Inmobiliaria Colonial, SOCIMI, S.A.
and its subsidiaries

Audit Report,
Consolidated Annual Accounts as at 31 December 2020
Directors' Report

This version of our report is a free translation of the original, which will be prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor´s report on the consolidated annual accounts

To the shareholders of Inmobiliaria Colonial, SOCIMI, S.A.:

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Inmobiliaria Colonial, SOCIMI, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2020, and the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at 31 December 2020, as well as its financial performance and cash flows, all consolidated, 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 legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters 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 matters.

PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 915 685 400, www.pwc.es

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Key audit matter	How our audit addressed the key audit matter
Valuation of Investment Property	
The Group has real estate assets which are recognised under the heading Investment property, at an amount of EUR 11,516,210 thousand at 31 December 2020, using the fair value model in accordance with IAS 40 Investment property, and represent 93% of total assets. Similarly, in 2020 the heading Variation in value of investment property reflects a loss of EUR 77,682 thousand in respect of these assets, having a significant impact on consolidated results for the year before tax. Information on the assets included in this heading is disclosed in Notes 4.4., 10 and 20.7 to the accompanying consolidated annual accounts. In order to obtain the fair value of these assets, the Group requests independent expert valuations. The fair value is determined according to the discounted cash flow method in accordance with standard market practice. These valuations are based on significant judgements and estimates. We therefore focused on this area given the materiality of investment property with respect to total assets and the effect of its valuation on the Group's results and the significant judgements and estimates assumed by Management. Changes in such assumptions could lead to a significant variation in the fair value of those assets and their impact on the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of financial position.	We obtained the valuations of all investment properties performed at year end by independent experts and assessed them in terms of the requirements of competence and independence and found no exceptions. We verified that the valuations were performed in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors (RICS) of Great Britain and in accordance with the International Valuation Standards (IVS) published by the International Standards Valuation Committee. In this regard, we held meetings with the valuers and our internal experts, verifying for a sample of those valuations the reasonableness of the variables used, such as the discount rate employed and the rental increase considered as well as other variables considered necessary in order to complete the valuations such as the final return, the term of the rental contracts and type and age of the buildings, their location and occupancy rate. Similarly, for a sample of assets, we verified through the sales and purchase deeds, the technical specifications used by the independent experts when determining the fair value of those assets. Lastly, we assessed the corresponding disclosures in Notes 4.4, 10 and 20.7 to the accompanying consolidated annual accounts. We consider that we have obtained sufficient audit evidence in the course of our work concerning the reasonableness of the valuation of the Group's investment properties.

Other information: Consolidated management report

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

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility regarding the consolidated management report, in accordance with legislation governing the audit practice, is to:

a) Verify only that the certain information included in the Annual Corporate Governance Report, as referred to in the Auditing Act has been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.

b) Evaluate and report on the consistency between the rest of the information included in the consolidated management report and the consolidated annual accounts as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the consolidated management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the consolidated management report is consistent with that contained in the consolidated annual accounts for the 2020 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit committee for the consolidated annual accounts

The Parent company's directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and 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 the aforementioned determine 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 company'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 aforementioned directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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 legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 company’s directors.

- Conclude on the appropriateness of the Parent company’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 fair presentation.

- Obtain sufficient and 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.

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

We also provide the audit committee of the Parent company with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the aforementioned those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee of the Parent company, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the key audit matters.

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

Report on other legal and regulatory requirements

Report to the audit committee of the Parent company

The opinion expressed in this report is consistent with the content of our additional report to the audit committee of the Parent company dated 25 February 2021.

Appointment period

The General Ordinary Shareholders' Meeting at its meeting held on 14 June 2019 appointed PricewaterhouseCoopers Auditores, S.L. as auditors of the Group for a period of one year, for the year ended 31 December 2020.

Previously, we were appointed by resolution of the General Ordinary Shareholders' Meeting for a period of 3 years and we have audited the accounts continuously since the year ended 31 December 2017.

Services provided

Services provided to the Group for services other than the audit of the accounts are disclosed in note 25 to the consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Original in Spanish signed by
Mireia Oranias Casajoanes (20973)

25 February 2021

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries

Consolidated financial statements for the year ended 31 December 2020, prepared in accordance with international financial reporting standards and consolidated directors' report

Translation of Consolidated financial statements for the year ended 31 December 2020, prepared in accordance with International Financial Reporting Standards and consolidated management report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

Consolidated statement of financial position at 31 December 2020

ASSETS	Note	Thousands of euros 31 December 2020	 31 December 2019
Intangible assets		4,633	4,900
Right-of-use assets	8	10,538	12,787
Property, plant and equipment	9	56,741	50,900
Investment property	10	11,516,120	11,797,117
Financial assets at amortised cost	11	29,047	33,585
Derivative financial instruments	16	287	25,379
Non-current deferred tax assets	19	418	448
Other non-current assets	13	86,635	74,443
NON-CURRENT ASSETS		**11,704,419**	**11,999,559**
Inventories	12	52,409	48,196
Trade and other receivables	13	29,693	50,885
Financial assets at amortised cost		9	90
Tax assets	19	17,934	9,566
Cash and cash equivalents	15	268,553	216,781
CURRENT ASSETS		**368,598**	**325,518**
Assets classified as held for sale	24	**281,959**	**176,434**
TOTAL ASSETS		**12,354,976**	**12,501,511**

EQUITY AND LIABILITIES	Note	Thousands of euros 31 December 2020	 31 December 2019
Share capital		1,270,287	1,270,287
Share premium		1,491,280	1,513,749
Own shares		(24,440)	(6,179)
Other reserves		244,888	275,229
Retained earnings		2,418,533	2,505,512
Equity attributable to shareholders of the Parent	14	**5,400,548**	**5,558,598**
Non-controlling interests		**1,432,616**	**1,401,899**
EQUITY		**6,833,164**	**6,960,497**
Bank borrowings and other financial liabilities	15	264,342	442,358
Bonds and similar securities issued	15	4,068,760	3,781,442
Derivative financial instruments	16	19,775	2,782
Lease liabilities	8	10,058	12,262
Non-current deferred tax liabilities	19	366,989	381,701
Non-current provisions	18	1,680	1,499
Other non-current liabilities	17	85,898	80,340
NON-CURRENT LIABILITIES		**4,817,502**	**4,702,384**
Bank borrowings and other financial liabilities	15	60,046	3,247
Bonds and similar securities issued	15	272,896	21,726
Issue of promissory notes	15	235,000	626,000
Derivative financial instruments	16	--	675
Lease liabilities	8	1,973	2,131
Trade and other payables	17	115,438	158,178
Tax liabilities	19	14,724	19,085
Current provisions	18	4,233	7,588
CURRENT LIABILITIES		**704,310**	**838,630**
TOTAL EQUITY AND LIABILITIES		**12,354,976**	**12,501,511**

Notes 1 to 26 and the Appendix described in the notes to the consolidated financial statements are an integral part of the consolidated statement of financial position at 31 December 2020.

Consolidated income statement and consolidated statement of comprehensive income for the year ended 31 December 2020

		Thousands of euros	
INCOME STATEMENT	**Note**	**2020**	**2019**
Revenue	20.1	341,669	354,514
Other income	20.2	4,982	9,617
Staff costs	20.3	(31,313)	(29,916)
Other operating expenses	20.4	(45,936)	(48,134)
Depreciation and amortisation		(7,142)	(6,940)
Net gains on sales of assets	20.5	1,614	19,924
Changes in value of investment property	20.7	(79,052)	873,699
Gains/(losses) on changes in value of assets due to impairment	20.6	543	(61,894)
Operating profit		**185,365**	**1,110,870**
Finance income	20.8	1,132	2,232
Finance costs	20.8	(121,690)	(98,320)
Profit before tax		**64,807**	**1,014,782**
Income tax expense	19	(1,990)	(22,259)
Consolidated net profit		**62,817**	**992,523**
Net profit for the year attributable to the Parent	5	2,387	826,799
Net profit attributable to non-controlling interests	14.8	60,430	165,724
Basic earnings per share (euros)	5	0.01	1.63
Diluted earnings per share (euros)	5	0.01	1.63

STATEMENT OF COMPREHENSIVE INCOME			
Consolidated net profit		**62,817**	**992,523**
Other items of comprehensive income recognised directly in equity		**(42,933)**	**25,967**
Gains/(losses) on financial instrument hedges	14.5 and 16	(44,609)	23,583
Transfer to the statement of comprehensive income of financial instrument hedges	14.5 and 16	1,676	2,713
Tax effect on prior years' profit or loss	14.5 and 16	--	(329)
Consolidated comprehensive income		**19,884**	**1,018,490**
Comprehensive income for the year attributable to the Parent		(39,473)	851,888
Comprehensive income attributable to non-controlling interests		59,357	166,602

Notes 1 to 26 and the Appendix described in the notes to the consolidated financial statements are an integral part of the income statement and of the consolidated statement of comprehensive income for the year ended 31 December 2020.

Consolidated statement of changes in equity for the year ended 31 December 2020

	Note	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Equity attributable to shareholders of the Parent	Non-controlling interests	Equity
Balance at 1 January 2019	**14**	**1,270,287**	**1,578,439**	**(5,606)**	**272,283**	**1,695,019**	**4,810,422**	**1,290,382**	**6,100,804**
Total recognised income and expense for the year		--	--	--	25,089	826,799	851,888	166,602	**1,018,490**
Transactions with shareholders:									
Own share portfolio		--	--	(3,395)	--	--	(3,395)	--	**(3,395)**
Distribution of profit (dividends)		--	(64,690)	--	3,631	(40,508)	(101,567)	(30,744)	**(132,311)**
Share-based remuneration payments		--	--	2,822	3,498	(1,131)	5,189	417	**5,606**
Changes in scope		--	--	--	(1,804)	(539)	(2,343)	(26,182)	**(28,525)**
Other changes		--	--	--	(27,468)	25,872	(1,596)	1,424	**(172)**
Balance at 31 December 2019	**14**	**1,270,287**	**1,513,749**	**(6,179)**	**275,229**	**2,505,512**	**5,558,598**	**1,401,899**	**6,960,497**
Total recognised income and expense for the year		--	--	--	(41,860)	2,387	(39,473)	59,357	**19,884**
Transactions with shareholders:									
Own share portfolio		--	--	(22,430)	--	--	(22,430)	--	**(22,430)**
Distribution of profit (dividends)		--	(22,469)	--	8,787	(87,869)	(101,551)	(33,267)	**(134,818)**
Share-based remuneration payments		--	--	4,169	2,732	(1,777)	5,124	598	**5,722**
Changes in scope		--	--	--	--	--	--	4,053	**4,053**
Other changes		--	--	--	--	280	280	(24)	**256**
Balance at 31 December 2020	**14**	**1,270,287**	**1,491,280**	**(24,440)**	**244,888**	**2,418,533**	**5,400,548**	**1,432,616**	**6,833,164**

The accompanying Notes 1 to 26 and the Appendix described in the notes to the consolidated financial statements are an integral part of the consolidated statement of changes in equity at 31 December 2020.

Consolidated statement of cash flows for the year ended 31 December 2020

	Note	Thousands of euros	
		2020	**2019**
CASH FLOWS FROM OPERATIONS			
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Consolidated net profit		62,817	992,523
Adjustments to profit			
Depreciation and amortisation (+)	20.4	7,142	6,940
Provisions (+/-)		4,180	(6,960)
Changes in value of investment property (+/-)		79,052	(873,699)
Gains/(losses) on changes in value of assets due to impairment (+/-)		(543)	61,894
Other		594	3,870
Gains / (losses) on sale of investment property (+/-)	20.5	(1,614)	(19,924)
Net financial profit (+)		120,558	96,088
Income tax expense (+/-)		1,990	22,259
Adjusted profit		274,176	282,991
Taxes refunded / (paid) (+/-)		(29,786)	(2,549)
Interest received (+)		1,132	2,232
Increase/(decrease) in current assets and liabilities			
Inventories (+/-)		(3,753)	(1,425)
Increase / (decrease) in receivables (+/-)		18,190	(3,178)
Increase / (decrease) in payables (+/-)		(25,793)	40,656
Increase/(decrease) in other assets and liabilities (+/-)		(12,641)	3,080
Total net cash flows in operating activities		**221,525**	**321,807**
2. CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in (-)			
Intangible assets		(2,552)	(4,456)
Property, plant and equipment	9	(7,846)	(9,133)
Investment property	10	(198,571)	(249,017)
Non-current financial assets and others		--	(30,247)
		(208,969)	(292,853)
Disposals of (+)			
Investment property and assets classified as held for sale	10 and 24	299,129	272,149
Financial assets	10	4,784	--
		303,913	272,149
Total net cash flows from investing activities		**94,944**	**(20,704)**
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid (-)	14	(134,818)	(132,311)
Debt repayment (-)	15	(1,179,280)	(361,042)
Interest paid (+/-)	20.8	(131,044)	(88,437)
Redemption of financial instruments (-)	20.8	(3,147)	(4,743)
Own share transactions (+/-)	14.4 and 14.5	(23,050)	(3,395)
		(1,471,339)	(589,928)
Obtainment of new financing (+)	15	1,204,353	438,500
Other proceeds/(payments) for current financial investments and other (+/-)		2,289	(1,187)
		1,206,642	437,313
Total net cash flows in financing activities		**(264,697)**	**(152,615)**
4. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS			
Cash flow for the year		**51,772**	**148,488**
Cash or cash equivalents at beginning of year	**15**	**216,781**	**68,293**
Cash or cash equivalents at end of year	**15**	**268,553**	**216,781**

Notes 1 to 26 and the Appendix described in the notes to the consolidated financial statements are an integral part of the consolidated statement of cash flows for the year ended 31 December 2020.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2020

1 Colonial Group Business Activity

Inmobiliaria Colonial, S.A. (hereinafter, "the Company") was formed as public limited company in Spain for an indefinite period on 8 November 1956. Its registered office is located at Paseo de la Castellana, 52 de Madrid.

