or to avoid them, minimising risks.

The most significant financial risks may be:

Market risk

Exposure to interest rate risk

The Company has transactions with derivative financial instruments arranged in over-the-counter (OTC) markets with highly rated Spanish and international banks.

The Company maintains an interest rate cap (CAP). This instrument entitles its holder to receive a positive settlement if the 12M Euribor established at the beginning of the quarterly calculation period is above the related CAP rate. Settlement is quarterly, as the difference between the Euribor at 12M and the CAP rate on the nominal value of the transaction.

Most of the loans and credits held by the Company are indexed to Euribor. The Company has loans outstanding at the end of the year for an amount of 238,957 thousand euros, with a fixed interest rate from 1.50% to 4.00%.

Exposure to price risk

Property assets are subject to future changes in market price. Every year, the Company commissions market valuations from reference firms in order to detect possible accounting impairments.

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Credit risk

The Company does not have a significant credit risk with third parties arising from its own real estate business, since it collects substantially all of its sales at the time of formalisation, either through subrogation of the buyer in the part of the development loan that corresponds to him or by another method, at the buyer's choice. The credit risk arising from payment deferrals in transactions involving the sale of land or completed buildings is mitigated by obtaining guarantees from the buyer or establishing resolutive conditions that can be registered in the Public Registry in the event of non-payment that would result in the recovery of title to the asset sold and the collection of compensation.

Exposure to solvency risk

The Company periodically analyses the risk of insolvency of its accounts receivable by updating the corresponding impairment provision. The Directors consider that the amount of trade and other receivables approximates their fair value.

Liquidity risk

In general, the Company maintains its cash and cash equivalents in financial institutions with a high credit rating. At year-end, the Company had 132,674 thousand euros of cash available for operations, which is considered sufficient to cover the cash requirements for the next 12 months.

5. Important Circumstances Occurring After Closure

Coronavirus COVID-19

The outbreak of the coronavirus (COVID-19) in February and March 2020 has led to an unprecedented international health crisis, which is expected to impact the macroeconomic environment and business performance globally. To address this situation, among other measures, the Spanish Government has declared a state of alarm by publishing Royal Decree 463/2020 of 14 March, and has approved a series of urgent extraordinary measures to address the economic and social impact of COVID-19 by Royal Decree Law 8/2020 of 17 March.

As of the date of preparation of these annual accounts, the impact on our operations is limited to the temporary slowdown in our business activities and production rate of the works, and we believe that we will be able to recover some or all of this slowdown when we return to the normal level of activity. However, the scope and duration of the preventive measures decreed by the authorities, and therefore the effect they could have on our results and future activity, are difficult to estimate given the current situation of uncertainty. The most significant risk to our business would result from a potential deterioration in the macroeconomic context, as our business is strongly related to GDP, the unemployment rate and the purchasing power of families.

6. Information on foreseeable developments

The Company plans to continue with the disposal of inventories of finished products and the cancellation of the associated financial debt. To achieve the objective, trade policies and agreements with local commercial agents will be carried out to maximize the return on investment. However, no significant margins are expected to be obtained.

For 2020, the Company aims to continue acquiring new land plots in accordance with its strategic growth objectives, both geographically and in terms of identifying new housing demand niches with strong growth prospects in the coming years.

For the deliveries of homes scheduled for 2020, the Group plans to continue with its customer service policy to ensure a unique delivery experience.

7. Research and development activities and acquisitions of own shares.

The relevant activities carried out by the Company in 2019 in the area of research, development and innovation were as follows:

Industrialised façades

Continuing with the project of a new industrialised facade, it has gone from prescribing a system designed for transport, elevation, assembly and technical characteristics in its final location to including the variable of manufacturing in the design. To this end, the limitations of the specific machinery for this type of industry and materials have been taken into account, based on a study of said machinery and industry in advance; providing the set of manufacturing, construction, regulatory

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(CTE) and economic viability. After these adjustments, full-scale prototypes were made to verify their ease of manufacture, transport and assembly, and destructive and non-destructive regulatory tests were carried out to empirically verify the system's performance.

Feasibility of industrialised systems in multi-family buildings and their impact on design

A comparison has been made in two plots of land with similar characteristics in the same town (Boadilla del Monte, Madrid) where it has been attempted to make the same type of housing in both plots with different mix of product and buildability, proving that a rational design with small changes can make repetitive typologies in different geometries of plots. In both projects the construction company entered from the conceptual phase to carry out an optimised design taking into account the rules of the industrialised construction system chosen for each project: one of them is prescribed with a three-dimensional industrialised system with a metal structure and collaborating plate slabs and the second project is elaborated with a 2D prefabricated concrete structure with supporting concrete panels and hollow-core slabs. A comparison of systems, prices and deadlines is made.

Standardisation of technical and economic criteria in preliminary projects

Improvement of efficiency in the process of preparing a project by including standardised items in the initial phase of the project. These items have been studied according to their impact on the cost of construction of a work (nearly 80% of the cost). Specifically, standard options have been defined at the level of: structure; facades; interior quality memories; installations; etc. For each of these settings, the most relevant items have been analysed, providing them with real prices and their repercussions per m2, so that these elements can be traced at launch and throughout the life of the asset.

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A.

Signature sheet

The Directors of the company Vía Célerе Desarrollos Inmobiliarios, S.A., having met on 19 March 2020 and in compliance with the requirements established in articles 253.2 of the Consolidated Text of the Spanish Companies Act and article 37 of the Spanish Commercial Code, proceeded to prepare the Annual Accounts and the Management Report for the financial year from 1 January 2018 to 31 December 2018. The annual accounts consist of the documents annexed to this document.

The directors of the Company Via Celere Desarrollos Inmobiliarios S.A., on a meeting held on 19 March 2020 and complying with the requirements established in the articles 253.2 of the Consolidated Text of the Spanish Companies Act and in article 37 of the Commerce Code, decide to draw up the Annual Accounts and the Management Report of financial year covered between 1 January 2018 and 31 December 2018. The annual accounts are composed of the documents attached herein.

D. Francisco Milone

Mr. Francisco Milone

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A.

Signature sheet

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D. Héctor Serrat Sanz

Mr. Héctor Serrat Sanz

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A.

Signature sheet

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D. Jaime Echevarría

Mr. Jaime Echevarría

VÍA CÉLERE DESARROLLOS INMOBILIARIOS, S.A.

Signature sheet

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D. José Ignacio Morales Plaza

Mr. José Ignacio Morales Plaza