Auditor's report on Healthcare Activos Yield SOCIMI, S.A. and subsidiaries

(Together with the consolidated annual accounts and consolidated directors' report of Healthcare Activos Yield SOCIMI, S.A. and subsidiaries for the year ended 31 December 2022)

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

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Independent Auditor's Report on the Consolidated Annual Accounts

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

To the shareholders of Healthcare Activos Yield SOCIMI, S.A.

Opinion

We have audited the consolidated annual accounts of Healthcare Activos Yield SOCIMI, S.A. (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated statement of financial position at 31 December 2022, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

We conducted our audit in accordance with 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 Consolidated Annual Accounts* section of our report.

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

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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 consolidated annual accounts of the current period. These risks were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risks.

Valuation of investment property (see notes 4.3 and 9)

The Group has a very significant amount of its assets in investment property to earn rentals. The Group uses the fair value model, recognising the changes in fair value in the consolidated income statement. The Group generally calculates the fair value of investment property based on appraisals made by independent experts. The valuation of investment property has been considered a relevant aspect of our audit insofar as the valuation techniques used often require the exercising of judgement by the Directors, the use of assumptions and estimates, as well as due to the significance of their amounts. Any modification to these assumptions and estimates could have a significant impact on the accompanying consolidated annual accounts.

Our audit procedures included evaluating the design and implementation of key controls related to the valuation of investment property, as well as assessing the methodology and assumptions applied in the preparation of the appraisals used in this process, for which purpose we involved our valuation specialists. We also assessed whether the disclosures in the consolidated annual accounts meet the requirements of the financial reporting framework applicable to the Group.

Emphasis of Matter

We draw attention to note 5 to the accompanying consolidated annual accounts, which states that the consolidated annual accounts for 2022 are the first that the Company's Directors have prepared under IFRS-EU. These standards generally require comparative information to be presented in the financial statements. The comparative figures for the prior year therefore differ from those presented in the approved consolidated annual accounts for 2021. Note 5.4 to the consolidated annual accounts details the differences in consolidated equity at 1 January 2021 (start of the preceding reporting period) and at 31 December 2021 (end of preceding reporting period) and the Group's consolidated profit/loss for 2021 resulting from application of IFRS-EU. Our opinion is not modified in respect of this matter.

Other Information: Consolidated Directors' Report

Other information solely comprises the 2022 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

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

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility for the consolidated 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 consolidated directors' report with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned consolidated annual accounts, and assessing and reporting on whether the content and presentation of the consolidated 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 consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2022 and the content and presentation of the report are in accordance with applicable legislation.

Directors' Responsibility for the Consolidated Annual Accounts

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

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

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the economic decisions of users taken on the basis of these consolidated annual accounts.

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

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

We communicate with the Directors of the Parent 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.

From the significant risks communicated to the Directors of Healthcare Activos Yield SOCIMI, S.A., we determine those that were of most significance in the audit of the consolidated 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)

Alejandro Núñez Pérez
On the Spanish Official Register of Auditors ("ROAC") with no. 15732

31 March 2023

Healthcare Activos Yield SOCIMI, S.A. and subsidiaries

Consolidated Annual Accounts for the financial year ending December 31, 2022, prepared pursuant to the applicable international financial reporting framework and Consolidated Management Report.

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Healthcare Activos Yield SOCIMI, S.A. and subsidiaries

Consolidated statement of financial position for the financial year ending December 31, 2022 – In thousands of euros

Assets	Note	December 31, 2022	December 31, 2021	January 1, 2021
Intangible assets		12	4	4
Real estate investments	9	728,298	422,143	389,384
Derivative financial instruments	13	19,603	514	–
Other non-current assets	10	35,044	3,797	3,887
Non-current assets		**782,957**	**426,458**	**393,275**
Trade and other receivables		645	554	1,827
Current tax assets	12	817	120	–
Other public administration receivables	12	978	20	31
Other current assets	10	942	362	462
Cash and cash equivalents		9,785	5,092	11,762
Current assets		**13,167**	**6,148**	**14,082**
Total assets		**796,124**	**432,606**	**407,357**

Net equity and Liabilities	Note	December 31, 2022	December 31, 2021	January 1, 2021
Share capital	14	174,194	118,714	118,714
Share premium	14	91,318	35,350	37,298
Other equity holders' contributions	14	78,540	33,125	34,519
Other reserves	14	161	(254)	(641)
Retained earnings	14	73,492	51,466	27,747
Hedges reserve	14.6	19,603	514	(1,670)
Net equity attributable to parent company		**437,308**	**238,915**	**215,967**
Net equity		**437,308**	**238,915**	**215,967**
Amounts payable to credit institutions	11	268,988	179,900	175,973
Derivative financial instruments	13	–	–	1,670
Lease liabilities	8.2	3,293	3,378	3,462
Other non-current liabilities	11	33,936	3,856	3,852
Non-current liabilities		**306,217**	**187,134**	**184,957**
Amounts payable to credit institutions	11	3,793	2,729	2,048
Lease liabilities	8.2	85	83	82
Trade and other payables		5,198	1,549	3,628
Other debts with public entities	12	508	882	663
Other current liabilities	11	43,015	1,314	12
Current liabilities		**52,599**	**6,557**	**6,433**
Total net equity and Liabilities		**796,124**	**432,606**	**407,357**

These consolidated annual financial statements must be read with the attached Notes.

Healthcare Activos Yield SOCIMI, S.A. and subsidiaries

Consolidated Income Statement Comprehensive Income Statement for the financial year ending 31 December 2022 - In thousands of euros

Statement of profit or loss	Note	2022	2021
Turnover	15.1	21,932	18,431
Personnel expenses	15.3	(214)	(152)
Other operating expenses	15.2	(22,485)	(5,019)
Amortization and depreciation		-	(4)
Net results from fixed assets disposal	9.1	-	26
Changes in fair value of real estate investments	9.1	33,771	18,830
Results from operating activities		**33,004**	**32,112**
Financial income	15.4	5,905	1
Financial expenses	15.4	(15,190)	(4,238)
Profit/(loss) before income tax		**23,719**	**27,875**
Income Tax	12	(1,203)	33
Consolidated net profit/(loss)		**22,516**	**27,908**
Net profit/(loss) for the period attributable to the Parent Company		22,516	27,908
Basic and diluted net profit/(loss) per share		0.16	0.24

Comprehensive consolidated statement of profit/(loss)	Note	2022	2021
Consolidated net profit/(loss)		**22,516**	**27,908**
Other comprehensive income		**19,089**	**2,184**
Hedging instrument gains or losses		19,089	2,184
Comprehensive consolidated profit/(loss)		**41,605**	**30,092**
Comprehensive profit/(loss) for the period attributable to the Parent Company		41,605	30,092

These consolidated annual financial statements must be read with the attached Notes.

Healthcare Activos Yield SOCIMI, S.A. and subsidiaries

Consolidated Statement of Changes in Net Equity for the financial year ending December 31, 2022 – In thousands of euros

	Share Capital	Share premium	Other equity holders' contributions	Other reserves	Retained earnings	Hedges reserve	Total net Equity
Balance at 1 January 2021	118,714	37,298	34,519	(641)	27,747	(1,670)	215,967
Total recognised income and expenses	–	–	–	–	27,908	–	27,908
Application of profit/(loss) (dividends)	–	(1,948)	–	–	(5,195)	–	(7,143)
Other comprehensive profits/losses	–	–	–	–	–	2,184	2,184
Other changes in equity	–	–	(1,394)	387	1,006	-	(1)
Balance at December 31 2021	118,714	35,350	33,125	(254)	51,466	514	238,915
Total recognised income and expenses	–	–	–	–	22,516	–	22,516
Transactions with equity holders:	–	–	–	–	–	–	–
Capital increases	55,480	57,898	-	–	–	–	113,378
Other equity holders' contributions	–	–	51,380	–	–	–	51,380
Application of profit/(loss) (dividends)	–	(1,930)	(5,965)	–	(79)	–	(7,974)
Other comprehensive profits/losses	–	–	–	–	–	19,089	19,089
Other changes in equity	–	–	–	415	(411)	-	4
Balance at December 31 2022	174,194	91,318	78,540	161	73,492	19,603	437,308

These consolidated financial statements must be read with the attached Notes

Healthcare Activos Yield SOCIMI, S.A. and subsidiaries

Consolidated Cash Flow Statement for the financial year ending December 31, 2021 – In thousands of euros

Cash flow from operations	Note	December 31, 2022	December 31, 2021
1. Cash flows from operating activities			
Consolidated net profit/(loss)		22,516	27,908
Adjustments to the profit or loss			
Amortization		–	4
Profit or loss on fixed assets disposal		–	(26)
Profit/loss due to changes in value of assets and impairment	9	(33,771)	(1,883)
Other income and expenses		(1,094)	(154)
Net financial income	15	2,895	4,238
Tax on profits	12	1,203	(33)
Adjusted profit/(loss)		**(8,251)**	**13,107**
Proceeds from/(payments for) income taxes	12	(3,232)	(219)
Increase/(decrease) in current assets and liabilities			
Increase/(decrease) in receivables		(91)	1,265
Increase/(decrease) in payables		3,649	(1,569)
Increase/(decrease) in other assets and liabilities		(1,414)	(417)
Total net cash flows from operating activities		**(9,339)**	**12,167**
2. Cash flows from investing activities			
Investments in			
Intangible assets		(8)	–
Real estate investments	9	(160,438)	(14,002)
Sale of investments in			
Real estate investments		–	95
Total net cash flows from investment activities		**(160,446)**	**(13,907)**
3. Cash flow from financing activities			
Dividends distribution	14	(7,974)	(5,474)
Capital increase and other equity holders' contributions	14	95,277	–
Debt repayment	11	(188,990)	(1,886)
Interest payments	11	(5,973)	(4,193)
Cancellation of financial instruments	11 and 13	5,337	–
Obtainment of new financing	11	276,951	7,215
Other proceeds/(payments) for current financial assets and others		(150)	(592)
Total net cash flows from financing activities		**174,478**	**(493)**
4. Net increase / reduction in cash and cash equivalents		**4,693**	**(667)**
Cash or cash equivalents at start of financial year		5,092	11,762
Cash and cash equivalents at end of year		9,785	5,092

These consolidated annual financial statements must be read with the attached Notes

Healthcare Activos Yield SOCIMI, S.A. and subsidiaries

Consolidated Annual Report for the financial year ending December 31 2022

1. General information and activity of the Group

1.1 PARENT COMPANY

Healthcare Activos Yield SOCIMI, S.A. (hereinafter the "Parent Company" or "Group") was incorporated on 1 February 2019 under the corporate name of Roldania Investments, S.A. before the notary Fernando Fernández Medina On 26 July 2019, the corporate domicile of the Company was modified. Later, on 18 September 2019, the company was named Healthcare Activos Yield SOCIMI, S.A..

On 13 September, 2019, the General Shareholders' Meeting of the parent company agreed on the adoption of the special tax regime of "SOCIMI", defined in Law 11/2009, of 26 October, which regulates Publicly-traded Investment Corporations in the Real Estate Market, with effect for the tax periods beginning 1 February 2019 (date of incorporation of the Company).

The Parent Company and its subsidiary companies are part of the first leading platform in Spain for specialised investment in real estate assets at the service of the healthcare sector, including nursing homes, hospitals and clinics.

The Parent Company's corporate purpose, pursuant to its by-laws, is as follows:

> the acquisition and promotion of real estate of an urban nature for its lease, including the activity of renovation of buildings in the terms established in Law 37/1992, of 28 December, on Value-Added Tax;

> holding shares in the capital of other publicly-traded real estate investment companies (SOCIMIs), or in other entities that do not reside in Spanish territory that have the same corporate purpose as them, and are subject to a regime similar to the one established for SOCIMIs as concerns the mandatory, legal or statutory policy for the distribution of profits.

> holding stakes in the capital of other entities, whether or not they are residents in Spanish territory, who have as their main corporate purpose the acquisition of real estate of an urban nature for its lease, and that are subject to the same regime that is established for SOCIMIs as concerns the mandatory, legal or statutory policy for distribution of profits, and that meet the investment criteria required for such companies; and

> holding shares or stakes in Collective Real Estate Investment Institutions regulated in Law 35/2003, of 4 November, on Collective Investment Institutions, or any rule replacing it in the future.

Along with the economic activity derived from the main corporate purpose, the Parent Company may conduct other additional activities, with any whose income totals, overall, less than 20% of the Parent Company's total revenue in a given tax period, or those that may be considered complementary pursuant to the applicable law at any time.

The listed activities may also be totally or partially, conducted by the Parent Company, indirectly, through holdings in other companies of identical or similar purpose.

Healthcare Activos Yield SOCIMI S.A. and its subsidiary companies (hereinafter the Group), carries out its activities in Spain, Belgium and Portugal.

The tax regime of the Parent company and most of its subsidiaries is regulated by Law 11/2009, of 26 October, later modified by Law 16/2012, of 27 December, which regulates Publicly-traded Investment Corporations in the Real Estate Market (SOCIMI). Article 3 establishes the investment requirements for this type of Companies, which are:

1. The SOCIMI must have invested, at least, 80% of the value of the asset in real estate of an urban nature intended for the lease, in land for the promotion of real estate to be used for that purpose, provided that the promotion is initiated within three years following its acquisition, as well as in shares in the capital or equity of other entities that are referred to in Section 1, Article 2 of the aforementioned Law.

   The value of the asset will be determined by the average of the individual quarterly balances sheets for the financial year. The SOCIMI may calculate this value to replace the book value with the market value of the elements that make up these balance sheets, which would be applied to all balance sheets for the financial year. For these purposes, and if applicable, the money or credit claims from the transfer of such real estate or shares that have been made in the same or prior financial year will not be calculated when, in the latter case, the reinvestment period referred to in Article 6 of the aforementioned Law has not passed.

   This percentage will be calculated based on the average of the consolidated balance sheet in the event that the company is the parent company of a group according to the criteria established in Article 42 of the commercial code, regardless of residence and the obligation to formulate consolidated annual financial statements. Said group shall be made up exclusively of the SOCIMI and the rest of the entities referred to in section 1 of Article 2 of said Law.

2. Likewise, at least 80% of the income of the tax period corresponding to each financial year, excluding those derived from the transfer of the shares and the real estate assets both subject to the fulfilment of their main corporate purpose, once the maintenance period referred to in the following section has elapsed, must come from the leases of real estate and from dividends or interests in the profits from said shares.

   This percentage will be calculated on the consolidated result in the event that the company is the parent company of a group according to the criteria established in Article 42 of the Commercial Code, regardless of residence and the obligation to formulate consolidated annual financial statements. Said group shall be made up exclusively of the SOCIMI and the rest of the entities referred to in section 1 of Article 2 of said Law.
3. The real estate that makes up the assets of the company must remain leased for at least three years. For the purposes of the calculation, the time that the properties have been offered under lease will be added, with a maximum of one year.

The term shall be calculated:

a. In the case of real estate that appears in the equity of the Company before the time of joining the regime, from the start date of the first tax period in which the special tax regime established in said Law is applied, provided that on that date the property was leased or offered under lease. Otherwise, the provisions of the following letter shall apply.

b. In the case of real estate promoted or acquired later by the Company, from the date on which they were leased or offered in lease for the first time.

c. In the case of shares or equity interests in the capital of entities referred to in section 1 of article 2 of said Law, they must remain in the assets of the Company for at least three years from their acquisition or, where appropriate, from the beginning of the first tax period in which the special tax regime established in said Law is applied.

In addition, Law 11/2009 establishes the following requirements in Articles 4 and 5:

1. The shares of the SOCIMI must be registered and be admitted for negotiation in a regulated market or in a multilateral Spanish trading system or in that of any other Member State of the European Union or the European Economic Area, or in a regulated market of any country or territory with which there is effective exchange of tax information, uninterrupted throughout the tax period.

2. The SOCIMI will have a minimum share capital of 5 million euros. There may be only one class of shares. When the Company has opted for the special tax regime established in said Law, it must include in the company's name the indication "Sociedad Cotizada de Inversión en el Mercado Inmobiliario, Sociedad Anónima", or its abbreviation, "SOCIMI, S.A.". This requirement is met by the Company.