On 29 June 2017, the Parent's General Shareholders' Meeting resolved to adopt the REIT tax system. On 30 June 2017, the Parent submitted a request to the tax authorities to be included in the REIT tax system, applicable as of 1 January 2017.

The Parent's purpose, as set out in its articles of association, is as follows:

- the acquisition and development of urban properties for lease;
- the ownership of interests in the share capital of listed real estate investment companies (REITs) or other non-resident entities in Spain with the same corporate purpose, which are subject to a regime similar to that established for REITs in relation to the obligatory profit distribution policy stipulated by law or the bylaws;
- the ownership of interests in the share capital of other resident or non-resident entities in Spain, the main corporate purpose of which is the acquisition of urban properties earmarked for lease, which are subject to the regime established for REITs in relation to the obligatory profit distribution policy stipulated by law or the bylaws and meet the investment requirements stipulated for these companies; and
- the ownership of shares or equity interests in collective real estate investment undertakings governed by Law 35/2003, of 4 November, on collective investment undertakings or any law that may replace it in the future.

In addition to the economic activity relating to the main corporate purpose, the Parent may also carry on any other ancillary activities, i.e., those that they generate income representing less than 20%, taken as a whole, of its income in each tax period, or those that may be considered ancillary activities under the legislation applicable at any time, including, in any case, the management, restoration and operation of properties and the performance of all manner of studies, reports, appraisals, valuations and surveys; and in general, the provision of real estate consulting and advisory services, property asset management, development and marketing services, and technical assistance through contracts with other public or private companies or entities.

Activities that by law are attributable exclusively to special purpose vehicles are expressly excluded from its corporate purpose.

All activities included in the corporate purpose will be carried out as authorised by current legislation at any given time, expressly excluding its own activities that are exclusively granted by prevailing legislation to natural persons or legal persons other than this parent Company.

The Parent may also carry out the aforementioned activities, in full or in part, indirectly through ownership interests in other companies with an identical or similar corporate purpose.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries ("the Group") carries out its activities in Spain (mainly in Barcelona and Madrid) and in France (Paris) through the group of which the parent is Société Foncière Lyonnaise, S.A ("SFL subgroup" or "SFL" for the subsidiary).

Inmobiliaria Colonial, SOCIMI, S.A. has been listed on the Spanish electronic trading system and Stock Exchange since 19 June 2017, when it was included on the benchmark stock market index, the IBEX-35.

In 2020 2020, the Parent maintains the credit rating obtained from *Standard & Poor’s Rating Credit Market Services Europe Limited*, “BBB+” at long term and “A-2” at short term, both with a stable outlook. In addition, the Parent retains the rating obtained from Moody's "Baa2" with a stable outlook. In 2020 2020, the subsidiary SFL also maintained its credit rating of “BBB+” with a stable outlook, and the “A-2” short-term credit rating.

In view of the business activity carried on by the Group, it does not have any environmental expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these explanatory notes. However, the Group does apply an active environmental policy in relation to urban processes of construction and maintenance and the preservation of its property portfolio.

2 Basis of presentation of the consolidated financial statements

2.1 Basis of presentation

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (EU-IFRSs) as adopted by the European Union, taking into account all mandatory accounting policies, standards and measurement bases, the Spanish Code of Commerce, the Spanish Limited Liability Companies Law, the Spanish Securities Markets Law and other applicable commercial law, as well as the regulations laid down by the Spanish National Securities Market Commission (CNMV), to present fairly the Group’s consolidated equity and financial position at 31 December 2020 and its comprehensive income from operations, the changes in its consolidated equity and its consolidated cash flows for the year then ended.

The consolidated financial statements of Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries for the year ended 31 December 2020, were prepared from the accounting records kept by the Parent and by the other Group companies, and they were authorised for issue by the Parent’s directors at the Board of Directors' meeting held on 25 February 2020.

However, since the accounting policies and measurement bases used in preparing the Group’s consolidated financial statements at 31 December 2020 may differ from those used by certain Group companies, the required adjustments and reclassifications were made on consolidation to unify the policies and bases used and to make them compliant with EU-IFRS.

In order to present on a consistent basis the various items that make up the consolidated financial statements, the accounting principles and measurement bases used by the Parent were applied to all the companies included in the scope of consolidation.

The Group’s consolidated financial statements for the year ended 31 December 2019 were approved by the Parent's General Shareholders' Meeting held on 30 June 2020.

2.2 Adoption of International Financial Reporting Standards

The Group’s consolidated financial statements are presented in accordance with EU-IFRS, pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002. In Spain, the obligation to present consolidated financial statements under European IFRS is also regulated in final provision eleven of Law 62/2003, of 30 December, on tax, administrative and social measures.

The main accounting principles and measurement bases adopted by the Group are detailed in Note 4.

Standards and interpretations effective this year.

New accounting standards 2020 came into force in 2020 and were, accordingly, taken into account when preparing these consolidated financial statements. These new standards are as follows:

- IAS 1 (Amendment) and IAS 8 (Amendment) "Definition of materiality (or relative importance)"
- IFRS 9 (Amendment), IFRS 7 (Amendment) and IAS 39 (Amendment) "Interest rate benchmark reform"
- IFRS 3 (Amendment), "Definition of a business"
- Amendments of the references to the conceptual framework in the IFRS
- IFRS 16 (Amendment) "COVID-19-Related Rent Concessions"

These standards were taken into account with effect from 1 January 2020, and their impact on these consolidated financial statements was not material.

Standards and interpretations issued and not in force that can be adopted in advance-

At the date of authorisation for issue of these consolidated financial statements, the following standards, amendments or interpretations were published by the IASB and the *IFRS Interpretations Committee*, but have not yet come into force, although they can be adopted in advance:

- IFRS 4 (Amendment) “Extension of the temporary exemption from the application of IFRS 9”
- IFRS 9 (Amendment), IAS 39 (Amendment), IFRS 7 (Amendment), IFRS 4 (Amendment) and IFRS 16 (Amendment), "Interest rate benchmark reform": Phase 2”

The amendments will be applied to the years beginning from 1 January 2021, although early adoption is permitted.

The Parent’s directors have reviewed the potential impacts of the future application of these standards and consider that their entry into force will not have a material effect on the consolidated financial statements.

Standards and interpretations issued and not in force or approved by the European Union –

At the date of authorisation for issue of these consolidated financial statements, the following standards, amendments or interpretations were published by the IASB and the *IFRS Interpretations Committee* but had not yet come into force, and are subject to adoption by the European Union:

- IFRS 10 (Amendment) and IAS 28 (Amendment), "Sales or contributions of assets between an investor and its associate/joint ventures”
- IFRS 17, "Insurance contracts"
- IFRS 17 (Amendment) “Amendments to IFRS 17”
- IAS 1 (Amendments) "Classification of liabilities as current or non-current"
- IAS 16 (Amendment) "Property, plant and equipment - Proceeds before intended use"
- IAS 37 (Amendment) "Onerous contracts – Cost of fulfilling a contract"
- IFRS 3 (Amendment) "Reference to the Conceptual Framework"

- Annual improvements to IFRS. 2018-2020 cycle: The following amendments will be applied to the years beginning from 1 January 2022:

    - IFRS 1 "First-Time Adoption of IFRSs". IFRS 1 allows an exemption if a subsidiary adopts IFRSs at a date later than its parent. This amendment allows entities that have taken this exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRSs.
    - IFRS 9 "Financial instruments". The amendment addresses which costs should be included in the 10% test for derecognition of financial liabilities. Costs or fees may be paid to third parties or to the lender. According to the amendment, costs or fees paid to third parties will not be included in the 10% test.
    - IFRS 16 "Leases". Illustrative Example 13 accompanying IFRS 16 has been amended to remove the illustration of lessor payments in relation to lease improvements, thereby removing any potential confusion about the treatment of lease incentives.
    - IAS 41 "Agriculture"

- NIC 1 (Amendment) “Disclosure of accounting policies”
- IAS 8 (Amendment) “Definition of accounting estimates”

The application of new standards, amendments and interpretations will be considered by the Group once they have been ratified and adopted, as the case may be, by the European Union.

The Parent’s directors have reviewed the potential impacts of the future application of these standards and consider that their entry into force will not have a material effect on the consolidated financial statements.

2.3 Functional currency

These financial statements are presented in the Group's functional currency, the euro, as this is the currency of the main economic area in which the Group operates.

2.4 Responsibility for the information provided and accounting estimates and judgements

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

- The market value of properties for own use, investment properties and inventories (Notes 9, 10 and 12). The market value was obtained from the appraisals periodically made by independent experts. These valuations were performed at 31 December 2020 and 2019 in accordance with the methods described in Notes 4.3, 4.4 and 4.21.
- Estimation of expected credit loss (Notes 4.6.6 and 13).
- Measurement of deferred tax liabilities recognised in the consolidated statement of financial position (Notes 4.14 and 19).
- Measurement of assets classified as held for sale (Notes 4.20 and 24).
- The measurement and impairment of goodwill (Note 7).
- Market value of derivative financial instruments (Notes 4.12, 4.22 and 16).

Although these estimates were made on the basis of the best available information at the date of authorising these consolidated financial statements for issue, events that take place in the future might make it necessary to change these estimates (upwards or downwards). Changes in accounting estimates would be applied prospectively and would be recognised in the consolidated income statement.

2.5 Basis of consolidation

The accompanying consolidated financial statements were prepared from the accounting records of Inmobiliaria Colonial, SOCIMI, S.A., and of the companies controlled by it, whose financial statements were prepared by the management of each Group company. The Parent is considered to have effective control in the circumstances outlined below.

The results of the subsidiaries acquired or sold during the year are included in consolidated income from the effective date of acquisition and are no longer included from the date of disposal, as appropriate.

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. All subsidiaries have the same reporting date as the Parent, i.e., 31 December.

The interest of non-controlling shareholders is established in proportion to the fair values of the identifiable assets and liabilities recognised. Non-controlling interests in:

- Investees' equity: recognised in equity under "Non-controlling interests" in the consolidated statement of financial position.
- Profit or loss for the year: recognised under "Net profit attributable to non-controlling interests" in the consolidated income statement.

All Group companies were fully consolidated, as outlined below:

- Subsidiaries are fully consolidated and are considered to be all entities in which the Group directly or indirectly controls the financial and operating policies such that power is exercised over the investee. This is generally accompanied by an ownership interest of more than half of an entity's voting rights. In addition, to evaluate whether the Group controls another entity, it considers the power over the investee; the exposure or rights to variable returns of the investment; and the ability to use this power over the investee to affect the amount of the investor's returns. When evaluating whether the Group exercises control over an entity, the existence and the effect of any potential voting rights, both those held by the Parent and by third parties, are taken into consideration, provided they are of a substantive nature.

- Subsidiaries are accounted for using the acquisition method. The acquisition cost is the fair value of the assets delivered, the equity instruments issued and the liabilities incurred or assumed at the acquisition date. Identifiable assets acquired and identifiable liabilities and contingencies incurred in a business combination are measured initially at fair value at the acquisition date, regardless of the effect of non-controlling interests. When the acquisition cost is higher than the fair value of the Group's interest in the identifiable net assets acquired, the difference is recognised as goodwill. If the acquisition cost is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement (details of the companies consolidated at 31 December 2020 and 2019 are included in the Appendix).

The accompanying consolidated financial statements do not include the tax effect, if any, of transferring the reserves of the consolidated companies to the Parent's equity, since it is considered that these reserves will be used to finance the operations of each company and any potential distributions will not represent a significant additional tax cost.

2.6 Changes in the scope of consolidation

2020 The following changes occurred in the scope of consolidation in 2020:

- On 2 July 2020, the Parent acquired 50% of the share capital of the subsidiary Wittywood, S.L., owner of the land located in Barcelona, by subscribing to the capital increase performed by the company amounting to 3 thousand euros plus 4,644 thousand euros of share premium. The shares have been paid-in in full.
- On 29 July 2020, the Parent set up and subscribed to all shares of the subsidiary Inmocol One, S.A.U. amounting to 60 thousand euros, and to shares of the subsidiaries Inmocol Two, S.L.U. and Inmocol Three, S.L.U., amounting to 3 thousand euros each.

The 2019 following changes occurred in the scope of consolidation in 2020:

- On 20 February 2019, the subsidiary Utopicus Innovación Cultural, S.L. increased capital by offsetting the loan signed on 8 October 2018 with the Parent, through the issue of 4,547 shares of 1 euro par value each, plus a share premium of 4,995 thousand euros. The capital increase was fully subscribed by the Parent for an amount of 4,999 thousand euros. As a result of the transaction, the Parent now holds 89.48% of the capital of Utopicus.
- On 30 April 2019, the Parent acquired 45% of the share capital of the subsidiary Torre Marenostrum, S.L. ("Torre"), owner of an office building located in Barcelona. Prior to this acquisition, the Parent held 55% of Torre's shares and with this operation it became the sole shareholder of Torre. The acquisition cost amounted to 28,525 thousand euros.
- On 29 July 2019, the subsidiary Utopicus Innovación Cultural, S.L. carried out two capital increases, (i) the first by offsetting the loan signed on 29 July 2019 through the issue of 8,986 shares of 1 euro par value each plus a share premium of 4,991 thousand euros and (ii) a second capital increase through the issue of 19,770 shares of 1 euro par value each plus a share premium of 10,980 thousand euros. Both capital increases were fully subscribed by the Parent for 5,000 thousand euros and 11,000 thousand euros, respectively. As a result of these operations, the Parent acquired 96.81% of the share capital of the subsidiary.

Also, in 2019, the Parent carried out the merger by absorption of the subsidiaries Axiare Properties, S.L.U., Axiare Investigación, Desarrollo e Innovación, S.L.U., Chamaleon (CEDRO), S.L.U., Venusaur, S.L.U., Colonial Invest, S.L.U., Hofinac Real Estate, S.L.U., Fincas y Representaciones, S.A.U., Colonial Arturo Soria, S.L.U. and LE Offices Egeo, S.A.U., Danieltown Spain, S.L.U., Moorage Inversiones 2014, S.L.U., Almacenes Generales Internacionales, S.A.U., Soller, S.A.U. and Axiare Investments, S.L.U. and Torre Marenostrum, S.L.U.

At 31 December 2020, the subsidiaries Colonial Tramit, S.L.U., Inmocol One, S.A.U., Inmocol Two, S.L.U., Inmocol Three, S.L.U, SAS SB2, SAS SB3 and SCI SB3 were dormant. At 31 December 2019, the subsidiaries Colonial Tramit, S.L.U., SAS SB2, SAS SB3 and SCI SB3 were dormant.

2.7 Comparison of information

The information contained in these notes to the consolidated financial statements for 2020 is presented, for comparison purposes, with the information for 2019.

The Parent's Directors reclassified certain consolidated financial statement headings to obtain financial statements in line with the ESEF taxonomy and thereby avoid, as far as possible, the use of the extended taxonomies, which will favour the comparison of the Group's financial information.

The reclassifications made are summarised as follows:

- The items used were adapted under "Equity attributable to shareholders of the Parent" to those proposed by the ESEF taxonomy. Note 14 includes the details of the items forming each of the new paragraphs.

EQUITY AND LIABILITIES	Note	Thousands of euros	
		31 December 2019	1 January 2020
Share capital		1,270,287	1,270,287
Share premium		1,513,749	1,513,749
Reserves of the Parent		186,822	--
Consolidated reserves		1,735,202	--
Valuation adjustments recognised in equity – financial instruments		22,403	--
Other equity instruments		9,515	--
Own shares		(6,179)	(6,179)
Other reserves		--	275,229
Retained earnings		--	2,505,512
Profit/(loss) for the year		826,799	--
Equity attributable to shareholders of the Parent	14	**5,558,598**	**5,558,598**

- The amount of the lease incentives granted to the Group's lessees (Note 4.15.3 and 13.3) maturing at long term were reclassified to "Non-current assets - Other non-current assets" in the consolidated statement of financial position. Also, the amount of the lease incentives received from the subsidiary Utopicus maturing at long term were reclassified to "Non-current liabilities" in the consolidated statement of financial position.

- The consolidated income statement headings "Variations in value of real estate investments" and "Gains/(losses) on changes in value of assets due to impairment" were reclassified as part of operating profit. Also, capitalised finance costs were reclassified to the "Finance costs" heading in the consolidated income statement.

- Lastly, the item arising from cash flows from operating activities was modified, to consolidated net profit instead of operating profit, and all the necessary adjustments were made to accounting profit to obtain the net cash flows from operating activities.

All these reclassifications were included, both for the 2020 and for 2019, for the purposes of providing a comparison between both of them.

2.8 Grouping of items

Certain items in the consolidated statement of financial position, consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows are grouped together in order to facilitate comprehension. However, whenever the amounts involved are material, the information is broken down in the related notes to the financial statements.

2.9 Correction of errors

No significant errors were detected in the preparation of the consolidated financial statements that would have made it necessary to restate the amounts included in the consolidated financial statements for 2019.

2.10 COVID-19 health crisis

The COVID pandemic is significantly affecting the economy in general, both on our domestic and global markets.

Economic activity was interrupted from the second quarter of 2020 by the different waves, hence Colonial's priority at all times has been the health and safety of all our teams, customers and suppliers.

In this context, Colonial is offering all services with the maximum standards of security and quality.

Our activity remains stable and the year-end results reflect the strength of the Colonial's portfolio and the resilience of its business model.

Since the beginning of the crisis, Colonial's management team has implemented a series of measures to strengthen the Group's position in the face of a complex scenario. The following highlights are notable to date:

MARCH	APRIL	MAY	JUNE	JULY	SEPTEMBE	OCT / NOV	DEC / JAN
Implementation of covid-19 protocol within our buildings	Increased liquidity through the signature of 200€m sustainable loan	Rating agencies S&P and Moody's confirm credit rating, BBB+ and Baa2	Pre-letting of Marceau Goldman Sachs	Solid Q2 20 Results	Sale of 2 secondary assets in Barcelona	€500m Bond Issuance Colonial €300m Liability Management	Sales of assets €413m with premium on GAV
Disposal of 2 non-core assets with >20% premium	More than 3,000 sqm signed, +10% vs ERV +50% release spread	500€m of bond issuance, increasing liquidity above €2,500m	Agreements 1st wave fully reached with clients in Spain	500€m of bond issuance SFL	€161m Liability Management at SFL level	Signing of a new "Credit facility" financing line of €1000m	Solid 2020 Annual Results
Postponement of capex program €60M (Mendez Alvaro)		Release of Q1 results, with vacancy rate at 2%	Stable dividend of 20 €Cts /share approved by AGM	Logistics Disposal Settlement of Call Option signed in 2019		Solid Q3 20 Results	

Recognition at fair value of investment property.

The Group recognises its investment property at fair value through profit or loss under "Changes in value of investment property" in the income statement (see Note 20.5). This fair value is determined on a half-yearly basis, taking as reference values the valuations performed by independent third-party experts (Jones Lang LaSalle and CB Richard Ellis Valuation in Spain, and CBRE and Cushman & Wakefield, in France), so that at the end of each half year, the fair value reflects the market conditions of the investment properties at that date.

In Note 4.4 in reference to the measurement standard for investment properties, is the sensitivity of the measurement to modifications of a quarter of a point of rates of return.

Bank borrowings and other financial liabilities, Bonds and similar securities issued and Emissions of promissory notes

The lending operations referred to in the table above are described in Note 15.

Rental income

As indicated previously, in 2020, the Group granted rebates and deferrals to its tenants.

Rebates represented 4.5% of revenue in 2020, of which 6,118 thousand euros was recognised, in this year, in the consolidated income statement, and the remainder is pending inclusion in the coming years (Note 4.15.2).

Deferrals granted amounted to 19,505 thousand euros, of which 13,559 thousand had already been collected at 31 December 2020.

3 Distribution of Parent's profit

Based on the loss per the Parent's income statement for the year ended 31 December 2020 of -27,010 thousand euros, the result will be distributed to retained earnings.

The Parent's Board of Directors will submit a proposed distribution of dividends totalling 0.20 euros per share for approval at the General Shareholders' Meeting, which would give rise to a total maximum dividend of 101,623 thousand euros based on the current number of outstanding shares, through the refund of the share premium. The definitive amount of the dividend will be determined prior to its distribution based on the treasury shares held by the Parent (Note 14.6 and 14.7).

In the past five years, the Parent has distributed the following dividends:

Thousands of euros	2015	2016	2017	2018	2019
Dividends distributed	47,833	62,749	77,619	101,567	101,551

4 Measurement bases

The main measurement bases used to prepare the consolidated financial statements, in accordance with EU-IFRS and the interpretations in force when these consolidated financial statements were prepared, are as follows:

4.1 Business combinations

Business combinations are accounted for by applying the acquisition method.

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 Colonial 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 a gain or loss in the year in which it arises.

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 statement of comprehensive income or under other consolidated comprehensive income, where appropriate.

Impairment of goodwill -

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently in the event of supervening facts or changes in circumstances indicating that it may have become impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell and value in use. For the purposes of assessing impairment losses, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

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 amortisation and, where applicable, less any impairment losses. These assets are amortised over their useful life.

4.3 Property, plant and equipment

Property for own use, in addition to other property, plant and equipment, are recognised at acquisition cost less any accumulated depreciation and any impairment.

Historical cost includes expenses directly attributable to the acquisition of the properties. Possible impairment losses on properties are recorded in accordance with the same measurement assumptions as those described in Note 4.4.

Subsequent costs are capitalised or recognised as a separate asset only when it is probable that the future benefits associated with ownership of the asset will flow to the Group and its cost can be determined reliably. Other maintenance and upkeep expenses are charged to the consolidated income statement in the year incurred.

Group companies depreciate property, plant and equipment for own use and other items using the straight-line method and distribute asset costs throughout the estimated useful life. The breakdown of the useful life of property for own use located in Spain and France is as follows:

	Years of estimated useful life	
	Spain	France
Property for own use:		
Buildings	50	50
Facilities	10 to 15	10 to 15
Other property, plant and equipment	4 to 10	5 to 50

Gains or losses arising on the disposal (Note 20.5) or derecognition of an asset (Note 20.7) from this heading are determined as the difference between the sale price and its carrying amount and are recognised in the consolidated income statement.

4.4 Investment property

"Investment property" in the consolidated statement of financial position reflects the values of land, buildings and other constructions held to either earn rent or to obtain capital gain from their future sale due to increases in their respective market prices.

Investment property is stated at its fair value at the end of the reporting period and is not subject to annual depreciation.

Profit or loss arising from changes in the fair value of investment property is included in the profit of the period in which it occurs and recognised under “Changes in value of investment property” in the consolidated income statement (Note 20.7).

Assets are transferred from investment property in progress to investment property when they are ready for use. The classification of an investment property to investment property in progress takes place only when the rehabilitation or renovation project will exceed one year in length.

When the Group recognises as an increase in fair value of an investment property the cost of an asset that replaces another already included in such amount, the Group reduces the value of the property by the fair value of the asset replaced, recognising the impact under “Gains/(losses) on changes in value of assets due to impairment” in the consolidated income statement (Note 20.6). In those cases in which the fair value of the substituted asset cannot be identified, the latter will be recognised by increasing the property's fair value and it will subsequently be revalued frequently by taking the appraisals performed by independent experts as a reference, in accordance with the Appraisal and Valuation Standards issued by the Royal Institute of Chartered Surveyors (RICS) of the United Kingdom, and the International Valuation Standards (IVS) issued by the International Valuation Standards Committee (IVSC).

In accordance with IAS 40, the Group calculates the fair value of its investment property on a regular basis. Fair value is determined based on valuations performed by independent third-party experts (hierarchy of the level 3 fair value) at the date of preparation of the consolidated statement of financial position (Jones Lang LaSalle and CB Richard Ellis Valuation in Spain for 2020 and 2019 and in France CB Richard Ellis Valuation and Cushman & Wakefield for 2020 and 2019) so that, at the end of each period, the fair value reflects the market conditions for the investment property items 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 to the comprehensiveness and accuracy of the information provided by the Group.

The Discounted Cash Flow (hereinafter, “DCF”) method was primarily used to determine the market value of the Group’s investment property in 2020 and 2019 .

The DCF method applied over a 10-year horizon is used, in accordance with current market practices, unless the specific characteristics of the investment suggest another course of action. The cash flow is considered throughout the period on a monthly basis to reflect increases in the CPI, the timetable for future rent reviews, the maturity of operating leases, etc.

With regard the increases in the CPI, the generally accepted forecasts are normally adopted.

Given that the appraiser does not know with certainty whether there will be periods of vacancy in the future, nor their duration, their forecasts are prepared based on the quality and location of the building, and they will generally adopt an average lease period if there is no information about the future intentions of each tenant. The assumptions determined in relation to the periods of vacancy and other factors are explained in each valuation.

The resulting profitability or *Terminal Capitalisation Rate* (hereinafter, “TCR”) adopted in each case refers not only to the market conditions forecast at the end of each cash flow period, but also to the rental conditions that are expected to be maintained and the physical location of the property, taking into account any possible improvements planned for the property and included in the analysis.

With regard to acceptable discount rates, conversations are regularly held with various institutions to assess their attitude towards different investment rates. This general consensus, together with the data on any sales made and market forecasts relating to variations in the discount rates, serve as starting points for the appraisers to determine the appropriate discount rate in each case.

The properties were assessed individually, considering each of the lease agreements in force at the end of the reporting period. Buildings with unlet floor space were valued on the basis of future estimated rental income, net of an estimated letting period.

The most relevant key inputs of this method for the purposes of sensitivity analysis are the determination of net income and the rate of return, especially as it is a 10-year discounted cash flow model. The remaining variables considered, although they are taken into consideration to determine the fair value, are considered not to be key; hence, no quantitative information is included, nor is it appropriate to sensitise it, since the reasonable changes that may occur therein would not lead to a significant change in the fair values of the assets.

The estimated yields are mainly determined by the type, age and location of the properties, by the technical quality of the asset, as well as the type of tenant and occupancy rate, etc.