3. In addition, as described in Article 6 of Law 11/2009, of 26 October, which regulates Publicly-traded Investment Corporations in the Real Estate Market, the SOCIMI and entities residing in the Spanish territory in which they participate that have opted for the application of the special tax regime established by said Law, are required to distribute dividends to their shareholders, once the corresponding commercial obligations have been fulfilled, the profit obtained in the financial year, its distribution must be agreed upon within six months following the conclusion of each financial year, in the following form: (i) 100% of the profits from dividends or interests in profits distributed by the entities subject to said regime; (ii) 50% of profits arising from the transfer of real estate and shares or equity units, made after the deadlines established in the investment requirements have elapsed, with the rest of said profits being reinvested within the three years following said transfer, and failing that, must be distributed in full; and (iii) at least 80% of the rest of the profits obtained.

As stated in Note 14, the Parent Company has proceeded to distribute interim dividends from the profits of the 2021 financial year during that financial year; the remaining profits obtained during the 2021 financial year were distributed during the first half of the 2022 financial year. The Parent company did not obtain any profits in the 2022 financial year. Therefore, no interim distributions of profits have been made.

As established in the First Transitory Provision of Law 11/2009, of 26 October, which regulates Publicly-traded Investment Corporations in the Real Estate Market, it may be decided to apply the special tax regime in the terms established in article 8 of said Law, even when the requirements therein are not met, provided that such requirements are met within two years following the date of the option to apply said regime.

In this regard, as of 31 December 2022 and 2021, of the requirements established by Law 11/2009, of 26 October, which regulates the Publicly-traded Investment Corporations in the Market, the Company complies with all the conditions mentioned therein.

The Board of Directors of the Company monitors compliance with the requirements established in said Law, with the objective of maintaining the tax advantages of the same, estimating that said requirements will be fulfilled in the terms and deadlines set, and recognising the corporate income tax for the financial year in that sense.

The Parent Company is the head of a group of subsidiary entities, and in accordance with the current legislation, is required to separately prepare consolidated annual financial statements.

1.2 SUBSIDIARIES

Subsidiaries are considered to be those over which the Company, directly or indirectly, through dependents, exercises control, as provided for in IFRS 10 "Consolidated Financial Statements". Control is defined as the power to govern the financial and operating policies in order to obtain profits from their activities, considering for these purposes the potential voting rights that can be exercised or converted at the end of the financial year held by the Group or third parties.

As of 31 December 2022 and 31 December 2021, and 1 January 2021, the companies forming part of the Healthcare Activos Yield SOCIMI, S.A. Group and its subsidiaries were those listed in Annex I.

1.3 VARIATIONS OF THE CONSOLIDATION SCOPE AND OTHER SIGNIFICANT OPERATIONS

Company transactions

In the 2022 financial year, the following transaction was completed, marking the configuration of the current Healthcare Activos Yield SOCIMI, S.A. Group, consisting of the following landmarks:

> On 31 March 2022, the company Healthcare Activos Europe, S.A. acquired 98.531% of the Parent Company's stock for a total amount of 225.4 million euros, leading to the exit of the selling partners from the ownership, and the entrance of a new main shareholder into the shareholders of the Parent Company.

> On 31 March 2022, the Group's bank debt was refinanced through the arrangement of a new syndicate loan the total payment of the previous debt (see Note 11). This refinancing affected the bank debt of the Group at that date, and the existing debt of the companies subsequently acquired on 8 April 2022.

> On 31 March 2022, the new main shareholder of the Parent Company, Healthcare Activos Europe, S.A., paid out 5 million euros to the Parent Company through a loan between companies of the group.

> On the same date, for an amount of 51,005 thousand euros, Healthcare Activos Europe, S.A. acquired from Sociedad Healthcare Activos Investment, S.A., 100% of the shares in the capital of 13 companies that owned a portfolio of five operating residential facilities for elders, and nine in development (see Note 9), as well as an operating hospital from the company HAECP, Lda.

To carry out the operation, and to purchase the shares from the Parent Company, the partners of Sociedad Healthcare Activos Europe, S.A. disbursed loans for an amount of 294,882 thousand euros. The bank debt of the acquired companies was refinanced.

> Subsequently, on 8 April 2022, the main shareholder, Healthcare Activos Europe, S.A. sold the 98.531% stake it held in the Parent Company, which it had previously purchased on 31 March 2022, for the same price of 225.401 thousand euros, to the new Company shareholders listed in Note 14; thus reinforcing its shareholder base with leading worldwide institutional investors that will support the Group's future growth. The additional capital committed will support the Group's long-term expansion, and its European development in key markets such as Germany, Italy, Belgium and Portugal.

- On the same date, Healthcare Activos Europe, S.A. sold to the Parent Company 100% of the shares acquired 31 March 2022 from Healthcare Activos Investment, S.A., as well as all of the assets and liabilities resulting from the aforementioned transactions. This was a net asset acquisition operation which did not constitute a business.

  These acquisitions were structured on the basis of the purchase-sale contract for shares and the transfer of rights, signed 8 April 2022, in which it was agreed that the payment for said shares would be made from the offset of assets (rights) and liabilities (obligations) acquired and transferred from the selling company to the Parent Company. The sales price for the transfer of shares, as well as for all assets and liabilities to the Parent Company, was 69,481 thousand euros. To cover this amount, the shareholders of the Parent Company approved a capital increase through the offsetting of the aforesaid claims. At least 25% of these claims, the purpose of which was to increase capital, was liquid, mature and repayable, and with a maturity of no more than five years, as is established in article 301 of the consolidated text of the Capital Companies Act.

- On July 8, 2022, the Parent Company made a payment of 91,585 euros to the company HAECP, Lda. (former owner of 100% of the company stock of the subsidiary Sequêncialternativa, S.A.) and a second payment of 8,716 euros to the company Healthcare Activos Investment, S.A. (former owner of 100% of the shares of the remaining companies acquired on 8 April 2022). These payments were made as adjustments over the initial price paid for the shares of companies acquired on 31 March 2022 by Sociedad Healthcare Activos Europe, S.A. from their former owners.

The Group has applied the IFRS 3 concentration test for above-described acquisitions, and has concluded that they constitute an acquisition of assets, as practically all of the fair value of the gross assets acquired is concentrated in a single asset.

No significant company transactions have taken place in the 2021 financial year.

Variations in the scope

- As a result of the previously-described operation of 8 April 2022, the Parent Company acquired 100% of the shares of the companies Healthcare Activos Inmobiliarios 5, S.L.U.; Healthcare Activos Inmobiliarios 8, S.L.U.; Healthcare Activos Inmobiliarios 10, S.L.U.; Healthcare Activos Inmobiliarios 14, S.L.U.; Healthcare Activos Inmobiliarios 15, S.L.U.; Healthcare Activos Inmobiliarios 18, S.L.U.; Healthcare Activos Inmobiliarios 20, S.L.U.; Healthcare Activos Inmobiliarios 21, S.L.U.; Healthcare Activos Inmobiliarios 23, S.L.U.; Healthcare Activos Inmobiliarios 24, S.L.U.; Healthcare Activos Inmobiliarios 25, S.L.U.; Healthcare Activos Inmobiliarios 26, S.L.U. and Sequêncialternativa, S.A.

- The Parent company incorporated the following companies in the 2022 financial year:

  - Healthcare Activos Inmobiliarios 29, S.L.U., incorporated on 21 June 2022.
  - Healthcare Activos Inmobiliarios 30, S.L.U., incorporated on 21 June 2022.
  - Healthcare Activos Inmobiliarios 31, S.L.U., incorporated on 21 June 2022.
  - Healthcare Activos Inmobiliarios 32, S.L.U., incorporated on 19 October 2022.
  - Healthcare Activos Inmobiliarios 33, S.L.U., incorporated on 19 October 2022.
  - Healthcare Activos Inmobiliarios 34, S.L.U., incorporated on 19 October 2022.
  - Healthcare Activos Inmobiliarios Belgium, S.R.L., incorporated on 21 December 2022.

- At 21 December 2022, the Parent Company had acquired 100% of the shares of the companies incorporated in Belgium, Senre, S.R.l; De Wilde, S.R.L.; Ladolcevita, S.A. and RV Invest, N.V. This was a net asset acquisition operation which did not constitute a business.

The following variations in the consolidation scope took place in the 2021 financial year:

> On 12 January 2021, the subsidiary Healthcare Activos Financing, S.L.U. acquired 100% of the shares of the company Hospedería Granadina, S.L. (later merged with purchasing company).

Mergers

By deed of 26 July 2022, the Group Parent Company agreed on the merger by absorption by Healthcare Activos Financing, S.L.U. (absorbing company) over the following absorbed companies: Healthcare Activos Inmobiliarios 13, S.L.U.; Healthcare Activos Yield Growth, S.L.U., Healthcare Activos Inmobiliarios 5, S.L.U., Healthcare Activos Inmobiliarios 8, S.L.U., Healthcare Activos Inmobiliarios 10, S.L.U., Healthcare Activos Inmobiliarios 18, S.L.U., Healthcare Activos Inmobiliarios 26, S.L.U.

Therefore, a dissolution without liquidation was carried out and the whole transfer of all its assets and liabilities and universal transfer of ownership of all the rights and obligations of the absorbed companies to the absorbing company.

Regarding the mergers carried out in the 2021 financial year, at 29 March 2021, effective 1 January 2021, the Group Parent Company agreed on the merger by absorption by Healthcare Activos Financing, S.L.U. (absorbing company) and its subsidiary Hospedería Granadina, S.L. (absorbed company). On 1 June 2021, effective 1 January 2021, the Group Parent Company agreed on the merger by absorption of Healthcare Activos Yield Growth, S.L.U. (absorbing company) and its subsidiary Maquavit Inmuebles S.L.U. (absorbed company).

2. Significant accounting policies

2.1 BASIS FOR PRESENTATION

These Consolidated Annual Accounts have been prepared in accordance with the going concern principle and with the terms of the International Financial Reporting Standards adopted by the European Union (EU-IFRS), taking into consideration all accounting principles and rules, and all mandatory, applicable valuation criteria, in addition to the Commercial Code, the Capital Companies Act, the Securities Market Law and other applicable commercial legislation, to portray a true and faithful image of the property and financial situation of the Group as of 31 December 2022, 31 December 2021 and 1 January 2021; and the results of its transactions, the changes in equity and the consolidated cash flows of the Group corresponding to the financial years ending at 31 December 2022 and 31 December 2021. The events described in Note 5 are of special relevance, as they explain the transition.

The consolidated annual financial statements of Healthcare Activos Yield SOCIMI, S.A. and its subsidiaries for the financial year ending at 31 December 2022 have been prepared from the Company's accounting records, kept by the Parent Company and the and by the other companies making up the group and have been prepared by the administrators of the Parent Company at the meetings of its board of Directors on March 29, 2023.

Nevertheless, and given the fact that the accounting principles and valuation criteria applied in the preparation of the Group's Consolidated Annual Accounts as of 31 December 2022 may differ from those used by some of the companies that make it up, all adjustments and reclassifications necessary to standardize these principles and criteria and adjust them to the EU-IFRS have been implemented in the consolidation process.

With a view to presenting the various items that make up the consolidated annual accounts in a standardized manner, the principles and valuation rules followed by the Parent company have been applied to all of the companies included in the consolidation scope.

The Consolidated Annual Accounts of the Parent Company and its subsidiaries for the 2021 financial year were approved at its Meeting of Shareholders of 26 April 2022 and are deposited in the Register of Companies of Madrid.

2.2 ADOPTION OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated in Note 5, these Group consolidated annual accounts are being presented For the first time in accordance with the EU-IFRS, pursuant to the terms of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002. Said regulation is also applicable for its comparisons. The EU-IFRS were adopted on 1 January 2021, which is why the consolidated financial position statement is presented for purposes of comparison with the dates of 31 December 2021 and 1 January 2021.

Effective rules and interpretation for this financial year

> Amendments to the IFRS 3 "Business combinations": updates a reference in IFRS 3 to the Conceptual Framework for Financial reporting without changing the accounting requisites for business combinations. The application of these modifications did not generate any significant impact on these consolidated annual accounts.

> Amendments to IAS 16 "Property, plant and equipment": prohibit deducting from the cost of an item of property any proceeds from selling items produced while bringing that asset to the condition necessary for it to operate in the manner intended by management. Instead, an entity recognises said proceeds in profit or loss for the period. The application of these modifications did not generate any significant impact on these consolidated annual accounts.

> Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets": specify the costs included when a company is determining whether a contract is onerous. The application of these modifications did not generate any significant impact on these consolidated annual accounts.

Standards and interpretations issued, though not yet effective, that can be adopted in advance

> Amendments to IAS 1, "Presentation of Financial Statements", on the classification of liabilities: the amendments clarify that liabilities are classified as current or non-current, depending on the rights that exist at the end of the period being informed on. The classification is not affected by the entity's expectations or events subsequent to the date of the financial statements. The amendment also clarifies what the "settlement" of a liability is. This standard was published in January 2020 and will come into force for the financial years beginning as of 1 January 2023.

> Amendments to IAS 1, "Presentation of Financial Statements": the aim of this amendment is to improve disclosure of accounting policies, requiring companies to disclose the material accounting policies rather than their significant accounting policies. This standard was published in February 2021 and will come into force for the financial years beginning as of 1 January 2023. Advance application of it is allowed.

> Amendments to IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors": the purpose of this amendment is to help users distinguish between changes in accounting policies and changes in accounting estimates, as this will determine whether they are applied retrospectively or prospectively. This standard was published in February 2021 and will come into force for the financial years beginning as of 1 January 2023. Advance application of it is allowed.

> Amendments to IAS 12, "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction": requires companies to recognise the deferred tax on transactions that, in their initial recognition, give rise to equal amounts of taxable and deductible temporary differences. This standard was published in May 2021 and will come into force for the financial years beginning as of 1 January 2023.

> IFRS 17 "Insurance Contracts": IFRS 17 replaces IFRS 4, which allows a wide variety of practices in the accounting of the insurance contracts. IFRS 17 will fundamentally alter the accounting practices of entities that issue insurance contracts and investment contracts with discretionary participation characteristics.

> Amendments to IAS 1 "Classification of liabilities as current or non-current with covenants": the aim of this amendment is to clarify certain aspects regarding the presentation of liabilities as current and non-current and especially, conditioning their advance due dates to the compliance with covenants. These amendments will come into force for the financial years beginning as of 1 January 2024.

> Amendments to IFRS 16, "Lease liability in a sale and leaseback": the aim of this modification is to clarify certain aspects regarding the subsequent accounting of lease liabilities that arise in sale and leaseback transactions. These amendments will come into force for the financial years beginning as of 1 January 2024.

There are no other IFRS, or IFRSIC interpretations, that are not yet effective, but would be expected to have a significant effect for the Group.

2.3 FUNCTIONAL CURRENCY

The consolidated annual financial statements are presented in euros, which is the functional currency of the Parent Company and presentation currency of the Group.

2.4 RESPONSIBILITY FOR THE INFORMATION PROVIDED AND ESTIMATES AND JUDGEMENTS MADE

The information in these consolidated financial statements is the responsibility of the Parent Company's directors. Management of the Parent Company has made estimates based on objective data in order to quantify certain assets, liabilities, revenues, expenses and commitments reported herein. These estimates and criteria relate to the following:

> The market value of real estate investments (Note 9). The market value was obtained from the appraisals periodically made by independent experts. These valuations have been performed on 31 December, 2022, 31 December, 2021 and 1 January, 2021 by the methods described in Note 4.3.

> The market value of derivative financial instruments (Note 13).

> Determination of lease terms. When determining the lease term, company management considers all of the facts and circumstances that economically encourage or discourage the exercise of an extension option or termination option. Extension options (or periods subsequent to the termination options) are only included in the lease term if it is reasonably certain that the lease will be extended (or will not be rescinded).

2.5 BASIS OF CONSOLIDATION

The accompanying consolidated financial statements were prepared from the accounting records of Healthcare Activos Yield SOCIMI, S.A., and of the companies controlled thereby.

The results of the subsidiaries acquired or sold during the year are included in consolidated income from the effective date of acquisition.

All accounts receivable and payable and other transactions between the consolidated companies have been eliminated on consolidation.

Where necessary, the financial statements of the subsidiaries are adjusted to ensure uniformity with the accounting policies applied by the Parent company. All subsidiaries have the same reporting date as the Parent company, i.e., 31 December.