The detail of the *yields* considered, and other assumptions used in determining future cash flows in 2020 and 2019, are set out in the tables below:

Yields (%) – Offices	Gross	
	31 December 2020	31 December 2019
Barcelona – Prime Yield		
Portfolio in operation	4.37	4.35
Total portfolio	4.38	4.37
Madrid – Prime Yield		
Portfolio in operation	4.24	4.27
Total portfolio	4.27	4.30
Paris – Prime Yield		
Portfolio in operation	3.03	3.14
Total portfolio	3.01	3.02

Assumptions made at 31 December 2020					
Rent increases (%) – Offices	Year 1	Year 2	Year 3	Year 4	Year 5 and thereafter
Barcelona –					
Portfolio in operation	-1.75	1.0	3.5	4.5	2.75
Total portfolio	-1.75	1.0	3.5	4.5	2.75
Madrid –					
Portfolio in operation	-2.0	0.75	4.0	5.0	3.0
Total portfolio	-2.0	0.75	4.0	5.0	3.0
Paris –					
Portfolio in operation	0.0	0.5	1.0	1.5	1.5
Total portfolio	0.0	0.5	1.0	1.5	1.5

Assumptions made at 31 December 2019					
Rent increases (%) – Offices	Year 1	Year 2	Year 3	Year 4	Year 5 and thereafter
Barcelona –					
Portfolio in operation	3.0	3.0	3.0	3.0	2.25
Total portfolio	3.0	3.0	3.0	3.0	2.25
Madrid –					
Portfolio in operation	3.0	3.0	3.0	3.0	2.5
Total portfolio	3.0	3.0	3.0	3.0	2.5
Paris –					
Portfolio in operation	1.5	1.5	1.5	1.5	1.5
Total portfolio	1.5	1.5	1.5	1.5	1.5

The assumptions of the estimated rent rise used by the appraisers to determine the value of the Barcelona and Madrid asset portfolio underwent an adjustment due to COVID-19, although this variation is offset in subsequent years.

In addition, developments in progress were valued using the dynamic residual method as the best approximation. This method begins with an estimate of the income yielded by the developed and fully leased property; from this value, development, planning, construction and demolition costs, professional fees, permit and marketing costs, borrowing costs and development profit, among other items, are then deducted, in order to arrive at a price that a developer might pay for the asset under development.

A change of one-quarter of one point in yields would have the following impact on the valuations used by the Group at 31 December 2020 and 2019, to determine the value of its investment property: property, plant and equipment for own use, investment property, inventories and assets classified as held for sale:

	Thousands of euros		
Sensitivity of valuations to a change of one quarter of a point in yields	Measurement	Decrease of one quarter of a point	Increase of one quarter of a point
December 2020	12,020,024	912,800	(780,310)
December 2019	12,196,429	878,506	(755,998)

A reconciliation between the valuations used by the Group and the carrying amounts of the headings of the consolidated statement of financial position where the valued assets are recognised, is as follows:

	Thousands of euros	
	31 December 2020	31 December 2019
Headings of the consolidated statement of financial position -		
Property, plant and equipment - Own use	37,494	36,973
Investment property (Note 10)	11,515,620	11,796,117
Inventory (Note 12)	52,409	48,196
Assets classified as held for sale (Note 24)	281,959	176,434
Lease incentives (Note 13)	81,493	86,733
Lease rights acquired	1,002	3,994
Total headings of the consolidated statement of financial position	**11,969,977**	**12,148,447**
Unrealised gains on assets recognised under IAS 16	39,568	37,726
Unrealised gains on other assets	10,479	4,256
Outstanding payments	--	6,000
Measurement	**12,020,024**	**12,196,429**

The income earned in 2020 and 2019 from the lease of investment properties amounted to 341,669 and 354,514 thousand euros (Note 20.1) and is recognised under “Revenue” in the consolidated income statement.

In addition, the bulk of repair and maintenance expenses incurred by the Colonial Group in connection with the operation of its investment properties is passed on to the respective tenants (Note 4.18).

4.5 Impairment of plant, property and equipment

At each reporting date, the Group assesses the carrying amounts of its property, plant and equipment to determine if there are indications that the assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of the fair value of the asset less costs to sell or otherwise dispose of the asset and value in use. Where the asset does not generate cash inflows that are independent of those from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount; however, the increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

4.6 Investments and other financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- assets subsequently measured at fair value (either through profit or loss or other comprehensive income), and
- assets measured at amortised cost.

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

For assets measured at fair value, gains and losses are recorded in the income statement or in other comprehensive income. For investments in equity instruments not held for trading, this depends on whether the Group made an irrevocable election at initial recognition to account for the investment in equity at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when it changes its business model to manage those assets.

Recognition and derecognition

Conventional purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group undertakes 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 transferred substantially all the risks and rewards of ownership.

Measurement

On initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset that is not at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition of the financial asset. The transaction costs of financial assets recognised at fair value through profit and loss are recognised as an expense in the income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are only the payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and on the characteristics of the asset's cash flows. There are three measurement categories in which the Group classifies its debt instruments:

- Amortised cost: Assets held for the collection of contractual cash flows when those cash flows represent only principal and interest payments are measured at amortised cost. Interest income on these financial assets is included in interest income in accordance with the effective interest rate method. Any gain or loss arising when they are derecognised is recognised directly in profit and loss. Impairment losses are presented as a separate line item in the income statement.
- Fair value through 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 represent only principal and interest payments, are measured at fair value through other comprehensive income. Changes in the carrying amount are taken to other comprehensive income, except for the recognition of impairment losses, interest income and exchange gains or losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit and loss and recognised in financial expenses. Interest income on these financial assets is included in interest income in accordance with the effective interest rate method. Exchange gains and losses are presented under finance costs and impairment charges are presented as a separate line item in the income statement.

- Fair value through profit or loss: Assets that do not meet the criteria for measurement at amortised cost or at fair value through other comprehensive income are recognised at fair value through profit or loss. A gain 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 year it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. When Group management has chosen to present gains and losses in the fair value of investments in equity in other comprehensive income, there is no subsequent reclassification of gains and losses in the fair value to income following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group'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, where applicable. Impairment losses (and reversals of impairment losses) on investments in equity measured at fair value through other comprehensive income are not presented separately from other changes in fair value.

Impairment losses

The Group evaluates on a prospective basis the expected credit losses associated with its assets at amortised cost and at fair value through other comprehensive income. The method applied for impairment depends on whether there has been a significant increase in credit risk.

For trade receivables, given the composition of the Group's portfolio, which is made up of companies of acknowledged prestige and proven financial solvency, the low history of losses from debtor balances over the last 10 years, including the years of financial crisis, the Group has considered that the expected impairment of these financial assets is immaterial (Note 13).

4.7 Receivables

Trade receivables are measured at their recoverable amount, i.e. net, where applicable, of the allowances recognised to cover past-due balances where circumstances reasonably warrant their consideration as doubtful debts.

4.8 Cash and cash equivalents

This heading includes bank deposits, carried at the lower of cost or market value.

Financial investments that are readily convertible into a known amount of cash and that are not subject to any significant risk of changes in value are deemed to be cash equivalents.

Bank overdrafts are not considered to be cash and cash equivalents.

4.9 Own equity instruments

An equity instrument represents a residual interest in the assets of the Parent after deducting all of its liabilities.

Equity instruments issued by the Parent are recognised in equity at the proceeds received, net of direct issue costs.

Any treasury shares of the Parent acquired during the year are recognised directly as a deduction from equity at the value of the consideration paid. Any gains or losses on the acquisition, sale, issue or retirement of own equity instruments are recognised directly in equity and not in the consolidated income statement.

4.10 Provisions and contingent liabilities

When preparing the consolidated financial statements, the Parent’s directors make a distinction between:

- Provisions: creditor balances covering obligations arising as a consequence of past events which could give rise to liabilities at the Group companies, the nature of which is certain but the amount and timing of which cannot be determined, and
- Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of consolidated companies.

The consolidated financial statements include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised, but are disclosed in Note 18.

Provisions, which are quantified taking into consideration the best information available concerning the consequences of the events on which they are based, and which are revised at each reporting close, are recognised in order to cover the specific and likely risks for which they were originally recognised, and are fully or partially reversed if and when said risks cease to exist or are reduced.

4.11 Employee benefits

Termination benefits -

Under current Spanish legislation, the Group is required to pay termination benefits to employees terminated under certain conditions. Severance payments which can be reasonably quantified are recorded as an expense in the year in which the decision to terminate the contract is taken and a valid expectation regarding termination is transmitted to third parties. At 31 December 2020 and 2019, the Parent has not recorded any provision for this item.

Pension obligations -

In 2020 and 2019, the Parent assumed a commitment with executive directors and a member of senior management to make a defined contribution to an external pension plan, which meets the requirements established by Royal Decree 1588/1999, of 15 October.

At 31 December 2020 and 2019, the SFL Subgroup had several defined benefit pension plans. Defined benefit obligations are calculated on a regular basis by independent actuarial experts. The actuarial assumptions used to calculate these liabilities are adapted to the situation and to applicable French legislation, in accordance with IAS 19. The actuarial cost recorded in the consolidated statement of comprehensive income in relation to these plans is the sum of the service costs for the period, the interest expense and actuarial gains and losses. At 31 December 2020, net liabilities for defined benefits amounted to 1,215 thousand euros (1,018 thousand euros at 31 December 2019).

Share-based payments -

The Group recognises the goods and services received as an asset or an expense, depending on their nature, when they are received, along with an increase in equity if the transaction is settled using equity instruments or the corresponding liability if the transaction is settled at an amount based on the value of the equity instruments.

In the case of transactions settled with equity instruments, both the services rendered and the increase in equity are measured at the fair value of the services received, unless that of the equity instruments transferred is more reliable, by reference to the grant agreement date. If, on the other hand, they are settled in cash, the goods and services received and the corresponding liability are recognised at the fair value of the goods and services received as of the date on which the recognition requirements are met. In the case of the plans described in Note 21, it was decided to measure them at the amount of the equity instruments transferred.

4.12 Derivative financial instruments

The Group uses financial derivatives to manage its exposure to variations in interest rates. All derivative financial instruments, whether or not they are designated as hedging instruments, are carried at fair value, market value in the case of listed securities, or using 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 (Solventis A.V., S.A. in 2020 and 2019).

The following measurement base was used to recognise each of the following:

- 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 income statement. 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.

In accordance with IFRS 13, the Group estimated its own credit risk and that of the counterparty in the measurement of its derivative portfolio.

Hedge accounting is discontinued when a hedging instrument expires or is sold or exercised, or when the hedge no longer qualifies for hedge accounting. Accumulated gains or losses on hedge instruments recognised in other consolidated comprehensive income remain under this heading until the related transaction is performed. Once the related cash flow occurs, any cumulative gain or loss recognised in other consolidated comprehensive income is transferred to consolidated profit or loss for the year. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other consolidated comprehensive income is transferred to consolidated net profit or loss for the year.

Prospective and retrospective testing for hedging instrument effectiveness is carried out on a monthly basis:

- Retrospective tests measure how effectively the derivative instrument would have hedged the liability over its life, using historical interest rates to date.
- Prospective tests measure the instrument’s expected effectiveness on the basis of forward interest rates as published by Bloomberg at the measurement date. This is adjusted monthly from the inception of the hedge on the basis of the historical interest rates already established.

The method used to determine the effectiveness of hedging instruments consists of calculating the statistical correlation between the benchmark interest rates at each measurement date for the derivative and the related hedged liability, taking into consideration that the hedging instrument is considered effective if this statistical correlation is between 0.80 and 1.

The Group’s use of financial derivatives is governed by a set of approved risk management policies and hedges.

4.13 Current/non-current

The ordinary operating cycle is defined as the period from the acquisition of the assets used to carry on the Group's lines of business to the date that they are turned into cash or cash equivalents.

The Group's main business is its rentals business, for which it is considered that the normal cycle of its operations corresponds to the calendar year; hence, assets and liabilities maturing at less than one year are classified as current and those maturing at over one year are classified as non-current.

Bank borrowings are classified as non-current if the Group has the irrevocable right to make payments after twelve months from the end of the reporting period.

4.14 Income tax expense

General regime -

The expense for Spanish corporate income tax and similar taxes applicable to consolidated foreign operations is recognised in the consolidated statement of comprehensive income, except when the tax expense is generated by a transaction whose gains or losses are taken directly to equity, in which case the corresponding tax is also recognised in equity.

Income tax expense is the sum of the tax payable on profit for the year and the variation in recognised deferred tax assets and liabilities.

Corporate income tax expense for the year is calculated based on taxable profit for the year, which differs from the net profit or loss presented in the consolidated statement of comprehensive income because it excludes certain taxable profit and deductible expenses from prior years, as well as other exempt items. The Group's current tax liabilities are calculated using tax rates that have been enacted or substantively enacted by the reporting date.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised in the consolidated statement of financial position to the extent that it has become probable that they will be recovered through future taxable profits. In accordance with IAS 12, changes in deferred tax assets and liabilities caused by changes in tax rates or tax laws are recognised in the consolidated income statement for the year in which these changes are approved.

In accordance with IAS 12, when measuring deferred tax liabilities the Group reflects the tax consequences that would arise from the manner in which the carrying amount of its assets is expected to be recovered or settled. In this regard, for deferred tax liabilities that arise from investment properties that are measured using the IAS 40 fair value model, there is a rebuttable presumption that their carrying amount will be recovered through their sale. Consequently, the deferred tax liabilities arising from the Group's investment properties located in Spain were calculated by applying a tax rate of 25%, less any existing tax credits not recognised at 31 December 2020. The effective tax calculation rate was therefore 18.75%.

Until 31 December 2016, the Parent was the head of a group of companies filing consolidated tax returns under tax group no. 6/08.

REIT regime -

Effective as of 1 January 2017, the tax system of the Parent and the majority of its Spanish subsidiaries is governed by Law 11/2009, of 26 October, as amended by Law 16/2012, of 27 December, governing listed real estate investment trusts (REITs). Article 3 establishes the investment requirements of this type of company, namely:

1. REITs must have invested at least 80% of the value of their assets in urban properties earmarked for lease, in land to develop properties to be earmarked for that purpose, provided that development begins within three years following their acquisition, and in equity investments in other companies referred to in Article 2.1 of the aforementioned Law.

The value of the asset is calculated based on the average of the quarterly individual balance sheets of the year. To calculate this value, the REIT may opt to substitute the carrying amount for the fair value of the items contained in these balance sheets, which will apply to all the balance sheets of the year. Any money or collection rights arising from the transfer of the aforementioned properties or investments made in the year or in prior years will not be included in the calculation unless, in the latter case, the reinvestment period referred to in Article 6 of the aforementioned Law has expired.

This percentage must be calculated on the average of the consolidated balances if the company is the parent of a group, in accordance with the criteria established in Article 42 of the Spanish Commercial Code, regardless of its place of residence and of the obligation to formally prepare consolidated financial statements. Such a group must be composed exclusively of the REITs and the other entities referred to in Article 2.1 of the aforementioned Law.

2. Similarly, at least 80% of the rental income from the tax period corresponding to each year, excluding the rental income arising from the transfer of the ownership interests and the properties used by the company to achieve its main corporate purpose, once the holding period referred to below has elapsed, should be obtained from the lease of properties and dividends or shares of profits arising from the aforementioned investments.

This percentage must be calculated based on the consolidated balances if the company is the parent of a group, in accordance with the criteria established in Article 42 of the Spanish Commercial Code, regardless of its place of residence and of the obligation to formally prepare consolidated financial statements. Such a group must be composed exclusively of the REITs and the other entities referred to in Article 2.1 of the aforementioned Law.

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

The term will be calculated:

a) For properties that are included in the REIT's assets before the company avails itself of the regime, from the beginning of the first tax period in which the special tax regime set forth in this Law is applied, provided that the property is leased or offered for lease at that date. Otherwise, the following shall apply.

b) For properties developed or acquired subsequently by the REIT, from the date on which they were leased or made available for lease for the first time.

c) In the case of shares or ownership interests in the companies referred to in Article 2.1 of this Law, they should be retained on the asset side of the REIT's balance sheet for at least three years following their acquisition or, as appropriate, from the beginning of the first tax period in which the special tax regime set forth in this Law is applied.

As established in transitional provision one of Law 11/2009, of 26 October, amended by Law 16/2012, of 27 December, governing listed real estate investment companies, these companies may opt to apply the special tax regime under the terms and conditions established in Article 8 of this Law, even if it does not meet the requirements established therein, provided that such requirements are met within two years after the date of the option to apply that regime.

Failure to meet this condition will require the REIT to file income tax returns under the general tax regime from the tax period in which the aforementioned condition is not met. The REIT will also be obliged to pay, together with the amount relating to the aforementioned tax period, the difference between the amount of tax payable under the general tax regime and the amount paid under the special tax regime in the previous tax periods, including any applicable late-payment interest, surcharges and penalties.

The corporate income tax rate for REITs is set at 0% However, where the dividends that the REIT distributes to its shareholders holding an ownership interest equal to or exceeding 5% are exempt from tax or are subject to a tax rate lower than 10%, at the main office of this shareholder, the REIT shall be subject to a special charge of 19%, which shall be considered to be the income tax charge, on the amount of the dividend distributed to these shareholders. If applicable, this special charge must be paid by the REIT within two months after the dividend distribution date.

SIIC regime – SFL subgroup

Since 1 January 2003, the SFL subgroup companies have filed tax returns under the French tax regime applicable to listed real estate investment companies ("the SIIC regime"). This regime enabled the assets allocated to the rental business to be recognised at market value at the date on which it availed itself of this tax regime, currently subject to a tax rate of 19% (*"exit tax"*), payable within a period of four years, on the capital gains recognised.

This regime affects only real estate activities and is not applicable to companies engaged in sales and services, such as Segpim, S.A. and Locaparis SAS in the SFL subgroup, to properties under finance leases (unless the lease is cancelled early) or to the subgroups and investees in conjunction with third parties.

This regime affords the SFL subgroup an exemption from taxes on earnings generated from its rental business and on capital gains obtained from the sale of properties, provided that 95% of profit from that activity and 70% of the capital gains obtained from property sales of companies under this regime are distributed each year in the form of dividends.

On 30 December 2006, a new amendment to the SIIC regime ("SIIC 4") was approved, which established, among other provisions, that dividends paid annually to shareholders that directly or indirectly hold more than 10% of the share capital of a SIIC and that are exempt from tax or subject to a tax rate that is less than two-thirds of the standard French income tax rate would be subject to a 20% levy, payable by the SIIC. This provision applies to the dividends distributed from 1 July 2007 onwards. At 31 December 2007, the Parent notified SFL that dividends distributed from 1 July 2007 would be taxed in Spain at a rate of over 11.11% as a result of the partial waiver of the exemption for these dividends. As a result, the 20% tax withheld at source described above was not applicable.

After the Parent adhered to the REIT regime, the 20% tax withheld at source was no longer applicable, provided the significant shareholders comply with their minimum tax obligations in accordance with SIIC regulations.

4.15 Income and expense

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

However, in accordance with the accounting principles established in the EU-IFRS conceptual framework, the Group recognises revenue when it is earned together with all the necessary associated expenses. The sale of goods is recognised when the goods have been delivered and ownership transferred.

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 shareholders at the Annual General Meetings of the subsidiaries approve the distribution of the corresponding dividend.

Property leases -

In accordance with IFRS 16, leases are classified as finance leases whenever their terms imply that substantially all the risks and rewards incidental to ownership of the leased asset have been transferred to the lessee. Other leases are classified as operating leases. In this regard, at 31 December 2020 and 2019, all the Group's leases qualified as operating leases.

Property leases - Lessor

Revenue from operating leases is recognised as income on a straight-line basis over the term of the lease, and the initial direct costs incurred in arranging these operating leases are taken to the consolidated income statement on a straight-line basis over the minimum term of the lease agreement.

The minimum term of a lease is considered to be the time elapsed from the start of the lease to the first option for renewing the lease.

In relation to the amendment to IFRS 16 as a result of the situation generated by the pandemic, the Parent has considered the aid granted to the lessees as amendments to the initial contract recognising them as a lease incentive, except for those cases of a minor amount, in which they were recognised directly against the consolidated income statement, as a reduction of revenue.

Specific lease terms and conditions: lease incentives -

Lease agreements include certain specific conditions linked to incentives or rent-free periods offered by the Group to its clients. The Group recognises the aggregate cost of incentives granted as a reduction in rental income of the lease. The effects of the rent-free periods are recognised during the minimum term of the lease on a straight-line basis.

Indemnity payments made by lessees to cancel their leases prior to their minimum termination date are also recognised as income in the consolidated income statement on the date on which they become due and payable to the Group.

Property leases - Lessee

Leases are recognised as a right-of-use asset and the corresponding liability is posted on the date on which the leased asset is available for use by the Group. Each lease payment is allocated between liabilities and interest expense. The financial expense is charged to profit or loss over the term of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year. The right-of-use asset is amortised over the shorter of the asset's useful life or the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including fixed payments in substance), less any incentive for lease receivables,
- variable lease payments that depend on an index or rate,
- amounts the lessee is expected to pay as residual value guarantees,
- the exercise price of a call option if the lessee is reasonably certain that it will exercise the option, and
- penalty payments on termination of the lease if the term of the lease reflects the exercise by the lessee of that option.

Lease payments are discounted using the interest rate implied in the lease. If that rate cannot be determined, the incremental rate of borrowing is used, being the rate that the lessee would have to pay to borrow the necessary funds to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost which includes the following:

- the amount of the initial measurement of the lease liability,
- any lease payments made on or before the start date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Payments under short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a term of 12 months or less.

In relation to the amendment to IFRS 16 as a result of the situation generated by the pandemic, the Parent has considered the aid received from the lessors of spaces leased by its subsidiary Utopicus as if it were a variable lease payment, recognising its impact directly against the consolidated income statement.

4.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of investment property or inventory (Notes 10 and 12), which require preparation during a significant period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

4.17 Consolidated statement of cash flows (indirect method)

The following terms are used in the consolidated statement of cash flows with the meanings specified:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to insignificant risk of changes in value.
- Operating activities: the principal revenue-producing activities and other activities that are not investing or financing activities.
- Investing activities: the acquisition and disposal of non-current assets and other investments not included in cash and cash equivalents.
- Financing activities: non-operating activities that result in changes in the size and composition of equity and liabilities.

4.18 Costs passed on to lessees

In accordance with EU-IFRS, the Group does not consider the costs incurred by lessees from its investment properties as revenue and they are recognised, less the corresponding costs, in the consolidated income statement. The amount passed on for these items in 2020 and 2019 amounted to 63,202 and 64,155 thousand euros, respectively.

Direct operating expenses associated with investment properties that generated rental income in 2020 and 2019, included under “Operating profit” in the consolidated income statement, amount to 88,182 and 91,726 thousand euros, respectively, before being reduced by the costs passed on to lessees. Expenses incurred in connection with investment properties that did not generate rental income were not material.

4.19 Transactions with related parties

All the Group's transactions with related parties are at arm's length. Transfer prices are adequately supported, and consequently the Parent's directors consider that no significant risks exist in this respect from which significant liabilities could arise in the future.

4.20 Assets classified as held for sale

Assets classified as held for sale are measured at the lower of their carrying amount in accordance with applicable measurement rules and fair value less costs to sell.

Non-current assets are classified as held for sale if it is estimated that their carrying amounts will be recovered through a sale rather than through continuing use. This condition is met when the sale of the asset is considered highly probable, the asset is in condition to be sold immediately and the sale is expected to be fully realised within a period of no more than twelve months from its classification as a held-for-sale asset.

The Colonial Group classifies non-current assets as held for sale when the Board of Directors or Executive Committee has officially approved the disposal and the sale is considered highly probable within a period of twelve months.

4.21 Inventories

Inventories, consisting of land, developments under construction and finished developments, are measured at acquisition cost or execution cost.

Execution cost includes direct and indirect construction costs in addition to the expenses incurred in financing the construction work while in progress, as long as the construction work takes longer than one year.

Prepayments made in connection with call options on properties are recognised as inventory prepayments and it is assumed that expectations regarding the conditions enabling their exercise will be met.

The Group records inventory impairment provisions, as appropriate, when market value is lower than carrying amount.

The market value is frequently determined through appraisals performed by independent experts (Jones Lang LaSalle), in accordance with the Appraisal and Valuation Standards issued by the *Royal Institute of Chartered Surveyors* (RICS) of the United Kingdom, and the International Valuation Standards (IVS) issued by the International Valuation Standards Committee (IVSC).

Developments in progress were valued using the dynamic residual method as the best approximation. This method begins with an estimate of the income yielded by the developed and fully leased property; from this value, development, planning, construction and demolition costs, professional fees, permit and marketing costs, borrowing costs and development profit, among other items, are then deducted, in order to arrive at a price that a developer might pay for the asset under development.

4.22 Fair value hierarchy

Financial assets and liabilities measured at fair value are classified according to the following hierarchy established in IFRS 7 and IFRS 13:

- Level 1: Inputs are based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs are based on quoted prices for similar assets or liabilities in active markets (not included in level 1), prices quoted for identical or similar assets or liabilities in markets that are not active, techniques based on valuation models for which all relevant inputs are observable in the market or can be corroborated by observable market data.
- Level 3: In general, inputs are unobservable and reflect estimates based on market assumptions to determine the price of the asset or liability. Unobservable data used in the valuation models are significant in the fair values of the assets and liabilities.

In accordance with IFRS 13, the Group estimated the bilateral credit risk in order to reflect both its own risk and the counterparty risk on the fair value of its derivatives (Note 4.12). Credit risk at 31 December 2020 and 2019 was not considered to be material.

The detail of the Group's financial assets and liabilities measured at fair value according to the aforementioned levels is as follows:

31 December 2020	Thousands of euros		
	Level 1	Level 2	Level 3
Assets			
Derivative financial instruments:			
Classified as hedges	--	287	--
Not classified as hedges	--	--	--
Total assets (Note 16)	--	287	--
Liabilities			
Derivative financial instruments:			
Classified as hedges	--	19,775	--
Not classified as hedges	--	--	--
Total liabilities (Note 16)	--	19,775	--

31 December 2019	Thousands of euros		
	Level 1	Level 2	Level 3
Assets			
Derivative financial instruments:			
Classified as hedges	--	25,379	--
Not classified as hedges	--	--	--
Total assets (Note 16)	--	25,379	--
Liabilities			
Derivative financial instruments:			
Classified as hedges	--	1,792	--
Not classified as hedges	--	1,665	--
Total liabilities (Note 16)	--	3,457	--

5 Earnings per share

Basic earnings per share are calculated by dividing earnings for the year attributable to shareholders of the Parent (after tax and non-controlling interests) by the weighted average number of shares outstanding during that year.

At 31 December 2020 and 2019, there were no instruments that may have had a diluting effect on the Parent's average number of ordinary shares.

The Parent's long-term remuneration plan is paid annually. Payments in 2020 and 2019 are made through the delivery of shares that the Parent holds in treasury shares beforehand. Such deliveries of shares do not have a significant or material effect on diluted earnings per share.

	Thousands of euros	
	2020	2019
Consolidated profit for the year attributable to shareholders of the Parent:	2,387	826,799
	No. of shares	No. of shares
Weighted average number of ordinary shares (in thousands)	507,139	507,661
	Euros	Euros
Basic earnings per share:	0.01	1.63
Diluted earnings per share:	0.01	1.63

6 Segment reporting

6.1 Segmentation criteria

Segment reporting is organised, first, on the basis of the Group's business segments, and, secondly, by geographical segment.

The business lines described below have been defined in line with the Colonial Group's organisational structure at 31 December 2020 and 2019, which has been used by the Group's management to analyse the financial performance of the various operating segments.

The rentals segment (or traditional business) includes activities associated with office rentals, while the flexible business segment includes the activities associated with coworking or flexible office spaces.

6.2 Basis and methodology for business segment reporting

The segment information below is based on monthly reports prepared by Group management, generated using the same computer application that prepares all of the Group's accounting data.