(i) Subsidiaries

The consolidation has been carried out by applying the global integration method to subsidiary companies, given that the Group exercises or may exercise, directly or indirectly, its control, understood as the power to direct financial and operating policies of a company to obtain financial profits from its activities.

The subsidiaries have been consolidated by applying the global integration method. This circumstance is generally manifested by the direct or indirect ownership of 50% or more of the voting rights of its subsidiaries.

The investments in multigroup companies are recorded by the proportional integration method from the date at which joint control is exercised, and until the date at which they were this joint control ceases. Nevertheless, if on the date control is obtained, the investments comply with the conditions to be classified as non-current assets or groups containing elements held for sale, they are recorded at their fair value minus sales costs.

The income, expenses and cash flows of the subsidiaries are included in the consolidated annual financial statements since their acquisition date, which is that in which the Group effectively obtains control of them. The subsidiaries are excluded from consolidation from the date on which control is lost.

(ii) Joint arrangements

According to IFRS 11, "Joint Arrangements", investments in joint arrangements are classified as joint operations or joint ventures. Regardless of the legal structure of the arrangement, the classification of joint arrangements depends upon the investing parties' rights and obligations arising from the arrangement. The Group has joint operations.

Along these lines, the Group recognises its direct right to the assets, liabilities, income and expenses of joint operations and its participation in any asset, liability, income or expense jointly incurred or possessed. These have been included in the Consolidated Annual Accounts under the pertinent titles.

A subsidiary holds 50% of the financial interest of Provitae Centros Asistenciales, S.L. This agreement requires the unanimous consent of all parties for all relevant activities. The two partners have direct rights over the assets of the company, and are joint and severally responsible for the obligations undertaken by said company. Therefore, this entity is classified as a joint operation, and the group recognises its direct rights as concerns the assets, liabilities, income and expenses jointly held thereby.

2.6 COMPARISON OF THE INFORMATION

The Consolidated Annual Accounts are presented for the purposes of comparison with each of the items of the Consolidated Balance Sheet, the Consolidated Profit and Loss Account, the Consolidated Statement of Changes in Net Equity, the Consolidated Cash Flow Statement and the Consolidated Notes to the Accounts, for the figures from the 2022 financial year, and those of the prior year. The information regarding the facts described in Note 5 is especially relevant.

2.7 SEGMENT REPORTING

Reporting for the operating segments is performed consistently with the internal reporting to the highest operational decision-making authority. The highest operational decision-making authority is the individual or group who assigns resources and evaluates the performance of an entity's operational segments. The Group has determined that its highest operational decision-making authority is the Board of Directors.

2.8 GOING CONCERN PRINCIPLE

The working capital of the Group at 31 December 2022, calculated as the difference between current assets and liabilities, is negative for an amount of 39,432 euros. This is mainly a consequence of the investments whose payment is pending at the end of the financial year, and that mature during the 2023 financial year. Despite this negative working capital, the Group has enough capital committed by its shareholders to carry out the development of projects in its portfolio in the short and mid-term, and also has approved external financing to cover its needs, as is the case of an undrawn syndicated loan for 110 million euros at the closure of the financial year (see Note 11.1).

Both the Group's committed capital and the available sources of financing significantly surpass its short-term payment obligations.

In light of the foregoing, Group Administrators have prepared these annual accounts applying the going concern principle.

3. Parent Company profit application

The Parent Company's proposed application of profit for the 2022 period, included in the consolidated annual financial statements that will be submitted for approval by the General Meeting of Shareholders, is as follows:

Thousands of euros	Basis of distribution	Application
Basis of application:		
Profit/(loss) for the financial year 2022	(5,726)	
Application to:		
Legal reserve		–
Losses from prior financial years		(5,686)
Total	**(5,726)**	**(5,686)**

The application of the profit or loss of the financial year 2021 of the Parent Company, approved by the General Meeting of Shareholders on 26 April 2022, was as follows:

Thousands of euros	Basis of distribution	Distribution
Basis of distribution:		
Profit/(loss) for the financial year 2021	4,154	
Distribution to:		
Legal reserve		416
Distribution of dividends		3,738
Total	4,154	4,154

4. Registration and valuation standards

The main accounting principles used to prepare the consolidated financial statements, in accordance with EU-IFRSs and the interpretations in force when the consolidated financial statements were prepared, are as follows:

4.1 BUSINESS COMBINATIONS AND ACQUISITION OF ASSETS

Business combinations

The acquisition method of accounting is used for business combinations.

The cost of the business combination is allocated at the acquisition date by recognising, at fair value, all assets, liabilities and contingent liabilities of the acquired entity that meet the criteria for recognition established in IFRS 3.

The excess of the cost of a business combination over the acquiree's allocated assets, liabilities and contingent liabilities is recognised as goodwill, which, accordingly, represents advance payments made by the Group for future economic benefits generated by the assets of the acquiree that are not individually and separately identifiable and recognisable.

The negative difference, if any, between the cost of the business combination and the allocation to assets, liabilities and contingent liabilities of the acquired entity, is recognised as profit or loss in the year in which it is incurred.

If a business combination is achieved in stages, the acquirer remeasures its previously held equity interest in the acquiree at fair value at the acquisition date and recognises any resulting gain or loss in the consolidated income statement or under other consolidated income, as appropriate.

The Group may decide to apply the IFRS 3 optional concentration test to evaluate whether an acquisition should be accounted for as a business combination. When all of the fair value of the gross assets acquired is substantially concentrated in a single asset (or group of similar assets), the transaction is recorded as an asset acquisition. Compensation paid is allocated to the identifiable assets and liabilities acquired on the basis of their fair values at the acquisition date. When an acquisition does not pass the concentration test and the group of acquired activities meets the definition of a business, the Group applies the acquisition method of accounting.

Acquisition of assets

For the acquisition of a subsidiary that does not meet the definition of a business, the Group distributes the cost between individually identifiable assets and liabilities in the Group based on their fair values at the acquisition date. Such transactions do not generate goodwill.

4.2 INTANGIBLE ASSETS

As a general rule, intangible assets are initially measured at their acquisition or production cost. They are then measured at cost less the corresponding accumulated amortization and, where applicable, less any impairment losses. These assets are amortized according to their service lives.

4.3 REAL ESTATE INVESTMENTS

Real estate investments in the consolidated statement of financial position reflects the values of the land, buildings and other constructions held to earn rents.

Real estate investments is presented at fair value at the end of the reporting period and is not annually depreciated. When the fair value of real estate investments under construction cannot be reliably determined, but the Company expects the fair value of the property to be reliably determinable when the construction is completed, the cost minus the impairment is measured, until the fair value can be reliably determined, or the construction is completed, whichever comes first.

Profit or loss arising from fluctuations in the fair value of real estate investments is included in income in the same period in which it occurs and recognised under "Changes in fair value of real estate investments" in the consolidated income statement (Note 9).

In accordance with IAS 40, the Group calculates the fair value of its real estate investments on a regular basis. Fair value is determined based on the valuations made by independent experts (hierarchy of fair value level 3) at the date of preparing the consolidated statement of financial position (Jones Lang LaSalle for 2020, 2021 and 2020), so that the year-end of each reporting period, fair values for investment property items reflect prevailing market conditions at that date. The valuation reports prepared by independent experts contain only the standard warnings and/or disclaimers concerning the scope of the findings of the appraisals carried out, referring basically to the comprehensiveness and accuracy of the information provided by the Group.
The valuation was prepared according to the valuation standards published by the Royal Institution of Chartered Surveyors.

The method used to determine the market value of the Group's real estate investments in the 2022 and 2021 financial years is chiefly the income capitalisation method.

Unless the specific characteristics of an investment suggest otherwise, the value is obtained by capitalising the net estimated income of the investment property. This method involves the capitalization of income from the lease contracts.
The yield or yields are derived from a combination of analysis of comparable investment operations carried out, and the general experience and knowledge of the market of the appraiser.

Developments in progress were valued using the Static Dynamic Residual Method, which was deemed the best approach. This method is based on the value of the asset once it is developed and available for lease. All costs pending to be incurred related to the asset in development are deducted from this asset value.

Buildings have been valuated individually, considering each of the lease contracts in force at the end of the reporting period.
The direct capitalization rate of the income is among the most relevant key variables applied in the method used, in the case of assets already in operation. For assets under development, the most significant variables are the range of the developer profit rate, construction cost and market value of the finished product. Furthermore, it is assumed that the works and landmarks related with the attainment of licenses and openings will be conducted according to a given calendar (without unforeseen incidents or delays), and that the construction budget provided for the various projects under development will not undergo any significant deviations.

The breakdown of the capitalisation rates considered, at 31 December 2022, 31 December 2021 and 1 January 2021 is as follows:

Yields (%)	December 31, 2022	December 31, 2021	January 1, 2021
Assets assessed by the Direct Capitalisation Method	4.35% -4.90%	4.25% - 4.60%	4.35% - 4.90%
Assets assessed by the Dynamic Residual Method	4.55%	-	-

For assets in development, the rate consider is the exit yield of the developed asset.

4.3.1 Sensitivity analysis

The variation of 25 points in the capitalisation rates has the following impact on the valuations used by the Group as of 31 December, 2022, 31 December 2021 and 1 January 2021, to determine its real estate investment value.

Thousands of euros	Valuation	Decrease of +25 points	Increase of -25 points
December 31, 2022	724,948	4.38%	(4.88%)
December 31, 2021	418,679	5.88%	(5.26%)
January 1, 2021	385,806	5.68%	(5.10%)

Borrowing costs

As established in IAS 23, "Borrowing costs" the Group has chosen not to capitalize interests directly attributable to the acquisition, construction or production of a qualifying assets measured at their fair value

4.4 PROPERTY LEASES

4.4.1 The Group as lessee

Initial recognition

The Group as leaseholder recognises as a right-of-use asset and a lease liability, for all leases with durations of over 12 months.

The right-of-use asset is measured at its cost, which includes the amount of the initial measurement of the lease liability, any lease payment made at the start date or previously (less any lease incentive received), the initial direct costs incurred by the Group and an estimate of the costs to be incurred by the lessee in the dismantling of the underlying asset, the restoration of the site where it is located, or restoring the underlying asset to the condition required by the terms and conditions of the contract.

The lease liability is measured at the present value of the lease payments pending at the date of preparing the consolidated statement of financial position.

Lease liabilities include the net present value of the following lease payments:
> fixed payments (including essentially fixed payments), less any lease incentive receivable,
> variable lease payments that depend on an index or rate, initially measured using the index or rate at the start date
> the amounts expected to be paid by the lessee as guaranteed residual values,
> the exercise price of a purchase option if the group is reasonably certain that they will exercise that option, and
> lease termination penalty payments, if the term of the lease reflects the lessee's exercising of that option.

Lease payments made under certain extension options are also included in the measurement of the liability.

Lease payments are discounted using the interest rate included in the lease, if this rate may be easily determined. If that rate cannot be easily determined, the Group uses the incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of value similar to the right-of-use asset, in a similar economic backdrop with similar terms, security and conditions.

Subsequent recognition

The Group measures the right-of-use assets that meet the definition of real estate investments using the fair value model applied to its real estate investments (Note 9), and details them as such in the statement of financial condition. Right-to-use assets linked to buildings occupied by their owners are measured by applying the cost model that corresponds to that specific class of property, plant and equipment. The Group has no right-of-use assets of such characteristics at this time.

Lease liabilities are measured as follows:
a. the recorded value increases to reflect the interest on the lease liability;
b. the recorded value decreases to reflect lease payments made; and
c. measure the recorded value again to reflect any revaluation or modification of the lease, or to reflect the essentially revised fixed lease payments.

When the Group is exposed to possible future increases in variable lease payments that depend on an index or rate, they are not included in the lease liabilities until they take effect. When the adjusted lease payments that depend on an index or rate come into force, the lease liabilities are evaluated again and adjusted against the right-of-use asset.

Lease payments are allocated between the principal and the financial cost. The financial cost is charged to income during the term of the lease so as to produce a constant periodic interest rate on the remaining balance of the liability for each year.

4.4.2 The Group as lessor

Lease revenue from operating leases in which the Group is lessor is recognised as income on a straight-line basis over the term of the lease. The initial direct costs incurred in arranging these operating leases are added to the recorded value of the underlying asset, and are recognised as expenses during the term of the lease agreement on the same basis as the lease income. The respective leased bases are included in the balance sheet according to their nature.
At the start date, the Group determines whether the lessee is reasonably likely to exercise the lease extension option, purchase the underlying asset, or not exercise the option to rescind the lease. The Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option or not, including any expected changes in the facts or circumstances from the start date to the date on which the option would be exercised.

4.5 FINANCIAL INSTRUMENTS

4.5.1 Investments and other financial assets

Classification

The group classifies financial assets into the following valuation categories:

- those that are subsequently measured at fair value (either through profit or loss or other comprehensive income); and
- those that are valued at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, profit and loss shall be recognised in the income statement or in other comprehensive income. For investments in equity instruments that are not held for trading, this depends on whether the group made an irrevocable election at initial recognition to account for the equity investment at fair value with changes in other comprehensive income.

The Group reclassifies debt investments when and only when it changes its business model for managing these assets.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade date, which is the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets expire or are transferred and the group has substantially transferred all the risks and rewards of ownership.

Valuation

On initial recognition, the group measures a financial asset at fair value plus, in the case of a financial asset other than at fair value through changes in profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through changes in profit or loss are recognised as an expense in profit or loss.

Subsequent valuation of debt instruments depends on the group's business model to manage the asset and characteristics of asset cash flows. There are three categories of valuation in which the group classifies its debt instruments:

> Amortized cost: Assets held for the collection of contractual cash flows when those cash flows only represent payments of principal and interest are measured at amortized cost. Interest from these financial assets is included in finance income according to the effective interest rate method. Any profit or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as a separate line item in the income statement.
> Fair value through changes in other comprehensive income: Assets held for the collection of contractual cash flows and for the sale of financial assets, when the cash flows from the assets only represent payments of principal and interest, are measured at fair value through changes in other comprehensive income. Movements in the carrying amount are taken to other comprehensive income, except for the recognition of impairment gains or losses, ordinary interest income and foreign exchange profit or loss which are recognised in profit and loss. When the financial asset is derecognised, the cumulative profit or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in finance costs. Interest from these financial assets is included in finance income according to the effective interest rate method. Exchange gains and losses are presented in finance costs and the impairment expense is presented as a separate line item in the income statement.

> Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are recognised at fair value through profit or loss. A profit or loss on a debt investment that is subsequently recognised at fair value through profit or loss is recognised in profit or loss and presented net in the income statement within finance costs in the period in which it arises.

The Group subsequently measures all equity investments at fair value. When group management has elected to present fair value profit and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value profit and loss following derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the company's right to receive the payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in finance costs in the income statement when applicable. Impairment losses (and reversals of impairment losses) on equity investments measured at fair value through other comprehensive income are not presented separately from other changes in fair value.

Value impairment

The group assesses on a prospective basis the expected credit losses associated with its assets at amortized cost and at fair value through with changes in other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade debts (including trade receivables from leases) the Group applies the simplified focus allowable under IFRS 9, which requires expected credit losses to be recognised from the initial recognition of accounts receivable.

Trade receivables and other accounts receivable are derecognised when there is not a reasonable expectation of recovering them.

The indicators of there not being a reasonable expectation of recovery include, inter alia, the likelihood of insolvency or significant financial difficulties on the debtor's part. Impaired debts are derecognised when they it is deemed they are impossible to collect.

4.5.2 Trade receivables

Trade receivables are carried at recoverable value, i.e., net, where applicable, of the allowances recognised to cover balances of a certain age whose circumstances reasonably warrant their consideration as doubtful receivables. The group keeps trade receivables and other receivables with the aim of collecting contractual cash flows.

4.5.3 Cash and cash equivalents

Cash and cash equivalents include available cash, sight deposits in financial institutions, other high-liquidity short-term investments with original maturities of three months or less that are easily converted to cash and are subject to an insignificant change in value. For the purposes of the statement of cash flows, bank overdrafts payable on demand and forming part of the Group's cash management are included as cash and cash equivalents. Bank overdrafts are recognised in the consolidated statement of financial position as financial liabilities for debts with credit entities.