Segment revenue comprises revenue directly attributable to each segment, as well as gains from the sale of investment properties. Segment revenue excludes both interest and dividend income.

Segment expenses comprise operating expenses directly attributable to each segment and losses on the sale of investment properties. Allocated expenses do not include interest, the income tax expense or general administrative expenses incurred in the provision of general services that are not directly allocated to any business segment.

Segment assets and liabilities are those directly related to the segment's operating activities. The Group has no set criteria for allocating borrowings or equity by business segment. Borrowings are attributed in full to the "Corporate Unit".

Segment information for these businesses is as follows:

2020 segment reporting	Thousands of euros							
	Rentals (Traditional business)							
	Barcelona	Madrid	Paris	Remainder	Total rentals	Flexible Business	Corporate unit	Total Group
Income								
Revenue (Note 20.1)	46,559	102,952	182,424	2,776	334,711	6,958	--	341,669
Other income (Note 20.2)	4	2	3,999	--	4,005	--	977	4,982
Gains on sales of assets (Note 20.5)	340	718	--	556	1,614	--	--	1,614
Changes in value of investment property (Note 20.7)	(82,232)	(166,993)	176,526	(6,353)	(79,052)	--	--	(79,052)
Gains/(losses) on changes in value of assets due to impairment (Note 20.6)	(248)	(194)	--	--	(442)	(46)	1,031	543
Operating profit/(loss)	(38,477)	(72,783)	351,080	(5,958)	233,862	1,360	(49,857)	185,365
Financial profit (Note 20.8)	--	--	--	--	--	--	(120,558)	(120,558)
Profit before tax	--	--	--	--	--	--	64,807	64,807
Consolidated net profit	--	--	--	--	--	--	62,817	62,817
Net profit attributable to non-controlling interests (Note 14.6)	--	--	--	--	--	--	(60,430)	(60,430)
Net profit/(loss) attributable to shareholders of the Parent (Note 5)	--	--	--	--	--	--	2,387	2,387

The most significant transactions between segments in the year 2020 were as follows:

	Thousands of euros			
	Traditional Business	Flexible Business	Corporate Unit	Total Group
Income				
Revenue (Note 20.1)	6,917	**--**	--	6,917
Operating profit/(loss)	--	(6,917)	--	(6,917)

None of the Group's customers represented more than 10% of income from ordinary activities.

	Thousands of euros							
	Rentals (Traditional business)							
	Barcelona	Madrid	Paris	Remainder	Total rentals	Flexible Business	Corporate unit	Total Group
Assets								
Goodwill	--	--	--	--	--	--	--	--
Intangible assets, right-of-use assets, property, plant and equipment, investment property, assets classified as held for sale and inventories (Notes 8, 9, 10, 12 and 24)	1,417,910	3,050,837	7,345,231	38,923	11,852,901	24,788	44,711	11,922,400
Financial assets	8,855	17,766	514	313	27,448	1,680	268,768	297,896
Other non-current assets	--	--	--	--	--	--	87,053	87,053
Trade receivables and other current assets	--	--	--	--	--	--	47,627	47,627
Total assets	**1,426,765**	**3,068,603**	**7,345,745**	**39,236**	**11,880,349**	**26,468**	**448,159**	**12,354,976**

	Thousands of euros							
	Rentals (Traditional business)							
	Barcelona	Madrid	Paris	Remainder	Total rentals	Flexible Business	Corporate unit	Total Group
Liabilities								
Bank borrowings and other financial liabilities (Notes 15)	--	--	--	--	--	--	324,388	324,388
Bonds and similar securities issued (Note 15)	--	--	--	--	--	--	4,341,656	4,341,656
Emission trade bills (Note 15)	--	--	--	--	--	--	235,000	235,000
Derivative financial instruments (Note 16)	--	--	--	--	--	--	19,775	19,775
Lease liabilities (Note 8)	--	--	--	--	--	--	12,031	12,031
Operating liabilities (suppliers and payables)	--	--	--	--	--	--	115,438	115,438
Other liabilities	--	--	--	--	--	--	473,524	473,524
Total liabilities	--	--	--	--	--	**--**	**5,521,812**	**5,521,812**

	Thousands of euros							
	Rentals (Traditional business)							
	Barcelona	Madrid	Paris	Remainder	Total rentals	Flexible Business	Corporate unit	Total Group
Other information								
Investments in non-current assets, intangible assets, property, plant and equipment, investment property, inventories and assets classified as held for sale	34,549	60,166	119,912	1	214,628	6,266	2,816	223,710
Depreciation and amortisation	(29)	(1,516)	--	--	(1,545)	(2,796)	(2,801)	(7,142)
Expenses that do not entail outflows of cash other than the depreciation and amortisation for the year:								
- Changes in provisions (Note 20.4)	(94)	(151)	(888)	(14)	(1,147)	(419)	2,483	917
- Changes in value of investment property (Note 20.7)	(82,232)	(166,993)	176,526	(6,353)	(79,052)	--	--	(79,052)
- Gains/(losses) on changes in value of assets due to impairment (Note 20.6)	(248)	(194)	--	--	(442)	(46)	1,031	543

2019 segment reporting	Thousands of euros							
	Rentals (Traditional business)							
	Barcelona	Madrid	Paris	Remainder	Total rentals	Flexible Business	Corporate unit	Total Group
Income								
Revenue (Note 20.1)	46,466	97,925	198,710	5,928	349,029	5,485	--	354,514
Other income (Note 20.2)	6	53	7,403	--	7,462	--	2,155	9,617
Gains on sales of assets (Note 20.5)	3,949	9,569	--	6,406	19,924	--	--	19,924
Changes in value of investment property (Note 20.7)	171,813	176,502	526,889	(1,505)	873,699	--	--	873,699
Gains/(losses) on changes in value of assets due to impairment (Note 20.6)	(27)	(35)	(3)	--	(65)	(391)	(61,438)	(61,894)
Operating profit/(loss)	218,504	271,066	722,659	10,588	1,222,817	169	(112,116)	1,110,870
Financial profit (Note 20.8)	--	--	--	--	--	--	(96,088)	(96,088)
Profit before tax	--	--	--	--	--	--	1,014,782	1,014,782
Consolidated net profit	--	--	--	--	--	--	992,523	992,523
Net profit attributable to non-controlling interests (Note 14.6)	--	--	--	--	--	--	(165,724)	(165,724)
Net profit/(loss) attributable to shareholders of the Parent (Note 5)	--	--	--	--	--	--	826,799	826,799

The most significant transactions between segments in the year 2019 were as follows:

	Thousands of euros			
	Traditional Business	Flexible Business	Corporate Unit	Total Group
Income				
Revenue (Note 20.1)	3,272	--	--	3,272
Operating profit/(loss)	--	(3,272)	--	(3,272)

None of the Group's customers represented more than 10% of income from ordinary activities.

	Thousands of euros							
	Rentals (Traditional business)							
	Barcelona	Madrid	Paris	Remainder	Total rentals	Flexible Business	Corporate unit	Total Group
Assets								
Goodwill	--	--	--	--	--	--	--	--
Intangible assets, right-of-use assets, property, plant and equipment, investment property, assets classified as held for sale and inventories (Notes 8, 9, 10, 12 and 24)	1,529,294	3,399,970	7,046,253	49,576	12,025,093	22,258	42,983	12,090,334
Financial assets	1,617	4,477	8,225	(314)	14,005	1,695	260,135	275,835
Other non-current assets	--	--	--	--	--	--	74,891	74,891
Trade receivables and other current assets	--	--	--	--	--	--	60,451	60,451
Total assets	**1,530,911**	**3,404,447**	**7,054,478**	**49,262**	**12,039,098**	**23,953**	**438,460**	**12,501,511**

	Thousands of euros							
	Rentals (Traditional business)							
	Barcelona	Madrid	Paris	Remainder	Total rentals	Flexible Business	Corporate unit	Total Group
Liabilities								
Bank borrowings and other financial liabilities (Notes 15)	--	--	--	--	--	--	445,605	445,605
Bonds and similar securities issued (Note 15)	--	--	--	--	--	--	3,803,168	3,803,168
Emission trade bills (Note 15)	--	--	--	--	--	--	626,000	626,000
Derivative financial instruments (Note 16)	--	--	--	--	--	--	3,457	3,457
Lease liabilities (Note 8)	--	--	--	--	--	--	14,393	14,393
Operating liabilities (suppliers and payables)	--	--	--	--	--	--	158,178	158,178
Other liabilities	--	--	--	--	--	--	490,213	490,213
Total liabilities	--	--	--	--	--	**--**	**5,541,014**	**5,541,014**

	Thousands of euros							
	Rentals (Traditional business)							
	Barcelona	Madrid	Paris	Remainder	Total rentals	Flexible Business	Corporate unit	Total Group
Other information								
Investments in intangible assets, property, plant and equipment, investment property and inventories	129,710	71,376	60,297	622	262,005	2,338	3,236	267,579
Depreciation and amortisation	(25)	(1,733)	(492)	--	(2,250)	(2,497)	(2,193)	(6,940)
Expenses that do not entail outflows of cash other than the depreciation and amortisation for the year:								
- Changes in provisions (Note 20.4)	25	235	47	(2)	305	(85)	6,740	6,960
- Changes in value of investment property (Note 20.7)	171,813	176,502	526,889	(1,505)	873,699	--	--	873,699
- Gains/(losses) on changes in value of assets due to impairment (Note 20.6)	(27)	(35)	(3)	--	(65)	(391)	(61,438)	(61,894)

7 Goodwill

The goodwill recognised at 31 December 2018 arose from the business combination with Axiare Patrimonio SOCIMI, S.A. and its subsidiaries, and was allocated to a single cash-generating unit, which corresponded to the structured portfolio of property assets acquired through the business combination with Axiare Patrimonio SOCIMI, S.A.

The Parent considered that the change in value recorded for the structured portfolio acquired through the business combination with Axiare Patrimonio SOCIMI, S.A. after the date of the acquisition of control represents the materialisation of the expectations existing at the date of this business combination.

The Parent's directors considered that the most reasonable way to measure the cash flows relating to the structured portfolio of assets acquired (property assets) and compare them on a like-for-like basis with the valuations of the properties performed by independent expert appraisers was to use the same time horizon as that used by the appraisers to value the properties, i.e., a time horizon of 10 years in accordance with standard market practice. Likewise, the value expectations of the Parent's directors were based on their extensive experience in the real estate industry and on the high quality of the assets in the portfolio and of its customers, expressed by high levels of occupancy and loyalty, thus enabling them to make reasonable estimates over a ten-year period.

In 2019, the amount of the goodwill had been impaired in full.

8 Leases

The subsidiary Utopicus rents several offices as a lessee. Rental contracts are normally made for fixed terms of 4 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. Leases do not impose covenants, but the leased assets cannot be used as collateral for loans.

8.1 Right-of-use assets

	Thousands of euros	
	31 December 2020	31 December 2019
Property, plant and equipment	10,538	12,787
Right-of-use assets	**10,538**	**12,787**

8.2 Deferred taxes relating to rights of use

	Note	Thousands of euros	
		31 December 2020	31 December 2019
Deferred tax assets relating to rights of use	19	333	369
Deferred taxes relating to rights of use		**333**	**369**

8.3 Lease liabilities

	Thousands of euros	
	31 December 2020	31 December 2019
Non-current lease liabilities	10,058	12,262
Current lease liabilities	1,973	2,131
Lease liabilities	**12,031**	**14,393**

8.4 Operating leases as lessee –

The subsidiary Utopicus has agreed under contract the following minimum lease payments with the lessors in accordance with the contracts in force, taking into account the impact of expenses, future CPI increases and other agreed rent updates:

	Thousands of euros	
	2020	2019
Up to 12 months	3,222	2,152
Between 1 and 5 years	8,385	5,150
More than 5 years	1,172	276
Total minimum operating lease payments - as lessee	**12,779**	**7,578**

These amounts relate to the leases signed by the subsidiary Utopicus for the premises where it carries out its business.

8.5 Impacts on consolidated income statement

The impacts on the consolidated income statement are presented in the following table:

	Note	Thousands of euros	
		31 December 2020	31 December 2019
Depreciation and amortisation		(1,430)	(1,682)
Finance costs	20.8	(622)	(819)
Total		**(2,052)**	**(2,501)**

9 Property, plant and equipment

The changes in this caption of the consolidated statement of financial position have been the following:

	Note	Thousands of euros		
		Properties for own use	Other property, plant and equipment	Total
Balance at 31 December 2018		**37,632**	**5,700**	**43,332**
Acquisition cost		*44,789*	*13,553*	*58,342*
Accumulated depreciation and amortisation		*(3,859)*	*(7,853)*	*(11,712)*
Accumulated impairment		*(3,298)*	--	*(3,298)*
Additions		6,657	2,476	9,133
Depreciation charge		(1,079)	(1,392)	(2,471)
Disposals		(187)	(115)	(302)
Transfers		70	(70)	--
Impairment losses	20.7	1,208	--	1,208
Balance at 31 December 2019		**44,301**	**6,599**	**50,900**
Acquisition cost		*51,280*	*15,684*	*66,964*
Accumulated depreciation and amortisation		*(4,889)*	*(9,085)*	*(13,974)*
Accumulated impairment		*(2,090)*	--	*(2,090)*
Additions		5,283	2,542	7,825
Depreciation charge		(1,496)	(1,443)	(2,939)
Disposals		(89)	(34)	(123)
Transfers		--	--	--
Impairment losses	20.7	1,078	--	1,078
Balance at 31 December 2020		**49,077**	**7,664**	**56,741**
Acquisition cost		*56,446*	*17,864*	*74,310*
Accumulated depreciation and amortisation		*(6,357)*	*(10,200)*	*(16,557)*
Accumulated impairment		*(1,012)*	--	*(1,012)*

At 31 December 2020 and 2019, the Group used two floors of the building located at Avenida Diagonal, 530, in Barcelona, one floor of the building located at Paseo de la Castellana, 52, in Madrid, and one floor of the building located at 42, *rue* Washington in Paris for its own use, while the rest of these buildings are rented out. The cost of buildings earmarked for the Group's own use is recognised under "Properties for own use".