4.5.4 Derivative financial instruments

The Group uses financial derivatives to manage its exposure to variations in interest rates. All derivative financial instruments, whether or not designated as hedging instruments, are carried at fair value: market value in the case of listed securities, or according to option valuation methods or discounted cash flow analysis for non-listed securities. The fair value of the derivative financial instruments is determined based on the valuations made by independent experts

The following valuation criteria have been applied for accounting purposes:

> Cash flow hedges: fair value gains or losses arising on transactions which classify for hedge accounting are recognised, net of taxes, directly in other consolidated comprehensive income, under "Gains/(losses) on hedging instruments", until the underlying or expected transaction occurs, at which point they are reclassified, where appropriate, to "Finance costs" or "Finance income" in the consolidated statement of comprehensive income. Any valuation gains and losses on the ineffective portion of the hedge are recognised directly as financial profit or loss in the consolidated income statement.

> Treatment of financial instruments that are not allocated to a specific liability and do not qualify for hedge accounting: gains or losses arising from the restatement at fair value of these financial instruments are recognised directly as financial profit or loss in the consolidated income statement.

Hedge accounting is discontinued when a hedging instrument expires or is sold or exercised, or when the hedge no longer qualifies for hedge accounting. Gains or losses on hedging instruments recognised in other consolidated comprehensive income remain under this heading until the related transaction is performed. At that time, the net cumulative gain or loss recognised in other consolidated comprehensive income is transferred to consolidated net profit or loss for the year. If a hedged transaction is no longer expected to occur, net profits or losses recognised in consolidated comprehensive income are transferred to the net consolidated profit or loss of the period.

Prospective and retrospective calculation for hedge effectiveness is carried out on a yearly basis:

> Retrospective tests measure how effectively the instrument would have hedged the liability over its life, using historical interest rates to date.

Prospective tests measure the derivative instrument's expected effectiveness on the basis of the interest rate curve. This adjustment is made on a quarterly basis from the start of the operation depending on the real established interest rates.
The method used to determine the effectiveness of the financial hedging instruments is known as "dollar offset". It calculates the ratio between the effect of changes in interest rates over the derivative, and the effect of the interest rate changes over the hedged element, considering the financial hedging instrument to be effective when this statistical correlation is between 0.80 and 1. At December 31, 2022, the result of this calculation was an efficiency rate of 100%. Therefore, there is no recognised inefficiency in the Profit and Loss Account for the financial year.

4.5.5 Financial liabilities

The Group recognises a financial liability when it is converted for the first time in part of the contractual obligations of the contract.

All financial liabilities are initially recognised at fair value, minus (in the case of a financial liability that is not at fair value with changes to profit or loss) the transaction costs directly attributable to the issue of the financial liability. The financial liabilities are measured at amortized cost, unless the Group decides to measure a liability at fair value with changes to profit or loss.

A financial liability is derecognised when the obligation under the liability is cancelled or expires.

All loans and obligations are initially recognised at fair value minus the directly-attributable transaction costs. Following initial recognition, the loans that accrue interests are later measured at the amortized cost using the effective interest method.

The financial liabilities included in trade creditors and other payables are initially recognised at their fair value, and later at their amortized cost. The fair value of a liability that does not accrue interests is its total discounted reimbursement amount. If the maturity date of a liability is less than a year, the discount is omitted.

4.6 SHARE CAPITAL

Shares are classified as equity when there is no obligation to transfer cash or other assets.

Incremental costs directly attributable to the issue of new shares are presented in the consolidated income statement.

4.7 CORPORATE INCOME TAX

General regime

The tax expense or income against profits represents the current as well as deferred taxes. Expense for tax on profits and similar taxes applicable to the foreign consolidated companies are recognised in the Consolidated Income Statement, except when they are the consequence of a transaction whose results are recorded directly in the net property, in which case, the relevant tax is also recorded there.

The Group does not pay tax under a consolidated tax regime, by doing so individually for each of the companies.

The differences existing between the accounting result and the tax result have been considered, this being understood as the tax base of the Corporate income tax. These differences are due to the unequal definition of income and expenses in the economic and tax spheres and to the different time criteria for income and expenses in the aforementioned spheres.
The differences are classified into:
> Permanent differences, produced between the tax base of said tax and the accounting result before taxes for the financial year, which do not reverse in subsequent periods, excluding the offset losses.

> Temporary differences are those derived from the different valuation – accounting and fiscal – attributed to the assets, liabilities and certain instruments of own equity of the company, to the extent that they have an impact on the future tax burden.

Deferred tax assets

According to the principle of prudence, deferred tax assets will only be recognised to the extent that it is probable that the Group will have future tax profits that allow the application of these assets. Whenever the above condition is met, a deferred tax asset will be recognised in the following cases: (a) for deductible temporary differences (b) for the right to offset tax losses in subsequent periods; (c) for deductions and other unused tax advantages not yet applied for tax purposes.

Deferred tax liabilities

A deferred tax liability is recognised for all taxable temporary differences, unless they arise from: (a) initial recognition of a goodwill. However, deferred tax liabilities related to a goodwill will be recorded provided they have not arisen from their initial recognition; (b) initial recognition of an asset or liability in a transaction that is not a business combination and also did not affect the book result or the tax base.

Current tax assets and liabilities
The current tax is the amount that the company satisfies as a result of the tax settlements of the tax or taxes on the profit relating to a financial year.
The deductions and other tax advantages in the tax quota, excluding withholdings and payments on account, as well as the tax losses to be offset from previous financial years and effectively applied therein, will result in a lower amount of current tax. However, those deductions and other tax advantages in the tax quota that have an economic nature similar to grants are recorded in accordance with the provisions of the standard relating to grants, donations and legacies received.

Valuation of current and deferred tax assets and liabilities
Current tax assets and liabilities are valued at the amounts expected to be paid or recovered by the tax authorities, in accordance with current regulations.
Deferred tax assets and liabilities shall be valued according to the types of tax expected at the time of their reversal, according to current regulations, and according to the manner in which the asset or liability is reasonably expected to be recovered or paid.

SOCIMI Regime

The special SOCIMI tax regime, following its amendment through Law 16/2012, of 27 December, is constructed on the basis of a 0% Corporate income tax Rate, as long as certain requisites are met: Especially noteworthy among them is that REITs must have invested at least 80% of the value of their assets in urban properties earmarked for lease, acquired in full property or interests in companies that meet the same investment and profit distribution requisites, be they Spanish or foreign, and whether or not they trade on organized markets. Furthermore, these entities' main sources of revenue must come from the real estate market, either from rentals, the later sale of buildings following a minimal term of rental, or revenue from shares in entities of similar characteristics. Nevertheless, the Tax is accrued proportionally to the distribution of dividends. Dividends received by equity holders will be exempt, unless the recipient is a legal entity subject to Corporate Income Tax, or a permanent establishment of a foreign entity, in which case, a deduction over the total tax due shall be established, so that this income also be taxed at the tax rate of the equity holder.

However, no other income will be taxed as long as it is not distributed among the equity holders.

As established in the ninth Transitional Provision of Law 11/2009, of 26 of October, amended by Law 16/2012, of 27 December, regulating Publicly-traded Real Estate Investment Companies, the entity will be subject to a special tax rate of 19% over the full amount of the dividends, or shares in profits distributed among equity holders whose stake in the entity's share capital is equal or greater to 5%, whenever said dividends, in headquarters of their equity holders, are exempt from, or are taxed at, a tax rate lower than 10%. Along these lines, the Group has established a procedure through which the confirmation by shareholders of their taxation is guaranteed. When appropriate, this involves the retention of 19% of the amount of the dividend distributed to shareholders that do not meet the previously-mentioned fiscal requisites.
Effective for the financial years beginning as of 1 January 2021, Law 11/2021, of 9 July, on measures for the prevention and fight against tax fraud amends section 4 of article 9 of Law 11/2009 of 26 October, regulating Real Estate Investment Trusts (Sociedades Anóminas Cotizadas de Inversión en el Mercado Inmobilario SOCIMI). Specifically, this involves implementation of a special tax rate of 15% over the amount of profit obtained in the financial year that is not distributed, in the portion proceeding from: a) income that has not been taxed at the general Corporate Income Tax rate and, b) Income not arising from the transfer of suitable assets, once the three-year maintenance period has passed, that have been ascribed to the three-year reinvestment period laid down in Article 6.1.b) of Law 16/2012, of 27 December. This special tax rate will be considered the corporate income tax rate and will be accrued the day the agreement for application of the financial year profit/(loss) is approved by the General Shareholders' Meeting or like body. The self-assessment and deposit of the tax must be completed within two months from the accrual.

4.8 PROVISIONS

Provisions for legal claims are recognised when:
> the Group has a present or implicit legal obligation as a result of past events;
> it is likely that an outlay of resources will be required to settle the obligation; and
> the amount can be reliably estimated.

Provisions are measured at present value of the disbursements expected when they are necessary to settle the obligation using a pre-tax rate that reflects the value of the money over time and the specific risks of the obligation. The increase in the provision due to the passage of time is recognised as a financial cost.

When the group, as lessee, is contractually bound to restore a leased property to a condition agreed prior to its vacating by the lessor, a provision for the identified costs is made.

4.9 INCOME AND EXPENSES

Revenue comprises basically ordinary rental income from contracts with customers from the Group's rental properties.

The income and expenses are allocated based on the accrual criterion regardless of the moment in which the monetary or financial current derived from them occurs.

However, in accordance with the accounting principles established in the EU-IFRS conceptual framework, the Group only records profits made at the date of financial year closure, as the foreseeable risks and losses, even if only possibilities, are recorded as soon as they are known.

Income from the sale of goods or services is recognised at the fair value of the compensation received or to be received as a result thereof. Cash discounts, by volume or other types of discounts, as well as interest incorporated into the par value of the credits, are recorded as a reduction thereof.

The Group acts as an agent in the provision of certain services, in which its role is that of an intermediary by re-invoicing certain charged costs that are directly attributable to the tenant, such as local taxes and insurance.

Interest income is accrued on a time proportion basis, according to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts the future cash receipts estimated over the expected life of the financial asset from the asset's carrying amount.

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established, i.e. when the subsidiaries' competent bodies approve the distribution of the corresponding dividend.

4.10 GRANTS

Government grants related with income are differentiated and recognised in profit or loss during the necessary period to align them with the costs that they are meant to compensate.

Government grants related with the purchase of property, plant and equipment are included in non-current liabilities as deferred income, and are credited to profit or loss using the straight-line method during the related assets' expected service life.

4.11 DISTRIBUTION OF DIVIDENDS

Distribution of dividends to Company shareholders is recognised as a liability in the Group's consolidated annual accounts in the period in which the dividends are approved.

4.12 ENVIRONMENTAL AND CLIMATE CHANGE INFORMATION

Given the nature of the Group's operations, it has no responsibilities, expenses, assets, provisions and contingencies of an environmental nature or related to greenhouse gases that could be significant in relation to the equity, financial position or results thereof. For this reason, specific breakdowns are not included in this annual report on the annual financial statements regarding information on environmental issues.

The Group has an ESG Committee responsible for identifying, evaluating and managing climate change risks. Although the Group has an ESG Action Plan through which it is committed to measuring its carbon footprint, climate change is not considered to have a significant impact on these financial statements. The Group adheres to the Principles of Responsible Investment (PRI) by which it agrees to integrate ESG criteria in the investment processes, and therefore takes into account the risks they could represent.

5. Transition to EU-IFRS

5.1 REQUIREMENTS FOR THE ADOPTION OF EU-IFRS

The Company's consolidated financial statements are presented in accordance with EU-IFRSs, pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002.

The transition date to the EU-IFRSs for the Group, pursuant to the terms of IFRS-1 "First-time Adoption of International Financial Reporting Standards" was 1 January 2021.

The accompanying consolidated annual financial statements are presented in accordance with the provisions of the Commercial Code and the remaining commercial legislation, the General Accounting Plan approved by Royal Decree 1514/2007, of 16 November 2007 and by the Rules for the Formulation of the Consolidated Annual Financial Statements approved by Royal Decree 1159/2010, of 17 September. These standards differ from the IFRSs in certain areas. To comply with the IFRSs, the Parent Company has modified certain accounting policies for valuation and exposure that had previously been applied under the General Accounting Plan for the formulation of these Consolidated Annual Accounts. The main accounting policies are described in Note 2.

The comparative figures, and those that correspond to the transition date (1 January 2021) have been modified to reflect these adjustments. Note 5.4. features a conciliation between the equity figures that correspond to the consolidated annual accounts issued pursuant to the General Accounting Plan at the transition date (1 January 2021) and at the adoption date (31 December 2021) and the figures presented pursuant to the IFRSs in the current consolidated annual accounts, as well as the effects on the adjustments to profit/(loss) and other comprehensive profits/losses at the adoption date (31 December 2021).

5.2 OPTIONAL EXEMPTIONS FROM THE EU-IFRSs

IFRS-1 allows entities adopting the IFRSs for the first time to apply certain one-time exemptions. These exemptions have been identified by the IASB to simplify the initial application of certain IFRSs, eliminating the mandatory nature of their retrospective application.

The optional exemptions applicable to the Group are listed below:

Business combinations: the Group has decided not to retrospectively apply IFRS-3 to business combinations that occurred in the past (business combinations prior to the transition to the IFRSs).

The company has not used any of the other exemptions available according to IFRS-1.

5.3 MANDATORY EXCEPTION TO THE EU-IFRSs

The mandatory exemptions applicable to the Group are listed below:

Estimates: The estimated the company has made pursuant to the IFRSs as of 1 January 2021 (date of transition to the IFRSs) are consistent with the estimates made according to the General Accounting Plan for the consolidated annual accounts as of 31 December 2020.

The other mandatory exceptions established in IFRS-1 have not been applied, as they are not relevant for the Group.

5.4 RECONCILIATIONS

Listed hereinunder are the equity reconciliations determined pursuant to the General Accounting Plan and those determined pursuant to the IFRSs as of 31 December 2021, and as of 1 January 2021, and the reconciliation of the comprehensive profit/(loss) for the financial year ending as of 31 December 2021. The Group has considered the IFRSs applicable to the preparation of their Consolidated Annual Accounts as of 31 December 2022 for the preparation of the reconciliations.

5.4.1 Reconciliation of Equity at 31 December 2021 and 1 January 2021

Thousands of euros	Increase / (Decrease) December 31, 2021	January 1, 2021
Net equity under Spanish GAP	**188,871**	**188,513**
Adjustments under IFRSs		
1. Changes in Real Estate Investments under IAS 40 "Investment Property"	50,666	28,054
2. Inclusion of right-of-use Assets / Liabilities for leases recorded under IFRS 16 "Leases"	(384)	(358)
3. Reclassification of grants under IAS 20 "Government Grants"	(238)	(242)
Total IFRS Adjustments	**50,044**	**27,454**
Net equity under IFRS	**238,915**	**215,967**

5.4.2 Explanation of Equity Valuation Adjustments

Measuring Real Estate Investments

Pursuant to IFRS, IAS 40, "Investment Property" allows the measurement of real estate investments under the fair value model. The Group has chosen to apply this option. Therefore, the registered adjustment is the result of measurement criteria that differ between IFRS and the Spanish GAP.

Inclusion of right-of-use Assets / Liabilities for leases

IFRS 16, "Leases" does away with the differentiation between "finance leases" and "operating leases" for lessees. Instead, a single model is implemented, that implies recognition of right-of-use assets and liabilities by lessees.

Under Spanish GAP. A model similar to that of IAS 17 is established.

Furthermore, under the IFRS:

-"Right-of-use assets" are depreciated on a straight-line basis, considering the contractual term of the lease.

-"Lease liabilities" generate implicit interests, and when relevant, exchange losses.

In the profit and loss accounts pursuant to the Spanish GAP, these charges are replaced with expenses for "operating leases / rentals".

Grant reclassification

Under IFRS, IAS 20 "Government Grants" determines that the grants received in relation to assets must be shown as deferred income, instead of as a net equity item as is established in the Spanish GAP.

3.4.3 Reconciliation of the Net profit/(loss) at 31 December 2021

The following table shows the adjustment compensations mentioned in the above point 3.4.1, in the Consolidated Income Statement and in the Other Comprehensive Profit/(loss) Statement for the financial year ending at 31 December 2021.

	Increase / (Decrease)		
Thousands of euros	Net profit/(loss) for the financial year	Other comprehensive profits/ (losses)	Total comprehensive profit/(loss)
Profit / (loss) as per GAP	5.322	2.180	7.502
Adjustments under IFRSs			
1. Changes in Real Estate Investments under IAS 40 "Investment Property"	22,612	–	22,612
2. Inclusion of right-of-use Assets / Liabilities for leases recorded under IFRS 16 "Leases"	(26)	–	(26)
3. Reclassification of grants under IAS 20 "Government Grants"	–	4	4
Total IFRS Adjustments	**22,586**	**4**	**22,590**
Profit or loss under IFRS	27,908	2,184	30,092

6. Financial risk management

The Group efficiently manages its financial risks with the aim of having an adequate financial structure that allows it to maintain high levels of liquidity, minimise borrowing costs, reduce volatility due to changes in capital and ensure compliance with its business plans. The Group's management of financial risk is centralized in its Financial Management, which has established the necessary mechanisms to control exposure to the main risks that could have an impact on the Group's operations, described in the following paragraphs:

Market risk: Market risk is the risk that the fair value or future cash flows of a financial instrument fluctuate due to changes in market prices. The Group's market risks arise from open positions in assets and liabilities that accrue interests, to the extent they are exposed to general and specific movements of the market. The administration sets limits to interest rate risk exposure that could be acceptable, which are regularly monitored (see details below). However, the use of this focus does not prevent losses outside these limits in case of more significant market movements.

Interest rate risk: The Group's interest rate risk arises from long-term borrowings. External resources issued at variable rates expose the Group to cash flow interest rate risk.

The risk management policy is designed to limit and control the impact of interest rate fluctuations on profit and cash flows, to maintain the level of debt, and to keep overall borrowing costs at reasonable levels. In order to attain these objectives, the Group enters into interest rate hedges to hedge against potential fluctuations in finance costs if necessary. These hedging instruments bring about the economic effect of converting variable-rate loans into fixed-rate loans, entering commitments with third parties to exchange, with certain regularity, the difference between fixed and variable interest rates depending on the contracted notional principals.

As of 31 December 2022, the percentage of hedged debt, or with a fixed rate over the total debt, was 85.94% (100% as of 31 December 2021). The effect of these hedging instruments on the financial statements is described in Note 13.

Liquidity risk: Liquidity management is carried out by the Group's Finance Department, which makes the necessary cash forecasts and follows up on the annual budget and liquidity needs to guarantee compliance with its financial obligations. The Group is not significantly exposed to liquidity risk due to the maintenance of sufficient cash and the availability of financing to deal with the cash outflows necessary in its usual operations. The group presents a leverage ratio, understood as debt over the fair asset value (Loan to value - LTV) of 48.06% (this ratio is calculated by dividing the company's net debt by the fair value of its assets) and cash and other equivalent liquid assets for an amount of 9,785 thousand euros.

Counterparty risk: the Group mitigates this risk by using top-tier financial institutions to arrange its financial operations.

Credit risk: The Group has policies to ensure that sales are made to customers with an adequate credit history. The value correction for customer insolvency involves the review of individual balances based on customer credit quality, current market trends and historical analysis of aggregate insolvencies. At 31 December 2022 and 2021, the Group did not present any significant recognised impairments, as there were not any mature balances linked to credit risk.

7. Capital management

Companies operating in the real estate sector need to make heavy upfront investments to ensure development of their projects and growth of their businesses through the purchase of rental properties and/or land. The Group's financial structure requires its sources of financing to be diversified in terms of entities, products and maturity dates, in order to ensure the continuity of its companies as profitable businesses and to be able to maximise returns for shareholders.

8. Property leases

The subsidiary Healthcare Activos Financing S.L.U. holds a lease on a residential facility for elders located in San Sebastián by virtue of managing a sub-letting contract. This contract is in effect until the year 2051, a 50-year total term having been established.

Additionally, the same company holds an administrative concession for the private use of a lot assigned by the City Council of Salou on 5 April 2005 for a period of 75 years.

8.1 RIGHT-OF-USE ASSETS

Thousands of euros	December 31, 2022	December 31, 2021	January 1, 2021
San Sebastián rental	2,986	3,094	3,202
Salou concession	364	370	377
Total	3,350	3,464	3,579

Right-of-use assets are included in real estate investments (see Note 9), given that the cost of the lease they refer to is subtracted from the assessed value.
Recognised right-of-use assets correspond to the contracts mentioned in Note 8.

8.2 LEASE LIABILITIES

Thousands of euros	December 31, 2022	December 31, 2021	January 1, 2021
San Sebastián rental	3,008	3,088	3,167
Salou concession	370	373	377
Total	3,378	3,461	3,544

Recognised right-of-use liabilities correspond to the contracts previously described.

8.3 IMPACTS ON THE CONSOLIDATED INCOME STATEMENT

Thousands of euros	2022	2021
Financial expenses	67	68
Total	67	68

The impacts on the profit recognised consolidated income statement correspond to the lease contracts previously described.

8.4 OPERATING LEASES AS LESSEE

At the end of the 2022 and 2021 financial years, the Company maintains contracts with lessors for the following minimum lease payments, in accordance with the current contracts in force, without taking into account the impact of common expenses or future increases for CPI:

Thousands of euros	December 31, 2022	December 31, 2021	January 1, 2021
Up to 1 year	143	146	146
Between 1 and 5 years	546	557	557
Over 5 years	2,559	2,691	2,837
Total	3,248	3,394	3,540

9. Real estate investments

The composition and movements that have occurred in the 2022 and 2021 financial years in the chapter of real estate investments of the consolidated financial position statement were:

Thousands of euros	Real estate investments	Under development	Total
Valuation at January 1, 2021	385,805	–	385,805
Land with right-of-use	3,579	–	3,579
Balance at 1 January 2021	389,384	–	389,384
Additions through acquisition of assets	13,932	–	13,932
Additions	71	–	71
Disposals	(73)	–	(73)
Changes in Value	18,826	–	18,826
Valuation at 31 December 2021	418,679	–	418,679
Land with right-of-use	3,464	–	3,464
Balance at December 31 2021	422,143	–	422,143
Additions through acquisition of assets	143,731	37,511	181,242
Additions	97,440	23,259	120,699
Disposals	(29,557)	–	(29,557)
Changes in Value	33,885	–	33,885
Valuation at 31 December 2022	664,178	60,770	724,948
Land with right-of-use	3,350	–	3,350
Balance at December 31 2022	667,528	60,770	728,298

The direct operating expenses recognised in the profit and loss account (mainly expenses derived from management expenses and taxes) include 2,620 and 2,847 thousand euros associated with real estate investments that were leased as of 31 December 2022 and 2021, respectively, and 1,564 as of 31 December 2022. The Group did not have any significant real estate investments that were not leased at 31 December 2021.

Right-of-use assets are included in real estate investments, given that the cost of the lease they refer to is subtracted from the assessed value (see Note 8).

Movements in the 2022 financial year

The additions through acquisition of assets for the 2022 financial year refer to:

On 8 April 2022, the Parent company acquired, though purchases of stakes in the companies described in Note 1.3, a portfolio of several residential facilities for elders in Spain, and an operating hospital located in Portugal, as well as other residential facilities for elders in development in Spain. These operations stand for additions to the scope in the amount of 114,290 thousand euros, with their market value totalling 132,312 thousand euros at the end of the 2022 financial year.

On December 21, 2022, the Parent Company acquired 100% of the shares in the companies described in Note 1.3, including in the Group's portfolio four operating residential facilities for elders in Belgium, with the value of the additions to the perimeter totalling 66,952 thousand euros, and their market value at the end of the 2022 financial year totalling 83,410 thousand euros. The Group has taken in consideration a market value at year-end 2022 that differs from the transaction value although it is a transaction that took place near the end of the financial year. This is chiefly due to the context of the market in which the transaction was carried out, in which other participants in the process could not access the conditions established by the seller.

All other additions made in the financial year are for acquisitions of operating assets located in Belgium and Portugal for the amount of 97,452 thousand euros (with market value of 95,710 thousand euros at year-end 2022) in addition to acquisitions of land in Spain to develop new assets in the amount of 4,779 thousand euros (with market value of 4,310 thousand euros at year-end 2022). All other additions in the 2022 financial year correspond mainly to the real estate assets in development, with special attention being deserved by residential facilities for elders located in San Sebastián, Lérida, Terrassa and Córdoba.

The additions made in the 2022 financial year had not been paid in their entirety at year-end. The amount paid was 160,438 thousand euros.

Furthermore, on 31 March, a hospital located in Cartagena was sold, obtaining a profit of 371 thousand euros in the attached consolidated profit and loss account. The receivables derived from the building has been deferred. Therefore, the amount of the loan that gave rise to this transaction is recorded under the heading "Other long-term financial assets" (see Note 10).

Movements in the 2021 financial year

Additions through acquisition of assets for the 2021 financial year corresponded to the acquisition of a nursing home in Granada, resulting from the acquisition of a 100% stake in the company Hospedería Granadina, S.L.. (Company later absorbed by the subsidiary Healthcare Activos Financing S.L.). The net value of the assets acquired totalled 13,932 thousand euros, with their net value at the closure of the 2021 financial year totalling 15,846 thousand euros.

All other additions of the 2021 financial year mainly corresponded to improvements in the infrastructures of the operating assets.

In the 2021 financial year, the Group sold commercial premises in Zaragoza for a total of 95,000 euros. At year-end 2020 its market value was 70 thousand euros. Therefore, this operation generated profits of 25 thousand euros in the 2021 financial year.

9.1 CHANGES IN VALUE OF REAL ESTATE INVESTMENTS

Real estate investments are presented at fair value. The amount of income recorded in the Consolidated Profit and Loss Account for the 2022 and 2021 financial years for the valuation at fair value of the real estate investments totals 33,771 and 18,830 thousand euros, respectively.

2022 Financial year

	2022		
Market value - thousands of euros	Real estate investments	Under development	Total
Assets from prior years	409,206	–	409,206
Additions to perimeter	254,972	60,770	315,742
Land with right-of-use	3,350	–	3,350
Total	**667,528**	**90,770**	**728,298**

	2022		
Changes in Market Value – in thousands of euros	Real estate investments	Under development	Total
Assets from prior years	19,537	–	19,537
Additions to perimeter	13,831	–	13,831
Disposals	403	–	403
Total	**33,771**	–	**33,771**

2021 Financial year

	2021		
Market value - thousands of euros	Real estate investments	Under development	Total
Assets from prior years	402,833	–	402,833
Additions to perimeter	15,846	–	15,846
Land with right-of-use	3,464	–	3,464
Total	**422,143**	–	**422,143**

	2021		
Changes in Market Value – in thousands of euros	Real estate investments	Under development	Total
Assets from prior years	16,891	–	16,891
Additions to perimeter	1,914	–	1,914
Disposals	25	–	25
Total	**18,830**	–	**18,830**

9.2 OTHER INFORMATION

As of 31 December 2022, the Group has rent guarantee deposits received from the tenants of the properties for the amount of 3,588 thousand euros (3,499 thousand euros at the end of the 2021 financial year), recorded under the heading "Amounts payable to credit institutions and other financial liabilities", pursuant to the lease contracts it maintains with them. Income derived from these contracts are wholly recorded in the net revenue. These agreements held are characterised by having a long-term duration, with 19 years being the average of remaining years until their expiration.

As of 31 December 2022, the Group has assets deposited as collateral for mortgage loans totalling 482,073 thousand euros of market value, as guarantees for debts totalling 240,000 thousand euros (see Note 11). As of 31 December 2021, these amounts totalled 338,973 and 163,929 thousand euros, respectively.

The list of buildings classified as real estate investments and fixed assets under development, classified by geographic location, at the end of the 2022 and 2021 financial years, is as follows:

	2022		
Thousands of euros	Real estate investments	Real estate investments under development	Total
Spain	458,218	60,770	518,988
Portugal	86,220	–	86,220
Belgium	123,090	–	123,090
Total	667,528	60,770	728,298

	2021		
Thousands of euros	Real estate investments	Real estate investments under development	Total
Spain	422,143	–	422,143
Portugal	–	–	–
Belgium	–	–	–
Total	422,143	–	422,143

10. Financial assets and other receivables

The breakdown of the financial assets by classes and categories, covering all financial assets at fair value with changes to profit or loss, is as follows:

	Long-term financial assets		
Thousands of euros	December 31 2022	December 31, 2021	January 1, 2021
Loans with third parties	30,000	–	–
Deposits and guarantees	2,595	2,448	2,435
Non-current accruals	2,449	1,349	1,452
Derivatives (Note 13)	19,603	514	–
Impairments	–	–	–
Total	54,647	4,311	3,887

	Short-term financial assets		
Thousands of euros	December 31, 2022	December 31, 2021	January 1, 2021
Loans with third parties	91	–	–
Trade and other receivables	554	554	1,827
Deposits and guarantees	77	–	–
Non-current accruals	866	362	462
Impairments	–	–	–
Total	1,587	916	2,289

10.1 LOANS WITH THIRD PARTIES

On 31 March 2022, a loan between the subsidiary Healthcare Activos Financing, S.L.U., and the company Healthcare Activos Management Inversión S.L. in the amount of 30 million euros, was formalised. This loan accrues market interest. Interests and fees relative to this loan accrued during the 2022 financial year total 811 thousand euros, of which 91 thousand euros had accrued, and not been collected, at 31 December 2022. This loan originated in the sale of a hospital located in Cartagena (see Note 9).

10.2 OTHER ASSETS

Under the heading "Long and short-term deposits and guarantees" there are included guarantees deposited as a consequence of the rental contracts relative to Real estate investments totalling 2,595 thousand euros (2,088 and 2,075 thousands euros as of December 31 and January 1, 2021, respectively). In addition, as of 31 December and 1 January 1, 2021 there were included 360 thousand euros corresponding to deposits in financial institutions.

The heading "Non-current accruals" covers non-current accruals of income originating from the incentives included in aforementioned operating lease contracts (grace periods, rising rent payments, etc.) in which the Group acts as lessor. These incentives are charged to the profit/(loss) for the duration established by the lease contract.

10.3 CLASSIFICATION BY MATURITY OF FINANCIAL ASSETS

Following is a breakdown of the assets for the 2022 period that have a determined or determinable maturity, and of which the amounts that mature in each of the five years following the year-end closing and the rest until their last maturity must be reported.

Thousands of euros	2023	2024	2025	2026	2027	Rest	Total
Loans with third parties	91	30,000	–	–	–	–	30,091
Deposits and guarantees	76	–	–	–	–	2,595	2,671
Non-current accruals	866	297	308	308	209	1,327	3,315
Derivatives (Note 13)	–	–	–	–	19,603	–	19,603
Trade and other receivables	554	–	–	–	–	–	554
Total	**1,587**	**30,297**	**308**	**308**	**19,812**	**3,922**	**56,234**

Following is a breakdown of the assets for the 2021 period that have a determined or determinable maturity, and of which the amounts that mature in each of the five years following the year-end closing and the rest until their last maturity must be reported.