At 31 December 2020, it was necessary to recognise a reversal of the impairment of assets amounting to 1,078 thousand euros, determined on the basis of valuations by independent experts (Note 4.3). In 2019, a reversal impairment loss was recognised on assets of 1,208 thousand euros.

10 Investment property

The changes in this caption of the statement of financial position were:

		Thousands of euros			
	Note	Investment property	Investment property in progress	Prepayments for assets	Total
Balance at 31 December 2018		**10,497,556**	**585,577**	**--**	**11,083,133**
Additions		155,137	97,761	1,000	253,898
Disposals	20.5	(641)	(17,321)	--	(17,962)
Transfers	9,12 and 24	(567,859)	203,250	--	(364,609)
Changes in value	20.7	831,407	11,250	--	842,657
Balance at 31 December 2019		**10,915,600**	**880,517**	**1,000**	**11,797,117**
Additions		40,187	162,251	--	202,438
Additions to scope	2.6	--	4,157	--	4,157
Disposals	20.5	(131,918)	--	(500)	(132,418)
Transfers	24	(259,011)	(18,481)	--	(277,492)
Changes in value	20.7	(35,520)	(42,162)	--	(77,682)
Balance at 31 December 2020		**10,529,338**	**986,282**	**500**	**11,516,120**

10.1 Movements in 2020 -

In 2020, the Parent executed one of the purchase options on a property plant in Madrid amounting to 5,086 thousand euros, including expenses, and which led to a drop in the advance payment recognised in 2019 for 500 thousand euros.

The other additions in 2020 related to investments in property assets, both in development and in operation, amounting to 197,352 thousand euros, including 10,047 thousand euros of capitalised finance costs.

On 2 July 2020, the Parent acquired 50% of the share capital of the subsidiary Wittywood, S.L., leading to an inclusion in the scope of 4,157 thousand euros (see Note 2.6).

Disposals in 2020, totalling 146,800 thousand euros, gave rise to a gain of 8,478 thousand euros, including indirect sale costs (Note 20.5). The transactions related to the sale of a flat and property in Madrid, two properties in Barcelona and a hotel in Almeria.

In addition, in 2020, disposals were made due to replacements, for a total amount of 439 thousand euros.

In 2020, three properties were reclassified to the "Assets classified as held for sale" heading in the consolidated statement of financial position, totalling 277,492 thousand euros (Note 24).

10.2 Movements in 2019 -

In 2019, the Parent acquired a property in Barcelona and the floor of a building in Madrid, for a total of 108,868 thousand euros. It also signed two purchase options for two floors on the same building in Madrid, which resulted in a prepayment of 1,000 thousand euros.

The other additions in 2019 related to investments in property assets, both in development and in operation, amounting to 144,030 thousand euros, including 4,882 thousand euros of capitalised finance costs.

Disposals in 2019, totalling 22,950 thousand euros, gave rise to a gain of 3,873 thousand euros, including indirect sale costs (Note 20.5). The main transactions were sale of premises in Madrid, premises in Tenerife and land in Barcelona.

In addition, in 2019, disposals were made due to replacements, for a total amount of 62 thousand euros.

In 2019, 19 properties were reclassified to the "Assets classified as held for sale" heading in the consolidated statement of financial position, totalling 364,609 thousand euros (Note 24).

10.3 Changes in value of investment property

"Changes in value of investment property" in the consolidated income statement includes the profit from the revaluation of investment property, giving rise to a loss of 77,682 thousand euros in 2020 (842,657 thousand euros profit in 2019) (Note 20.7), respectively, in accordance with the independent expert appraisals at 31 December 2020 and 2019 (Note 4.4).

10.4 Capitalised financial costs

Capitalised borrowing costs, plus the cost of investment property, are itemised in the following table (Note 20.9):

	Thousands of euros	
	Capitalised in the period	Average interest rate
2020:		
Inmobiliaria Colonial, SOCIMI, S.A.	4,570	2.22%
SFL Subgroup	5,477	1.43%
Total 2020:	**10,047**	
2019:		
SFL subgroup	4,882	1.44%
Total 2019:	**4,882**	

10.5 Other information

The total surface area (above and under-ground) of investment property and projects under development is as follows:

	Total surface area (m^2) of investment property					
	Investment property		Investment property in progress (**)		Total	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Barcelona (*)	365,412	407,916	47,196	25,179	412,608	433,095
Madrid	592,013	554,978	210,391	166,556	802,404	721,534
Rest of Spain	63,150	199,159	23,557	24,741	86,707	223,900
Paris (*)	344,291	356,215	84,489	86,003	428,780	442,218
	1,364,866	1,518,268	365,633	302,479	1,730,499	1,820,747

(*) In 2020 and 2019, this heading included 100% of the surface area of Washington Plaza (property belonging to the SCI Group company Washington, a company in which SFL has a 66% ownership interest), of the Haussmann, Champs Élysées, 82-88 and Champs Élysées, 90 properties (belonging to the Parholding Subgroup, in which SFL has a ownership 50% interest), and of the Torre Europa, 46-48 property (belonging to Inmocol Torre Europa, S.A., in which the Parent has a 50% interest). In addition, in 2020, land was included at calle Llacuna, 42 (belonging to Wittywood, S.L., in which the Parent has a 50% interest).

(**) The surface area of 20,776 m^2 of the subsidiary Peñalvento is not included since the asset is classified under "Inventories" (see Note 12), nor were 39,879 m^2 of surface area (99,153 m2 in 2019) of real estate assets recorded under "Assets classified as held for sale".

At 31 December 2020, the Group had pledged assets as collateral for mortgage loans with a carrying amount of 1,176,881 thousand euros to secure debts amounting to 272,780 thousand euros (Note 15.7). At 31 December 2019, the above amounts amounted to 1,189,474 and 274,860 thousand euros, respectively.

11 Non-current financial assets

The changes in this caption of the consolidated statement of financial position have been the following:

	Thousands of euros			
	31 December 2019	Inclusions	Disposals	31 December 2020
Deposits and guarantees given	33,585	1,496	(6,034)	29,047
Total financial assets at amortised cost	**33,585**	**1,496**	**(6,034)**	**29,047**

	Thousands of euros			
	31 December 2018	Inclusions	Disposals	31 December 2019
Deposits and guarantees given	31,863	1,722	--	33,585
Total financial assets at amortised cost	**31,863**	**1,722**	**--**	**33,585**

11.1 Deposits and guarantees given

Long-term deposits and guarantees basically comprise deposits made with the official bodies in each country for deposits collected from lessees, in accordance with prevailing legislation.

12 Inventories

The composition of this caption in the consolidated statement of financial position is as follows:

	Thousands of euros	
	31 December 2020	31 December 2019
Beginning balance	**48,196**	**46,587**
Additions	4,213	1,609
Ending balance	**52,409**	**48,196**

Inventories correspond to the office building that the Group is developing for a third party. The Group received a total of 28,287 thousand euros in prepayments (see Note 17) (21,215 thousand euros at 31 December 2019).

The capitalised borrowing cost in 2020 amounted to 460 thousand euros, with an average interest rate of 2.22% (184 thousand euros at an average interest rate of 2.12% in the year 2019).

13 Trade and other receivables and Other non-current assets

The composition of this current asset heading in the consolidated statement of financial position is as follows:

		Thousands of euros			
		31 December 2020		31 December 2019	
	Note	Current	Non-Current	Current	Non-Current
Trade receivables for sales and services		12,945	--	14,403	--
Trade receivables for sale of properties		648	--	14,070	--
Accrual of lease incentives		21,690	59,803	20,523	66,210
Other receivables	13.4	90,380	--	91,034	--
Other assets		138	26,832	318	8,233
Impairment of receivables -					
- Trade receivables for sales and services		(10,635)	--	(3,990)	--
- Other receivables	13.4	(85,473)	--	(85,473)	--
Total trade and other receivables		**29,693**	**86,635**	**50,885**	**74,443**

13.1 Trade receivables for sales and services

This item mainly includes amounts receivable from customers of the Group's rentals business, with monthly, quarterly or annual billing periods, and there were no past-due balances at 31 December 2020 and 2019.

At 31 December 2020 and 2019, no significant unprovisioned past-due balances existed.

13.2 Trade receivables for sales of properties

In 2020, the Parent received a deferred payment for the sale of an asset in 2019, amounting to 13,750 thousand euros. This amount was secured by the purchasers through the arrangement of a top-ranking mortgage on the property sold in favour of the Parent.

13.3 Accrual of lease incentives

This includes the amount of the incentives in the operating lease agreements (rent-free periods, etc.) that the Group offers its customers, which are recognised in the consolidated income statement during the minimum lease term.

In 2020, 5,823 thousand euros was transferred to “Assets classified as held for sale” in the consolidated statement of financial position, relating to the accrual of lease incentives for the three properties classified for sale (Nota 24).

13.4 Other receivables

At 31 December 2020 and 2019, "Other Receivables" includes mainly the amounts owed by Nozar, S.A. as a result of the termination of the purchase contracts entered into in July 2007 for failure to comply with the conditions precedent, including the interest accrued to date.

Nozar, S.A. continues to be involved in insolvency proceedings. Consequently, at 31 December 2020 and 2019, the accompanying consolidated statement of financial position includes the impairment loss for the entire amount of trade receivables due from that company.

14 Equity

14.1 Share capital

Consequently, the Company’s share capital at 31 December 2020 and 2019 comprised 508,114,781 fully subscribed and paid up shares with a par value of 2.5 euros each.

Based on the reports on the number of corporate investments to the Spanish National Securities Markets Commission, CNMV, the Parent's indirect and direct significant shareholders at 31 December 2020 and 2019, were as follows:

	31 December 2020		31 December 2019	
	Number of shares*	% ownership	Number of shares*	% ownership
Name or corporate name of the shareholder:				
Qatar Investment Authority (**)	102,675,757	20.21%	102,675,757	20.21%
Finaccess Group	80,028,647	15.75%	80,028,647	15.75%
Inmo S.L.	29,002,980	5.71%	29,002,980	5.71%
Aguila Ltd.	28,880,815	5.68%	28,880,815	5.68%
PGGM Vermongensbeheer B.V.	25,438,346	5.01%	25,438,346	5.01%
BlackRock Inc	15,343,358	3.02%	15,343,358	3.02%

* Does not include certain financial instruments linked to shares of the Parent.
** Qatar Investment Authority is responsible for managing 21,782,588 shares of the Parent owned by DIC Holding, LLC.

At 31 December 2020 and 2019, Aguila Ltd. and BlackRock Inc. had formally obtained financial instruments associated with the Parent's shares that, in the event the instruments are exercised, could give rise to an additional interest in the share capital of Colonial. These financial instruments do not and cannot involve the issue of new shares of the Parent.

The Parent is not aware of any other significant shareholdings.

The shareholders at the Annual General Meeting held on 24 May 2018 resolved to authorise the Board of Directors to issue, on behalf of the Parent and on one or more occasions and for a maximum period of 5 years, bonds convertible into new shares of the Parent or other similar securities that may give the right, directly or indirectly, to subscribe the Parent's shares, with the express power to exclude the pre-emption right of the shareholders up to a maximum of 20% of the share capital, and to increase share capital by the amount necessary to meet the conversion. The total maximum amount of the issue or issues of the securities that may be performed under this authorisation may not exceed a combined amount of 500,000 thousand euros or its equivalent in another currency.

Additionally, on 14 June 2019, the shareholders at the Parent's Annual General Meeting resolved to authorise the Board of Directors, in accordance with Article 297.1 b) of the Spanish Companies Law, to increase the share capital through monetary contributions by up to half the amount of the share capital, within a maximum period of five years, on one or more occasions and at the time and by the amount it deems appropriate. Within the maximum amount indicated, the Board of Directors is empowered to exclude the pre-emption right up to a maximum of 20% of the share capital.

14.2 Share premium

In 2020, 2019, the amount of the share premium was reduced by 64,690 thousand euros as a result of the dividend distribution resolution approved by the General Shareholders' Meeting on 14 June 2019.

At 30 June 2020, the General Shareholders' Meeting resolved and paid out dividends with a charge to the share premium in the amount of 22,469 thousand euros.

14.3 Own shares

The number of the Parent's own shares and their acquisition cost were as follows:

	31 December 2020		31 December 2019	
	No. of shares	Thousands of euros	No. of shares	Thousands of euros
Free tranche	3,131,110	22,546	349,366	4,301
Liquidity contracts	229,500	1,894	229,500	1,878
Ending balance	**3,360,610**	**24,440**	**578,866**	**6,179**

Own shares – Free tranche

The number of the Parent's own shares and their acquisition cost were as follows:

		31 December 2020		31 December 2019	
	Note	No. of shares	Thousands of euros	No. of shares	Thousands of euros
Beginning balance		349,366	4,301	543,260	3,748
Buyback plan 2019		--	--	300,000	3,375
Buyback plan 2020		3,000,000	21,042	--	--
Delivery of incentives plan shares	21	(395,116)	(4,169)	(493,894)	(2,822)
Other acquisitions		176,860	1,372	--	--
Other disposals		--	--	--	--
Ending balance		**3,131,110**	**22,546**	**349,366**	**4,301**

Share buyback plan of the Parent –

On 30 June 2020, the Parent decided to carry out a share buyback programme. A maximum of 3,000,000 shares could be acquired, equivalent to 0.59% of the Parent's share capital as of that date. On 10 December 2020, the Parent terminated the share buyback plan early.