Thousands of euros	2022	2023	2024	2025	2026	Rest	Total
Deposits and guarantees	–	360	–	–	–	2,088	2,448
Non-current accruals	362	327	235	235	235	317	1,711
Derivatives (Note 13)	–	–	–	–	514	–	514
Trade and other receivables	554	–	–	–	–	–	554
Total	**916**	**687**	**235**	**235**	**749**	**2,405**	**5,227**

11. Financial liabilities and other payables

The breakdown of the financial liabilities by classes and categories, covering all financial liabilities at fair value with changes to profit or loss, is as follows:

	Long-term financial liabilities		
Thousands of euros	December 31 2022	December 31, 2021	January 1, 2021
Amounts payable to credit institutions	268,988	179,900	175,973
Guarantee deposits	3,588	3,499	3,486
Non-current accruals	119	123	128
Other financial liabilities	30,000	–	–
Derivatives (Note 13)	–	–	1,670
Lease liabilities (Note 8)	3,293	3,378	3,462
Capital grants	229	234	238
Total	**306,217**	**187,134**	**184,957**

	Short-term financial liabilities		
Thousands of euros	December 31, 2022	December 31, 2021	January 1, 2021
Amounts payable to credit institutions	3,793	2,729	2,048
Guarantee deposits	2	3	3
Non-current accruals	519	5	5
Other financial liabilities	42,490	1,302	–
Lease liabilities	85	83	82
Other payables	5,198	1,549	3,628
Other debts with public entities	508	882	663
Capital grants	4	4	4
Total	**52,599**	**6,557**	**6,433**

11.1 AMOUNTS PAYABLE TO CREDIT INSTITUTIONS

The Group breakdown of amounts payable to credit institutions is as follows:

By loans

	December 31, 2022						
Thousands of euros	Limit	Formalization costs	Due date	Pending long-term debt	Pending short-term debt	Short-term interests	Mortgage guarantee
Syndicated	240,000	(7,525)	31/03/2027	240,000	–	316	Yes
Revolving line	40,000	(400)	31/03/2027	34,300	–	75	No
	280,000	**(7,925)**		**274,300**	–	**391**	

Thousands of euros	December 31, 2021						
	Limit	Formalization costs	Due date	Pending long-term debt	Pending short-term debt	Short-term interests	Mortgage guarantee
Syndicated	175,000	(5,680)	31/07/2026	161,623	2,306	115	Yes
Loan	24,500	(433)	31/07/2026	24,163	337	35	Yes
	199,500	(6,113)		185,786	2,643	150	

Thousands of euros	January 1, 2021						
	Limit	Formalization costs	Due date	Pending long-term debt	Pending short-term debt	Short-term interests	Mortgage guarantee
Syndicated	175,000	(5,680)	31/07/2026	156,796	1,805	130	Yes
Loan	24,500	(433)	31/07/2026	24,500	–	144	Yes
	199,500	(6,113)		181,296	1,805	274	

At year-end 2022, the loans classified under the heading "Amounts payable to credit institutions" in the long term were those outlined below:

> At 31 March 2022, the Group formalized a syndicated loan in the amount of 350 million euros, of which a tranche of 260 million euros, completely drawn, is earmarked to refinance the Group's operating assets, and another undrawn tranche of 110 million euros is to finance acquisitions of operating assets or refinance current developments.

This syndicated loan is led by the financial entities Crédit Agricole Corporate and Investment Bank (Spanish branch), and BNP Paribas, S.A. (Spanish branch), with the participating banks holding the following shares:

	% share
AXA	32.57%
Amundi	10.00%
Montparnasse Debt Fund 2, Compartiment Real Estate	6.29%
Caixabank	10.00%
Targobank, S.A.U.	2.86%
Abanca Corporación Bancaria, S.A.	6.29%
Banco Pichincha España, S.A.	2.86%
Novobanco, S.A. – Succursale Luxembourg	6.29%
Societe Generale, (Branch in Spain)	2.86%
BNP Paribas, S.A., Branch in Spain	10.00%
Crédit Agricole Corporate and Investment Bank, Branch in Spain	10.00%

The due date of the loan is set for March, 2027, by way of a single payment made on the appropriate due date.

The formalisation costs for the syndicated loan totalled 7,525 thousand euros, and are shown as subtracted from the balance under the heading "Amounts payable to credit institutions". At December 31, 2022, they totalled 6,579 thousand euros. The financial expense related to the allocation of such formalisation expenses accrued during financial year 2022 amounts to 1,129 thousand euros.

The aforementioned loan accrues an interest rate referenced to the Euribor plus a market margin. Interests and fees relative to this loan accrued during the 2022 financial year total 4,358 thousand euros.

The Group has contracted derivative financial instruments (see Note 13) in relation to this loan that have accrued interest expense in the amount of 1,120 thousand euros over the 2022 financial year.

The loan agreement establishes various agreements and covenants, including the fulfilment of certain financial ratios that the Board of Directors estimates are fulfilled without incident at the end of financial year 2022. They are expected to be fulfilled without incident in 2023.

> On 31 March 2022, the Group formalized a revolving credit facility in the amount of 40 million euros for the purpose of financing Group developments, with the financial institutions Crédit Agricole Corporate and Investment Bank, (Spanish branch) and BNP Paribas, S.A. (Spanish branch), each of which holds a 50% share. As of December 31, 34.3 million euros of the facility were drawn. The due date is set for 2027, by way of a single payment made on the appropriate due date.

The formalisation costs for the loan totalled 400 thousand euros, and are shown as subtracted from the balance under the heading "Amounts payable to credit institutions". At December 31, 2022, they totalled 340 thousand euros. The financial expense related to the allocation of such formalisation expenses accrued during financial year 2022 amounts to 60 thousand of euros.

The loan accrues an interest rate referenced to the Euribor plus a market margin. Interests and fees relative to this loan accrued during the 2022 financial year total 778 thousand euros.

The loan agreement establishes various agreements and covenants, including the fulfilment of certain financial ratios that the Board of Directors estimates are fulfilled without incident at the end of financial year 2022. They are expected to be fulfilled without incident in 2023.

As a result of this new loan, on 31 March 2022, the Group proceeded with the anticipated repayment of all loans it held at 31 December 2021, and 1 January 2021, listed hereinunder:

> Syndicated loan formalised on 1 August 2019 with the financial institution Natixis, S.A., in the amount of 175 million euros, of which 163,929 and 158,601 thousand euros were drawn at December 31 and January 1, 2021, respectively. No amounts have been drawn down during financial year 2022. The loan contract established a single due date for the loan, in July, 2026.

On 31 March 2022 the Group proceeded with the advance prepayment of the loan, amortizing pending capital of 163,929 thousand euros, as well as the accrued and unpaid interests, which at that date totalled 748 thousand euros. In addition, the Group paid 507 thousand euros as anticipated prepayment costs, Prior to the prepayment of the loan, the Group had not made any payments on the loan in the 2022 financial year. The payments made during financial years 2021 and 2020 financial years totalled 1,886 and 1,365 euros, respectively.

The formalisation costs for the loan totalled 5,680 thousand euros, and were shown as subtracted from the balance under the heading "Amounts payable to credit institutions". The financial expenses related to the allocation of these formalisation expenses accrued between 1 January and 31 March 2022 totalled 20 thousand euros (70 thousand euros in the 2021 financial year). On 31 March, due to the advance prepayment of the loan, the Group charged in the profit and loss statement the formalisation expenses that had not yet been recognised, which totalled 5,505 thousand euros.

The loan accrued an interest rate referenced to the Euribor plus a market margin. The interests and fees arising from this loan that were accrued in the 2022 financial year totalled 638 thousand euros (2,820 and 2,865 thousand euros respectively during the 2021 and 2020 financial years).

The Group contracted derivative financial instruments (see Note 13) in relation to this loan that have accrued interest expense in the amount of 100 thousand euros over the 2022 financial year (406 and 414 thousand euros respectively during the 2021 and 2020 financial years). As of 31 December, and 1 January, 2021, interests totalling 18 and 18 thousand euros respectively had been accrued, and not paid.

The refinancing of the Group's bank debt involved principal payments of 188,429 thousand euros.

On 31 March 2022, due to the advance prepayment of the loan, the contracted derivative product was cancelled, generating profit in the 2022 financial year of 4,295 thousand euros.

> Loan formalised on 17 October 2020 with the Natixis, S.A. financial institution, in the amount of 24.5 million euros, completely drawn as of 31 December and 1 January 2021. This contract set a due date for the loan of July, 2026.

On 31 March 2022 the Group proceeded with the advance prepayment of the loan, amortizing pending capital of 24,500 thousand euros, as well as the accrued and unpaid interests, which at that date totalled 231 euros. In addition, the Group paid 126 euros as anticipated prepayment costs. The Group made no payments on the principal in the 2022 financial year.

The formalisation costs for the loan totalled 433 thousand euros and are shown as subtracted from the balance under the heading "Amounts payable to credit institutions". Up to March 2022, the Group had not charged any formalisation expenses to the profit and loss statement. On that date, due to the advance prepayment of the loan, the Group charged in the profit and loss statement the formalisation expenses that had not yet been recognised, which totalled 434 thousand euros.

The loan accrued an interest rate referenced to the Euribor plus a market margin. The interests and fees arising from this loan that were accrued in the 2022 financial year totalled 196 thousand euros (838 thousand euros during the 2021 financial year).

The Group contracted derivative financial instruments (see Note 13) in relation to this loan that have accrued interest expense in the amount of 9 thousand euros over the 2022 financial year (36 thousand euros during the 2021 financial year). As of 31 December, and 1 January, 2021, interests totalling 2 and 7 thousand euros respectively had been accrued, and not paid.

On 31 March 2022, due to the advance prepayment of the loan, the contracted derivative product was cancelled, generating profit in the 2022 financial year of 796 thousand euros.

By credit facilities

	2022						
Thousands of euros	Limit	Formalization costs	Due date	Pending long-term debt	Pending short-term debt	Short-term interests	Mortgage guarantee
Credit facility	10,000	(23)	21/04/2023	–	–	18	No
Credit facility	5,000	(16)	25/04/2023	–	4,979	12	No
	15,000	(39)		–	4,979	30	

At year-end 2022, the Group Parent company held the following credit facilities:

> On 21 April 2022 the Parent company formalised a credit facility with CaixaBank for the amount of 10 million euros, at market interest. The interests accrued by this credit facility over the 2022 financial year totalled 49 thousand euros.

> On 25 April 2022 the Parent company formalised a credit facility with Bankinter for the amount of 5 million euros, at market interest. The interests accrued by this credit facility over the 2022 financial year totalled 34 thousand euros.

11.2 OTHER FINANCIAL LIABILITIES

11.2.1 Other long-term financial liabilities

On 21 December 2022 the Parent company formalised a loan with the Company AG Real Estate NV/SA for the amount of 30 million euros. The due date of the loan is scheduled for June, 2024. No payments have been made on this loan in the 2022 financial year.

This loan was taken as a deferred payment for the purchase of assets that took place on the same date, and explained in Note 1.3, in which the lender was the seller. The Parent company acts as a guarantor for the borrowing subsidiaries listed as follows:

Subsidiary - in thousands of euros	
HAI Belgium, BV	22,114
Ladolcevita, S.A.	4,147
RV Invest, N.V.	1,735
De Wilde, S.R.L.	1,431
Senre, S.R.L	573
Total	**30,000**

This loan accrues market interest. Interests on this loan accrued in the 2022 financial year totalled 25 thousand euros, which are completely accrued and unpaid at the close of the 2022 financial year. The loan agreement establishes various agreements and covenants, including the fulfilment of certain financial ratios that the Board of Directors estimates are fulfilled without incident at the end of financial year 2022.

11.2.2 Other short-term financial liabilities

As described in Note 9, on 23 December, 2022, the Group acquired through its subsidiaries in Portugal two operating hospitals, with 42,645 thousand euros pending payment to the seller at 31 December 2022, payable in the 2023 financial year.

At the end of the 2021 financial year, the heading Other short-term financial liabilities included 1,302 thousand euros to be paid to shareholders of the Parent Company, related with an interim dividend for the profits of 2021, approved on 14 December 2021 and paid on 11 January 2022 (see Note 14.4).

11.3 CAPITAL GRANTS

At December 31, 2022 and December 31, 2021, the Group held an administrative concession with the Salou City Council. The concession, for private use and having an initial term of 75 years, allows the use of the land where the residential facility for elders owned by the Group in that municipality is located. In accordance with the recognition and measurements standards described in Note 4, in each financial year the proportional part of said concession will be recognised as a higher income and the value of the grant will be reduced.

The amount of grants, donations and legacies reflected in the Group balance sheet at the close of the 2022 financial year is 234 thousand euros (238 and 242 thousand euros, respectively at December 31 and January 1, 2021). The pending duration of the concession was 58 years at the end of the 2022 financial year.

The analysis of movements in the financial years ending at 31 December 2022, 31 December and 1 January 2021 is as follows:

Thousands of euros	December 31, 2022	December 31, 2021	January 1, 2021
Initial balance	238	242	246
Reduction (net of the tax effect)	(4)	(4)	(4)
Final balance	234	238	242

11.4 OTHER LIABILITIES

The heading of long and short-term "Guarantees" corresponds to the guarantees received as a consequence of rental contracts relative to real estate investments (see Note 9).
The heading of long and short-term "Non-current accruals" corresponds to income collected in advance.

11.5 CLASSIFICATION BY MATURITY OF FINANCIAL LIABILITIES

Following is a breakdown of the financial liabilities for the 2022 financial year that have a determined or determinable maturity, and of which the amounts that mature in each of the five years following the year-end closing and the rest until their last maturity must be reported.

Thousands of euros	2023	2024	2025	2026	2027	Rest	Total
Amounts payable to credit institutions	5,400	–	–	–	274,300	–	279,700
Debt formalization costs	(1,608)	(1,608)	(1,608)	(1,608)	(489)	–	(6,919)
Guarantees	2	–	–	–	–	3,588	3,590
Non-current accruals	519	–	–	–	–	119	638
Other financial liabilities	42,490	30,000	–	–	–	–	72,490
Lease liabilities	85	85	85	85	85	2,953	3,378
Other payables	5,198	–	–	–	–	–	5,198
Capital grants	4	4	4	4	4	213	233
Total	52,091	28,482	(1,518)	(1,518)	273,901	6,872	358,308

Following is a breakdown of the financial liabilities for the 2021 financial year that have a determined or determinable maturity, and of which the amounts that mature in each of the five years following the year-end closing and the rest until their last maturity must be reported.

Thousands of euros	2022	2023	2024	2025	2026	Rest	Total
Amounts payable to credit institutions	2,811	3,123	3,604	3,844	175,215	-	188,597
Debt formalization costs	(82)	(97)	(112)	(120)	(5,557)	-	(5,968)
Guarantees	3	-	-	-	-	3,499	3,502
Non-current accruals	-	1	1	1	1	123	127
Other financial liabilities	1,302	-	-	-	-	-	1,302
Lease liabilities	83	83	83	83	83	3,046	3,461
Other payables	1,549	-	-	-	-	-	1,549
Capital grants	4	4	4	4	4	218	238
Total	**6,675**	**3,114**	**3,580**	**3,812**	**169,746**	**6,886**	**192,809**

11.6 INFORMATION ON AVERAGE PERIODS OF PAYMENT TO SUPPLIERS. SECOND FINAL PROVISION OF LAW 31/2014, OF 3 DECEMBER

We provide hereinunder the information required by the Third Additional Provision of Law15/2010, of 5 July (amended by Second Final Provision of Law 31/2014, of 3 December), prepared as per the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016, on the information to include in the Notes to the Annual Accounts regarding the average supplier payment term in business operations.

	2022	2021
Average period of payment to suppliers	30	30
Ratio of transactions paid	30	30
Ratio of transactions pending payment	30	30

Thousands of euros	2022	2021
Total payments made	27,659	10,418
Total payments pending	3,196	810

Invoices totalling 27,659 thousand euros have been paid (standing for 100% of the total payments to suppliers) in a period shorter than the maximum set in the regulations on payment default.

Pursuant to the ICAC Resolution, the calculation of the Average period of payment to suppliers is based on business operations linked to the delivery of goods or services, accrued since the entry into force of Law 31/2014, of 3 of December.

Suppliers are considered, for the exclusive purposes of providing the information stipulated in this Resolution, to be those trade creditors for debts with suppliers of goods or services, included in the item "Trade creditors and other payables" of the current liabilities on the attached balance sheet.

"Average period of payment to suppliers" is considered to the period that transpires from the delivery of the goods or services by the supplier and material payment of the operation.

As of the publication of the aforementioned Law, and up to the present, the maximum legal term applicable to the Group pursuant to Law 11/2013 of 26 July is 30 days (unless certain conditions established in the law are met, which would allow the extension of the payment period to 60 days).

12. Tax situation

12.1 BALANCES WITH PUBLIC ADMINISTRATIONS

As of December 31, 2022 and December 31 and January 1, 2021, the composition of the current balances with Public Administrations is as follows:

	Debtor balances		
Thousands of euros	December 31, 2022	December 31, 2021	January 1, 2021
Tax authorities, receivables: VAT recoverable	978	–	31
Tax authorities, Corporate Income Tax Receivable	817	120	–
Other taxes	–	20	–
Total	**1,795**	**140**	**31**

	Creditor balances		
Thousands of euros	December 31, 2022	December 31, 2021	January 1, 2021
Tax authorities, payable: VAT payable	–	294	–
Taxation authorities, payables: withholding tax	504	382	367
Social Security bodies	4	4	4
Taxation authorities, Corporate Income Tax payable	–	–	90
Other taxes	–	203	202
Total	**508**	**882**	**663**

On 17 December 2019, the Board of Directors of the Parent Company agreed to the acceptance from 1 January 2020 of the group of entities whose parent is the Parent Company of the Group, opting for the application of the Special Regime of the Value Added Tax of the Group of Entities, provided for in Chapter IX of Heading IX of Law 37/1992, of 28 December. As of December 31, 2022 and December 31 and January 1, 2021 subsidiaries Healthcare Activos Financing, S.L.U., Healthcare Activos Inmobiliarios 13, S.L.U. and Healthcare Activos Yield Growth, S.L.U. (the latter two were absorbed in 2022 by the company Healthcare Activos Financing, S.L.U.) belong to this group.

On 30 November 2022, the Parent company agreed to include in the group the subsidiaries Healthcare Activos Inmobiliarios 14, S.L.U., Healthcare Activos Inmobiliarios 15, S.L.U., Healthcare Activos Inmobiliarios 20, S.L.U. , Healthcare Activos Inmobiliarios 21, S.L.U. , Healthcare Activos Inmobiliarios 22, S.L.U. , Healthcare Activos Inmobiliarios 23, S.L.U. , Healthcare Activos Inmobiliarios 24, S.L.U. , Healthcare Activos Inmobiliarios 25, S.L.U. , Healthcare Activos Inmobiliarios 29, S.L.U. , Healthcare Activos Inmobiliarios 30, S.L.U. , Healthcare Activos Inmobiliarios 31, S.L.U. , Healthcare Activos Inmobiliarios 32, S.L.U. , Healthcare Activos Inmobiliarios 33, S.L.U. and Healthcare Activos Inmobiliarios 34, S.L.U.; and that will be applicable for the financial years beginning as of 1 January 2023.

12.2 CORPORATE INCOME TAX

As stated in Note 1, on 13 September 2019, both the Parent Company and some of the Group's subsidiaries notified the State Tax Administration Agency that they were applying the special SOCIMI (REIT) tax regime. On 8 July 2022, other subsidiaries of the Group also adopted this regime. Annex I features the list of the Subsidiaries to which the regime is applicable.

Nevertheless, during the 2021 financial year, and effective on 1 January 2021, the companies Maquavit Inmuebles, S.L. and Hospedería Granadina, S.L. were absorbed by the companies Healthcare Activos Yield Growth, S.L.U. and Healthcare Activos Financing, S.L.U., respectively, applying to them from that date the special tax regime of the SOCIMI 's. The impact described under the heading "corporate income tax" of the profit and loss account for the 2021 financial year is a consequence of Corporate Income Tax of the companies within the scope, and the sale of commercial property (see Note 9), as the revenues generated by this operation are not eligible for the SOCIMI Regime, as they have not been under a lease regime for at least three months.

The impact described under the heading "corporate Income tax" of the profit and loss account for the 2022 financial year is a consequence of the sale of a hospital (see Note 9), as the revenues generated by this operation are not eligible for the SOCIMI Regime, as they have not been under a lease regime for at least three months. The income before tax attributable to the sale of the building, as the asset sold does not meet the requisites of ownership for at least three years, is subject to tax on the profits obtained directly attributable to the property sold, from the date of acquisition until the time of sale.

Thousands of euros	2022	2021
Expense for tax on profits	(1,203)	33
Changes due to deferred taxes	–	–
Adjustments to tax from prior periods	–	–
Tax on profits	**(1,203)**	**33**
Profit/(loss) before income tax	**23,719**	**27,875**
Adjustments to SOCIMI Regime	(18,909)	(27,743)
Tax base under 25% general regime	**4,810**	**132**
Adjustments to tax from prior periods	–	–
Corporate income tax Expense / (income)	**1,203**	**33**

At 31 December 2022, 31 December and 1 January, 2021, the Group does not keep any amount recorded for any type of deferred assets and liabilities (including negative tax bases) or deductions related to corporate income tax

12.3 YEARS OPEN TO INSPSECTION AND AUDITS

According to current legal provisions, tax assessments cannot be considered definitive until they have been inspected by the tax authorities or until the statute of limitations has elapsed.

In general, for the main applicable taxes, the companies of the Group have pending inspection by the tax authorities for the last four years. Due to the different interpretations of the applicable fiscal regulations, there could be contingent liabilities, which are not susceptible to objective quantification. However, Management considers that the materialisation of these would be unlikely and in any case defendable, and that they would not reach significant amounts in relation to the annual financial statements and it has not been considered necessary to provide any extra provision for this concept.

12.4 REPORTING REQUIREMENTS ARISING FROM THE STATUS OF SOCIMI, LAW 11/2009, AMENDED BY LAW 16/2012

The reporting obligations derived from the Parent company's SOCIMI status, and by its subsidiaries are included in the relevant individual financial statement reports.

13. Derivative financial instruments

The group contracts derivative financial instruments to limit, through the contracting of Swaps, the fluctuation in cash flows to be disbursed for the payment referenced at variable interest rate (Euribor) in some of the loan contracts described in Note 11.

The methodology used in valuation is within level 1 of the fair value hierarchy established in IFRS 7.

The following table presents the financial instruments and fair value of each:

	December 31, 2022				
Thousands of euros	Counterparty	Interest rate	Maturity	Nominal	Fair value Asset/(Liability)
Cash flow hedges					
Swap	CA-CIB	1.06%	2027	120,000	9,717
Swap	BNP	1.06%	2027	120,000	9,886
Total				**240,000**	**19,603**

	December 31, 2021				
Thousands of euros	Counterparty	Interest rate	Maturity	Nominal	Fair value Asset/(Liability)
Cash flow hedges					
Swap	Natixis	0.303%	2026	135,000	336
Swap	BBVA	0.303%	2026	20,825	178
Total				**155,825**	**514**

	January 1, 2021				
Thousands of euros	Counterparty	Interest rate	Maturity	Nominal	Fair value Asset/(Liability)
Cash flow hedges					
Swap	Natixis	0.303%	2026	135,000	(1,576)
Swap	BBVA	0.303%	2026	20,825	(94)
Total				**155,825**	**(1,670)**

14. Net equity

14.1 SHARE CAPITAL AND SHARE PREMIUM

At 31 December 2022 and 2021, the Parent company's share capital totalled 174,194 thousand euros (118,714 thousand euros at 31 December and 1 January 2021), and is represented by 174,193,682 ordinary shares, of 1 euro par value each, all of the same class, completely subscribed and paid.

At 31 December 2022 and 2021, the share premium of the Parent company totalled 91,318 thousand euros (35,350 and 37,298 thousand euros at 31 December and 1 January 2021).

Over the 2022 financial year, the following capital increases and share premiums have been carried out:

> On 26 April 2022, a capital increase was carried out in the Parent company for the amount of 36,057 thousand euros with a share premium of 33,424 thousand euros, having issued 36,056,626 shares at 1 euro par value, with the exchange value consisting of the set-off of credits that subscribers held against the Parent company. As described in Note 1.3, this capital increase was arranged as a credit set-off with the shareholders of the Parent company.

> On 7 December 2022, there was a capital increase in the Parent Company for an amount of 19,423 thousand euros with a share premium of 24,474 thousand euros, having issued 19,423,456 shares with a par value of 1 euro. This capital increase was disbursed on 16 December 2022.

During financial year 2021 the Company has not carried out any capital increases reductions, or operations with shareholders other than dividend distributions.

As a result of the operation described in Note 1.3, on 31 December 2022, shareholders holding stakes of the share capital of the Parent company were:

	% share
One Hundred and Twenty Investment Company	49.358%
REI Spain B.V.	37.855%
Durham County Council Pension Fund	4.748%
CBRE European Venture Fund	4.381%
TFL Trustee Company Limited	2.374%
Healthcare Activos Management Patrimonio, S.L.	0.627%
Other investors	0.657%

At December 31 and January 1, 2021 the shareholders holding significant stakes of the share capital of the Parent company were:

	% share
Nortia Capital Investment Holding, S.L.	15.160%
Inmomutua Madrileña, S.L.U.	6.070%
Altamar HA Yield Fondo de Inversión Privado (Chile)	6.070%
Espai D'Inversions 2005, S.L.	5.180%
Other investors (with stakes under 5%)	67.520%

14.2 OTHER EQUITY HOLDERS' CONTRIBUTIONS

As of 31 December 2022 the Parent company held 78,540 thousand euros (33,125 and 34,519 thousand euros at December 31 and January 1, 2021, respectively) under the chapter of Other equity holders' contributions of the Consolidated financial position statement of the Parent company.

On 17 and 29 November 2022, Shareholders of the Parent company have made contributions in the amount of 1,984 and 49,396 thousand euros, respectively. These contributions to shareholders' equity were disbursed on 24 November and 14 December 2022.

No movements have occurred in this item during the 2021 financial year.

14.3 OTHER RESERVES

The breakdown of reserves at December 31, 2022 and 2021, and January 1, 2021 is as follows:

Thousands of euros	December 31, 2022	December 31, 2021	January 1, 2021
Parent company's legal reserve	802	387	–
Other reserves of the Parent company	(641)	(641)	(641)
Reserves in consolidated companies	50,976	23,558	24,590
Total	51,137	23,304	23,949

14.3.1 Legal reserve

Provision will be made for the legal reserve pursuant to Article 274 of the Consolidated Text of the Capital Companies Act, which establishes that in any event, a figure equal to 10% of the profit for the financial year will be assigned to the legal reserve until it reaches at least 20% of the share capital.

This reserve is not distributable and if used to compensate for losses, in the event that there are no other sufficient available reserves for this purpose, it must be restored with future profits.

At December 31, 2022 and 2021, the Group has not made provision to this reserve with the minimum limit established in the Consolidated Text of the Capital Companies Act.

Pursuant to Law 11/2009, which regulates Real Estate Investment Trusts (Sociedades Anóminas Cotizadas de Inversión en el Mercado Inmobilario - SOCIMI), the legal reserve of companies that have chosen to apply the special tax regime established in this law cannot exceed 20% of the share capital.

The articles of association cannot establish any restricted reserve other than the one previously described.

14.3.2 Other reserves

On 19 August 2020 and 23 December 2019, the Parent company has carried out a capital reduction due to the amortization of its own shares and, consequently, a redeemed capital reserve has been generated in the amount of 645 thousand euros.

In the 2021 financial year, the Parent company allocated part of the accumulated amount of the account Other equity holders' contributions to offset prior years' negative results accumulated as of 31 December 2020.

14.4 DIVIDENDS

During financial year 2022 the Parent Company has carried out the following dividend distributions:

> On 23 March 2022, an extraordinary dividend was distributed in the Company shareholders' favour by refund of the share premium in the amount of 1,930 thousand euros. These dividends were disbursed on 31 March 2022.

> On 26 April 2022, an ordinary dividend corresponding to the distribution of profits from the 2021 financial year was distributed in the amount of 79 thousand euros. These dividends were disbursed on 25 May 2022.

> On 28 June 2022, an extraordinary dividend was distributed in the Company shareholders' favour by refund of the Other equity holders' contributions in the amount of 2,983 thousand euros. These dividends were disbursed on 12 July 2022.

> On 26 October 2022, an extraordinary dividend was distributed in the Company shareholders' favour by refund of the Other equity holders' contributions in the amount of 2,982 thousand euros. These dividends were disbursed on 4 November 2022.

During financial year 2021 the Parent Company has carried out the following dividend distributions:

> On 6 April 2021, an ordinary dividend corresponding to the distribution of profits from the 2020 financial year was distributed in the amount of 1,536 thousand euros. On the same date, an extraordinary dividend was distributed in favour of the shareholders of the Company by means of an interim dividend for the profits of the 2021 financial year in the amount of 412 thousand euros. These dividends were disbursed on 13 April 2021.

> On 30 June 2021, an extraordinary dividend was distributed in the Company shareholders' favour by refund of the share premium in the amount of 1,947 thousand euros. Said dividend was disbursed on 8 July 2021.

> On 8 November 2021, an extraordinary dividend was distributed in favour of the shareholders of the Company by means of an interim dividend for the profits of the 2021 financial year in the amount of 1,946 thousand euros. Said dividend was disbursed on 16 November 2021.

> On 14 December 2021, an extraordinary dividend was distributed in favour of the shareholders of the Company by means of an interim dividend for the profits of the 2021 financial year in the amount of 1,302 thousand euros. Said dividend was pending at the end of the 2021 financial year, and disbursed on 11 January 2022.

14.5 INCOME PER SHARE

The basic net profit basic per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in circulation during the year.

Thousands of euros	December 31, 2022	December 31, 2021
Net profit/(loss) for the period attributable to the Parent Company	22,516	27,908
Weighted average number of ordinary shares in circulation (thousands)	144,740	118,714
Net profit per share (€ per share)	0.16	0.24

The Parent company does not hold ordinary shares with dilutive potential. Diluted income per share is the same as the basic income per share.

14.6 VALUATION ADJUSTMENTS

This heading in the consolidated financial position statement covers the changes in value of the financial derivatives designated as cash flow hedging instruments (See Note 13).

Movements in balance of this heading in the 2022 and 2021 financial years are presented as follows:

Thousands of euros	Valuation adjustments
Balance at 1 January 2021	**(1,670)**
Changes in fair value of hedges during the financial year	2,184
Balance at December 31 2021	**514**
Cancellation of hedges	(5,071)
Contracting new hedges	3,870
Changes in fair value of hedges during the financial year	20,290
Balance at December 31 2022	**19,603**

15. Income and expenses

15.1 TURNOVER

Turnover represents ordinary income from contracts with customers for rentals derived from the Group's activity, focused on the markets of Spain, Belgium and Portugal. The turnover and its distribution by geographic segments is shown in the following table:

Thousands of euros	2022	2021
Spain	20,493	18,431
Portugal	1,292	–
Belgium	147	–
Total	**21,932**	**18,431**

Income for the 2022 financial year is not comparable to that of 2021 due to the asset acquisition activities described in Note 9, as they do not cover a complete financial year with a comparable consolidation scope.

The total minimum future lease payments receivable corresponding to the Group's non-cancellable operating leases, based on the leases currently in force at each date, without taking into account the impact of common expenses, future increases in the CPI, would be as follows:

Thousands of euros	December 31, 2022	December 31 2021	January 1, 2021
Within one year	31,229	19,539	17,928
Spain	21,654	19,539	17,928
Portugal	5,140	–	–
Belgium	4,435	–	–
One to five years	122,962	77,173	72,555
Spain	84,662	77,173	72,555
Portugal	20,558	–	–
Belgium	17,742	–	–
More than five years	358,763	220,359	225,304
Spain	224,916	220,359	225,304
Portugal	71,889	–	–
Belgium	61,958	–	–
Total	**512,954**	**317,071**	**315,787**
Spain	331,232	317,071	315,787
Portugal	97,587	–	–
Belgium	84,135	–	–

15.2 OTHER OPERATING EXPENSES

The breakdown of "Other operating expenses" in the consolidated statement of income is as follows:

Thousands of euros	2022	2021
Management services	3,551	3,281
Professional services	780	440
Taxes	416	430
Other	165	127
Corporate restructuring expenses	17,573	741
Total	**22,485**	**5,019**

Management services corresponds to the fees for management with the Group's management companies. The expenses associated with the acquisition of assets are those derived from the corporate and bank restructuring operation explained in Notes 1.3 and 11, as well as the costs derived from acquisitions of assets and real estate investments described in Note 9.

15.3 PERSONNEL EXPENSES

The breakdown of "Personnel Expenses" in the consolidated statement of income is as follows:

Thousands of euros	2022	2021
Wages and Salaries	165	115
Social Security costs of the company	47	36
Other social expenses	2	1
Total	214	152

At 31 December 2022 and 2021, the Group has three employees, all with an administrative category, corresponding to two men and one woman. At the end of financial year 2022, no employees with a disability greater than or equal to 33% are listed.

15.4 FINANCIAL INCOME AND EXPENSES

The breakdown of the financial profit/(loss) by type is as follows:

Thousands of euros	2022	2021
Financial income from loans	811	–
Income from cancellation of derivative financial instruments	5,071	–
Other financial revenues	23	1
Total financial income	5,905	1
Financial expenses from loans and others	6,132	3,659
Financial expenses from derivative financial instruments	1,120	442
Financial expenses associated with cancellation of loans	633	–
Financial expenses associated with loan formalization expenses	7,205	70
Other financial expenses	100	67
Total financial expenses	15,190	4,238

Over the 2021 and 2021 financial years, the finance mainly include the interests on debt with financial institutions and the obligations described in Note 11. The amortization of debt formalization expenses, following the refinancing mentioned in this Note, has brought about the cancellation and consequent assignment to the financial profit/(loss) of 5,977 thousand euros in the 2022 financial year.

16. Segmented information

The highest operational decision-making authority is the individual or group who assigns resources and evaluates the performance of an entity's operational segments. The Group has determined that its highest operational decision-making authority is the Board of Directors.

The Group focuses its activities on a line of business that makes up the basis on which the Group is presenting the information relative to its operational segments. This business activity is leasing, especially in lease operations of properties used as residential facilities for elders, hospitals and medical centres.

17. Transactions with related parties

Transactions with related parties are those completed by the Parent company or its Subsidiaries with directors, shareholders holding 10% or more of voting rights or represented on the board of directors of the Parent company, or with any other individuals that should be considered a related party pursuant to the International accounting Standards, adopted in accordance with EU Regulation 1606/2002 of the European Parliament and of the Council, of 19 July 2002, on the application of international accounting standards.

17.1 COMPENSATION TO THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

During financial years 2022 and 2021 the Directors and Senior Management of the Company have not earned compensation. No severance pay or payments based on equity instruments have been accrued during the years ended 31 December 2022 and 2021.

No loan or advance payments have been granted to the members of the Board of Directors.

No pension obligations or life insurance have been contracted with respect to any member of the Board of Directors. However, the Group maintains liability insurance for Managers and Directors, which has generated an expense of 30 thousand euros and 21 thousand euros in the 2022 and 2021 financial years, respectively.

18. Contingencies and commitments

18.1 CONTINGENT LIABILITIES AND CONTINGENCIES

As of 31 December 2022 and 31 December 2021, the Group has no contingent liabilities or contingencies.

18.2 GUARANTEES

As of 31 December 2022, the Parent company has contracted two lines of guarantees in the amount of 13 million euros with two prestigious financial institutions, which it mainly dedicates to covering obligations and requirements that, in the development and promotion phases of new assets, may be necessary before construction companies, operators or public entities.

19. Audit fees

The fees for account auditing provided to the various companies composing the Group by the principal auditor KPMG Auditores, S.L. and other entities related to it, are set forth below:

Thousands of euros	2022	2021
Audit services	87	59
Other verification services	–	–
Total auditing and related services	**87**	**59**
Tax advisory services	15	5
Other services	73	27
Total professional services	**175**	**91**

The auditing services billed to the Group totalled 69 and 44 thousand euros in the 2022 and 2021 financial years, respectively.

Business advising on acquisitions of assets by the Group in the 2022 and 2021 financial years are the most relevant of the other services invoiced by entities related to the Group's auditor.

20. Relevant post-closing information

On 15 March 2023, the Group acquired 100% of the shares of the Portuguese company Rockmont Properties, S.A. for EUR 6,3 million, which owns an operating hospital clinic in Montijo (Lisboa, Portugal) and managed by CUF. The events described above do not alter the financial statements at year-end 2022.

Barcelona, March 29, 2023

Annex I. – Subsidiaries at 31 December 2022 (thousands of euros)

Name	Type	Address	Activity	Date of incorporation	Holding amount	% of equity holding	% of voting rights	Consolidation method	Application of SOCIMI Regime
Healthcare Activos Yield Socimi, S.A.	Parent company	Paseo de la Castellana, 45, sexto piso, puerta izquierda, 28046 Madrid	Activities for the promotion and execution of real estate sales and holding of shares	February 1, 2019	-	-	-	-	From 13 September, 2019
Healthcare Activos Financing, S.L.U.	Subsidiary	Paseo de la Castellana, 45, sexto piso, puerta izquierda, 28046 Madrid	Activities for the promotion and execution of real estate developments	May 18, 2018	204,319	100%	100%	Global Integration	From 13 September, 2019
Healthcare Activos Inmobiliarios 14, S.L.U.	Subsidiary	Paseo de la Castellana, 45, sexto piso, puerta izquierda, 28046 Madrid	Activities for the promotion and execution of real estate developments	October 29, 2018	9,103	100%	100%	Global Integration	From July 8, 2022
Healthcare Activos Inmobiliarios 15, S.L.U.	Subsidiary	Paseo de la Castellana, 45, sexto piso, puerta izquierda, 28046 Madrid	Activities for the promotion and execution of real estate developments	October 29, 2018	2,820	100%	100%	Global Integration	From July 8, 2022
Healthcare Activos Inmobiliarios 20, S.L.U.	Subsidiary	Paseo de la Castellana, 45, sexto piso, puerta izquierda, 28046 Madrid	Activities for the promotion and execution of real estate developments	July 11, 2019	8,200	100%	100%	Global Integration	From July 8, 2022
Healthcare Activos Inmobiliarios 21, S.L.U.	Subsidiary	Paseo de la Castellana, 45, sexto piso, puerta izquierda, 28046 Madrid	Activities for the promotion and execution of real estate developments	November 18, 2019	7,429	100%	100%	Global Integration	From July 8, 2022
Healthcare Activos Inmobiliarios 22, S.L.U.	Subsidiary	Paseo de la Castellana, 45, sexto piso, puerta izquierda, 28046 Madrid	Activities for the promotion and execution of real estate developments	November 18, 2019	2,486	100%	100%	Global Integration	From July 8, 2022
Healthcare Activos Inmobiliarios 23, S.L.U.	Subsidiary	Paseo de la Castellana, 45, sexto piso, puerta izquierda, 28046 Madrid	Activities for the promotion and execution of real estate developments	November 18, 2019	6,714	100%	100%	Global Integration	From July 8, 2022
Healthcare Activos Inmobiliarios 24, S.L.U.	Subsidiary	Paseo de la Castellana, 45, sexto piso, puerta izquierda, 28046 Madrid	Activities for the promotion and execution of real estate developments	November 18, 2019	7,039	100%	100%	Global Integration	From July 8, 2022
Healthcare Activos Inmobiliarios 25, S.L.U.	Subsidiary	Paseo de la Castellana, 45, sexto piso, puerta izquierda, 28046 Madrid	Activities for the promotion and execution of real estate developments	November 18, 2019	6,371	100%	100%	Global Integration	From July 8, 2022
Healthcare Activos Inmobiliarios 29, S.L.U.	Subsidiary	Paseo de la Castellana, 45, sexto piso, puerta izquierda, 28046 Madrid	Activities for the promotion and execution of real estate developments	June 21, 2022	33	100%	100%	Global Integration	No

Name	Type	Address	Activity	Date of incorporation	Holding amount	% of equity holding	% of voting rights	Consolidation method	Application of SOCIMI Regime
Healthcare Activos Inmobiliarios 30, S.L.U.	Subsidiary	Paseo de la Castellana, 45, sexto piso, puerta izquierda, 28046 Madrid	Activities for the promotion and execution of real estate developments	June 21, 2022	3	100%	100%	Global Integration	No
Healthcare Activos Inmobiliarios 31, S.L.U.	Subsidiary	Paseo de la Castellana, 45, sexto piso, puerta izquierda, 28046 Madrid	Activities for the promotion and execution of real estate developments	June 21, 2022	3	100%	100%	Global Integration	No
Healthcare Activos Inmobiliarios 32, S.L.U.	Subsidiary	Paseo de la Castellana, 45, sexto piso, puerta izquierda, 28046 Madrid	Activities for the promotion and execution of real estate developments	October 19, 2022	3	100%	100%	Global Integration	No
Healthcare Activos Inmobiliarios 33, S.L.U.	Subsidiary	Paseo de la Castellana, 45, sexto piso, puerta izquierda, 28046 Madrid	Activities for the promotion and execution of real estate developments	October 19, 2022	2,031	100%	100%	Global Integration	No
Healthcare Activos Inmobiliarios 34, S.L.U.	Subsidiary	Paseo de la Castellana, 45, sexto piso, puerta izquierda, 28046 Madrid	Activities for the promotion and execution of real estate developments	October 19, 2022	6,638	100%	100%	Global Integration	No
Provitae Centros Asistenciales, S.L.	Subsidiary	Paseo de la Castellana, 83-85, planta 4º, 28046, Madrid	Activities for the promotion and execution of real estate developments	October 11, 2011	3	50%	50%	Proportional integration	No
Sequêncialternativa, S.A.	Subsidiary	Rua de Baden-Powell, 3, 5000-198, Vila Real (Portugal)	Activities for the promotion and execution of real estate developments	December 29, 2015	10,553	100%	100%	Global Integration	No
Healthcare Activos Inmobiliarios Belgium, S.R.L.	Subsidiary	Turnhoutsebaan 277 B-2100 Deurne (Antwerp), Belgium.	Rental of urban real estate	December 20, 2022	6,605	100%	100%	Global Integration	No
Senre, S.R.L.	Subsidiary	Turnhoutsebaan 277 B-2100 Deurne (Antwerp), Belgium.	Rental of urban real estate	December 4, 2008	21,287	100%	100%	Global Integration	No
De Wilde, S.R.L.	Subsidiary	Turnhoutsebaan 277 B-2100 Deurne (Antwerp), Belgium.	Rental of urban real estate	June 7, 1988	20,609	100%	100%	Global Integration	No
Ladolcevita, S.A.	Subsidiary	Turnhoutsebaan 277 B-2100 Deurne (Antwerp), Belgium.	Rental of urban real estate	November 22, 1999	3	100%	100%	Global Integration	No
RV Invest, N.V.	Subsidiary	Turnhoutsebaan 277 B-2100 Deurne (Antwerp), Belgium.	Rental of urban real estate	May 10, 2001	3	100%	100%	Global Integration	No

Annex I. – Subsidiaries at December 31 and January 1, 2021 (thousands of euros)

Name	Type	Address	Activity	Date of incorporation	Holding amount	% of equity holding	% of voting rights	Consolidation method	Application of SOCIMI Regime
Healthcare Activos Yield Socimi, S.A.	Parent company	Paseo de la Castellana, 45, sexto piso, puerta izquierda, 28046 Madrid	Activities for the promotion and execution of real estate sales and holding of shares	February 1, 2019	-	-	-	-	From 13 September, 2019
Healthcare Activos Financing, S.L.U.	Subsidiary	Paseo de la Castellana, 45, sexto piso, puerta izquierda, 28046 Madrid	Activities for the promotion and execution of real estate developments	May 18, 2018	144,545	100%	100%	Global Integration	From 13 September, 2019
Healthcare Activos 13, S.L.U.	Subsidiary	Paseo de la Castellana, 45, sexto piso, puerta izquierda, 28046 Madrid	Activities for the promotion and execution of real estate developments	April 18, 2004	32,968	100%	100%	Global Integration	From 13 September, 2019
Healthcare Activos Yield Growth, S.L.U.	Subsidiary	Paseo de la Castellana, 45, sexto piso, puerta izquierda, 28046 Madrid	Activities for the promotion and execution of real estate developments	October 29, 2018	24,748	100%	100%	Global Integration	From 13 September, 2019
Healthcare Activos Inmobiliarios 22, S.L.U.	Subsidiary	Paseo de la Castellana, 45, sexto piso, puerta izquierda, 28046 Madrid	Activities for the promotion and execution of real estate developments	November 18, 2019	15	100%	100%	Global Integration	No
Provitae Centros Asistenciales, S.L.	Subsidiary	Paseo de la Castellana, 83-85, planta 4º, 28046, Madrid	Activities for the promotion and execution of real estate developments	October 11, 2011	2,031	50%	50%	Proportional integration	No

Consolidated Management Report

ECONOMIC EVOLUTION OF THE BUSINESS

Healthcare Activos Yield Socimi, S.A. and its subsidiaries make up a leading platform specialising in real estate assets in the healthcare and dependence sector in Spain, with the intention of becoming the European leader in the short-term by achieving the Group's expansion plans. It holds a portfolio of leased assets carefully selected under long-term contracts with top-tier operators.

On 23 December 2021, the Group's Parent company signed an agreement with a consortium of global institutional investors to invest in the platform, and support its future long-term growth. Within the same framework, an agreement was signed for the refinancing of the Group's debt, of which the Company is the head, through the cancellation of its outstanding debt, and the signing of a new loan agreement with BNP Paribas and Credit Agricole. On 31 March 2022, the conditions precedent established in these agreements were met, and consequently, the following institutional investors took shares in the Company's capital: REI Spain, B.V., Durham County Council Pension Fund (Durham), TfL Trustee Company Limited, trustee of TfL Pension Fund (Transport for London), CBRE European Venture Fund (CBRE EVF) and One Hundred and Twenty Investment Company LLC (Abu Dhabi Sovereign Wealth Fund).

Concommitantly, the Group acquired a portfolio of 14 buildings located mainly on the Iberian peninsula, owned by the Spanish company Healthcare Activos Investment S.A. and the Portuguese company HAECP Lda., with a total valuation of approximately 203 million euros.

The operation described has made it possible for the Group to continue with its international expansion plan, having situated the market value of the investments managed by the Group of which the Company is head at as much as 725 million euros at 31 December 2022, and with a presence in Spain, Portugal and Belgium.

During the 2022 financial year, the Group reached a turnover amount of 21,932 thousand euros, with the turnover in the 2021 financial year amounting to 18,431 thousand euros.

At the end of financial years 2022 and 2021, the Group has a total of 56 assets (33 assets at the end of financial year 2021) with a capacity of more than 7,065 beds, carefully selected in locations with fundamental supply-demand solids. All assets are leased to reputable operators under long-term contracts.

On 1 October 2020, the shares of the Company were listed in the "Euronext Access" stock market in Paris.

The COVID-19 crisis has caused serious consequences in the economy and in global securities markets. In this situation, the healthcare and dependence sector have proven to be essential infrastructures despite the serious threats the pandemic poses. This crisis is putting fundamental aspects of the Group's business to the test, and they are proving solid. Excellent, carefully selected locations, leases to first-class operators with high rent coverage and triple net long-term rental contracts guaranteed by the Parent Company, with fixed income and indexed to the CPI. Thanks to this, the Group's results and treasury projections have not been affected.

The Group maintains long-term commitments to support European healthcare operators in their expansion plans, cooperating with them through real estate infrastructure. Furthermore, the Company collaborates closely with the different operators of the healthcare sector contributing to the development of projects, measures and sector regulatory framework to achieve the best treatment and care of people, thus generating sustainable and long-term value for all interest groups, although during financial years 2021 and 2020 the Group has not been explicitly capitalised.

INVESTMENTS

During financial year 2022, the Group has invested 302 million euros in the assets. The market value of total portfolio at the end of the 2022 financial year is 728 million euros, and the Group plans to increase its investments in the short term in order to expand its assets portfolio in the healthcare sector during the 2023 financial year.

RESEARCH AND DEVELOPMENT ACTIVITIES

The group has not carried out research and development activities during financial years 2021 and 2020.

ACQUISITIONS OF OWN SHARES

At the end of financial years 2022 and 2021, the Group has no own shares.

FINANCIAL RISK FACTORS

The Group's activities do not present significant concentrations of financial risks.

DERIVATIVE FINANCIAL INSTRUMENTS

During financial years 2022 and 2021, the Group has maintained its contracts for derivative financial instruments in order to hedge the interest rate risk.

AVERAGE PAYMENT PERIOD

The Group's average payment period during financial years 2022 and 2021 has been 30 days.

SUBSEQUENT EVENTS

On 15 March 2023, the Group acquired 100% of the shares of the Portuguese company Rockmont Properties, S.A. for EUR 6,3 million, which owns an operating hospital clinic in Montijo (Lisboa, Portugal) and managed by CUF. The events described above do not alter the financial statements at year-end 2022.

Healthcare Activos Yield SOCIMI, S.A. and subsidiaries

On March 29, 2023, the Directors of Healthcare Activos Yield SOCIMI, S.A., in compliance with the requisites established in Article 253.2 of the Consolidated Text of the Capital Companies Act and in Article 37 of the Commercial Code, have met and hereby prepare the consolidated annual accounts for the financial year spanning from January 1, 2022 to December 31, 2022. The consolidated annual accounts, prepared pursuant to the applicable international financial reporting framework, are comprised of the Financial Position Statements, Consolidated Income Statement, Consolidated Statement of Changes in Net Equity Consolidated Cash Flow Statement, the Consolidated Annual Report and the Directors' Report.

Signees:

Mr. Jorge Guarner Muñoz	Mr. Alberto Fernández Sabater
Mr. Michael Leroi Campbell	Ms. Khadija Benzit
Mr. Alexander van Riel	Ms. Line Verroken

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