On 10 December 2019, the Parent resolved to carry out a share buyback programme. A maximum of 300,000 shares could be acquired, equivalent to 0.059% of the Parent's share capital as of that date. On 18 December 2019, the Parent terminated the share buyback plan early.

Deliveries of Parent shares deriving from the long-term incentives plan -

Every year, the Parent settles the obligations to comply with the previous year's plan through the delivery of shares to the beneficiaries of the remuneration plan, once it has assessed the degree of attainment of the indicators included therein (Note 21.1).

Liquidity contracts

The Parent enters into liquidity contracts to enhance the liquidity of its transactions and the regularity of its listed share price.

The number of the Parent's own shares under liquidity contracts and their acquisition cost were as follows:

	31 December 2020		31 December 2019	
	No. of shares	Thousands of euros	No. of shares	Thousands of euros
Beginning balance	229,500	1,878	229,500	1,858
Liquidity contract dated 11 July 2017	--	16	--	20
Ending balance	**229,500**	**1,894**	**229,500**	**1,878**

<u>Liquidity contract dated 11 July 2017 -</u>

On 11 July 2017, the Parent entered into a new liquidity contract to enhance the liquidity of its transactions and the regularity of its listed share price as provided for under CNMV Circular 1/2017, of 26 April. The contract is valid for 12 months. The contract has been suspended.

14.4 Other reserves

The table below shows details of the consolidated statement of financial position item "Other reserves" and of the changes in these reserves in the year.

		Thousands of euros					
	Note	Legal reserve	Other reserves	Measurement of financial instrument hedges	Share-based payments	Transactions with non-controlling interests	**Total**
At 1 January 2019		**42,349**	**169,441**	**-2,078**	**6,180**	**56,391**	**272,283**
Revaluation – gross		--	--	22,787	--	--	22,787
Deferred tax		--	--	--	--	--	--
Reclassification to profit - gross		--	--	2,686	--	--	2,686
Deferred tax		--	--	(384)	--	--	(384)
Other comprehensive income		--	--	25,089	--	--	25,089
Transfer to/from retained earnings		3,631	(27,468)	--	--	--	(23,837)
Transactions with owners in their capacity as such:							
Share-based payments	21	--	--	--	3,498	--	3,498
Transactions with non-controlling interests		--	--	(608)	--	(1,196)	(1,804)
At 31 December 2019		**45,980**	**141,973**	**22,403**	**9,678**	**55,195**	**275,229**

		Thousands of euros					
	Note	Legal reserve	Other reserves	Measurement of financial instrument hedges	Share-based payments	Transactions with non-controlling interests	**Total**
At 1 January 2020		**45,980**	**141,973**	**22,403**	**9,678**	**55,195**	**275,229**
Revaluation – gross		--	--	(43,536)	--	--	(43,536)
Deferred tax		--		--	--	--	--
Non-controlling interest in revaluation - gross		--	--	--	--	--	--
Deferred tax		--	--	--	--	--	--
Reclassification to profit - gross		--	--	1,676	--	--	1,676
Deferred tax		--	--	--	--	--	--
Other comprehensive income		--	--	(41,860)	--	--	(68,684)
Transfer to/from retained earnings		8,787	--	--	--	--	8,787
Transactions with owners in their capacity as such:							
Share-based payments	21	--	--	--	2,732	--	2,732
Transactions with non-controlling interests		--	--	--	--	--	--
At 31 December 2020		**54,767**	**141,973**	**(19,457)**	**12,410**	**55,195**	**244,888**

Legal reserve

Under the Consolidated Spanish Companies Law, 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of share capital.

The legal reserve may be used to increase capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase. Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, this reserve may only be used to set off losses and provided no other sufficient reserves are available for this purpose.

Other reserves

At 31 December 2020, the Parent had 169,439 thousand euros of restricted reserves. Also, this item includes the merger reserve generated by the operations described in Note 1, with a receivable balance of 27,468 thousand euros.

14.5 Retained earnings

The changes in retained earnings are as follows:

		Thousands of euros	
	Note	2020	2019
Balance at 1 January		**2,505,512**	**1,695,019**
Net profit for the year	5	2,387	826,799
To legal reserve		(8,787)	(3,631)
Transfer to/from other reserves	14.4	--	27,468
Other items of comprehensive income recognised directly in retained earnings:			
Losses due to transactions using own shares		(1,777)	(1,131)
Dividends		(79,082)	(36,877)
Other gains/(losses)		280	(2,135)
Balance at 31 December		**2,418,533**	**2,505,512**

Losses from transactions with own shares relate to deliveries of own shares to the beneficiaries of the long-term incentives plan (Note 21.1), calculated as the difference between the carrying amount of the shares delivered and the amount of the obligation assumed by the Parent (Note 4.11).

14.6 Non-controlling interests

The changes in this caption of the consolidated statement of financial position have been the following:

	Thousands of euros					
	Torre Marenostrum, S.L.	Inmocol Torre Europa, S.A.	Utopicus Subgroup	SFL Subgroup	Wittywood, S.L.	Total
Balance at 31 December 2018	**26,576**	**11,600**	**101**	**1,252,105**	**--**	**1,290,382**
Profit/(loss) for the year	314	10	(435)	165,835	--	165,724
Dividends and other	--	1,000	365	(30,268)	--	(28,903)
Changes to scope (Note 2.6)	(26,726)	--	544	--	--	(26,182)
Financial instrument hedges	(164)	--	--	1,042	--	878
Balance at 31 December 2019	**--**	**12,610**	**575**	**1,388,714**	**--**	**1,401,899**
Profit/(loss) for the year	--	(1,163)	(266)	61,524	335	60,430
Dividends and other	--	--	--	(32,692)	(1)	(32,693)
Changes to scope (Note 2.6)	--	--	--	--	4,053	4,053
Financial instrument hedges	--	--	--	(1,073)	--	(1,073)
Balance at 31 December 2020	**--**	**11,447**	**309**	**1,416,473**	**4,387**	**1,432,616**

The breakdown of the items included in “Dividends and other” is as follows:

	Thousands of euros	
	31 December 2020	31 December 2019
Dividend paid by the SFL subgroup to non-controlling interests	(22,466)	(22,445)
Dividend paid by Washington Plaza to non-controlling interests	(10,801)	(8,299)
Other	574	1,841
Total	(32,693)	(28,903)

The SFL subgroup has the following shareholders agreements with Prédica:

- Agreement at SCI Washington, in which SFL holds 66%. In the event of a change of control of SFL, Prédica may consent to the change of control, or acquire or sell all of the shares and current accounts held by SFL in the common subsidiary, at a price agreed between the parties or at market value.
- Agreement at Parholding, in which SFL holds 50%. In the event of a change of control of SFL, Prédica may consent to the change of control, or acquire or sell all of the shares and current accounts held by SFL in the common subsidiary, at a price agreed between the parties or at market value.

Summarised financial information on the main subsidiaries with non-controlling interests

The following table shows the summarised financial information for the main subsidiaries with non-controlling interests:

		Thousands of euros							
Subsidiary	% non-controlling	- Non-current assets	Current assets	Non-current liabilities	Current liabilities	Ordinary income	Profit/(loss) for the year	Total comprehensive income	Cash flows
Grupo SFL	18%	7,130,570	360,223	1,723,126	570,699	182,424	296,351	290,369	(43,081)
Inmocol Torre Europa	50%	16,775	5,463	--	568	--	(93)	(93)	3,550

15 Bank borrowings and other financial liabilities, bonds and similar securities issued and emissions of promissory notes

The detail, by type of debt and maturity, of these headings in the consolidated statement of financial position is as follows:

31 December 2020	Thousands of euros							
	Current	Non-current						
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Older than 5 years	Total non-current	Total
Bank borrowings:								
Loans	6,433	194,999	75,700	--	--	--	270,699	277,132
Interest	1,247	--	--	--	--	--	--	1,247
Debt arrangement costs	(2,303)	(2,132)	(1,855)	(1,385)	(985)	--	(6,357)	(8,660)
Total debts with credit institutions	5,377	192,867	73,845	(1,385)	(985)	--	264,342	269,719
Other financial liabilities:								
Current accounts	52,168	--	--	--	--	--	--	52,168
Current account interest	27	--	--	--	--	--	--	27
Other financial liabilities	2,474	--	--	--	--	--	--	2,474
Total other financial liabilities	54,669	--	--	--	--	--	--	54,669
Total debts with credit institutions and other financial liabilities	**60,046**	**192,867**	**73,845**	**(1,385)**	**(985)**	**--**	**264,342**	**324,388**
Issue of debentures and similar securities:								
Issuing bonds	249,700	289,600	306,200	493,300	1,000,000	2,000,000	4,089,100	4,338,800
Interest	28,420	--	--	--	--	--	--	28,420
Debt arrangement costs	(5,224)	(4,991)	(4,595)	(4,335)	(3,113)	(3,306)	(20,340)	(25,564)
Total issue of debentures and similar securities	**272,896**	**284,609**	**301,605**	**488,965**	**996,887**	**1,996,694**	**4,068,760**	**4,341,656**
Issues of promissory notes	235,000	--	--	--	--	--	--	235,000
Total emission trade bills	**235,000**	**--**	**--**	**--**	**--**	**--**	**--**	**235,000**
Total	**567,942**	**477,476**	**375,450**	**487,580**	**995,902**	**1,996,694**	**4,333,102**	**4,901,044**

31 December 2019	Thousands of euros							
	Current	Non-current						
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Older than 5 years	Total non-current	Total
Bank borrowings:								
Loans	2,080	2,080	195,000	75,700	125,000	--	397,780	399,860
Interest	895	--	--	--	--	--	--	895
Debt arrangement costs	(2,242)	(2,179)	(1,618)	(1,227)	(264)	--	(5,288)	(7,530)
Total debts with credit institutions	733	(99)	193,382	74,473	124,736	--	392,492	393,225
Other financial liabilities:								
Current accounts	--	49,866	--	--	--	--	49,866	49,866
Current account interest	23	--	--	--	--	--	--	23
Other financial liabilities	2,491	--	--	--	--	--	--	2,491
Total other financial liabilities	2,514	49,866	--	--	--	--	49,866	52,380
Total debts with credit institutions and other financial liabilities	**3,247**	**49,767**	**193,382**	**74,473**	**124,736**	**--**	**442,358**	**445,605**
Issue of debentures and similar securities:								
Issuing bonds	--	350,000	350,000	500,000	600,000	2,000,000	3,800,000	3,800,000
Interest	26,302	--	--	--	--	--	--	26,302
Debt arrangement costs	(4,576)	(4,542)	(4,220)	(3,672)	(3,303)	(2,821)	(18,558)	(23,134)
Total issue of debentures and similar securities	**21,726**	**345,458**	**345,780**	**496,328**	**596,697**	**1,997,179**	**3,781,442**	**3,803,168**
Issues of promissory notes	626,000	--	--	--	--	--	--	626,000
Total emission trade bills	**626,000**	**--**	**--**	**--**	**--**	**--**	**--**	**626,000**
Total	**650,973**	**395,225**	**539,162**	**570,801**	**721,433**	**1,997,179**	**4,223,800**	**4,874,773**

Changes in net financial debt in the year 2020, arising from other cash flows, are presented in the following table:

	Thousands of euros		
	31 December 2019	Cash flows	31 December 2020
Loans	399,860	(122,728)	277,132
Issue of promissory notes	626,000	(391,000)	235,000
Issuing bonds	3,800,000	538,800	4,338,800
Gross financial debt (nominal gross debt)	**4,825,860**	**25,072**	**4,850,932**
Cash and cash equivalents	(216,781)	(51,772)	(268,553)
Net financial debt	**4,609,079**	**(26,700)**	**4,582,379**

15.1 Issues of the Parent's straight bonds

The detail of the issues of standard debentures made by the parent company is as follows:

				Thousands of euros		
Issue	Duration	Maturity	Fixed coupon payable annually	Issue amount	31 December 2020	31 December 2019
05-06-15	8 years	06-2023	2.728%	500,000	306,200	500,000
28-10-16	8 years	10-2024	1.450%	600,000	493,300	600,000
10-11-16	10 years	11-2026	1.875%	50,000	50,000	50,000
28-11-17	8 years	11-2025	1.625%	500,000	500,000	500,000
28-11-17	12 years	11-2029	2.500%	300,000	300,000	300,000
17-04-18	8 years	04-2026	2.000%	650,000	650,000	650,000
14-10-20	8 years	10-2028	1.350%	500,000	500,000	--
Total issues					**2,799,500**	**2,600,000**

In October 2020, under the EMTN "European Medium Term Note" programme, the Parent made a new issue of straight bonds with a total nominal amount of 500,000 thousand euros, an annual coupon of 1.35%, maturing in October 2028, and an issue price of 99.609% of its nominal amount.

Debentures have been admitted for trading in the Main Securities Market of the Irish Stock Exchange.

Likewise, in October 2020, the Parent repaid early a part of the outstanding balances of the bond issues (Liability Management) maturing in June 2023 and October 2024, totalling 193,800 thousand euros and 106,700 thousand euros, respectively.

At 31 December 2020 and 2019, the fair value of the bonds issued by the Parent was 2,987,681 and 2,784,774 thousand euros, respectively.

European Medium Term Note Programme -

On 5 October 2016, the parent company registered an EMTN (European Medium Term Note) programme on the Irish Stock Exchange amounting to 3,000,000 thousand euros, extendable to 5,000,000 thousand euros, with a validity of 12 months. On 19 December 2019, the CNMV approved the registration of the renewal and extension to 5,000,000 thousand euros in the official records of the Fixed Income Base Prospectus (Euro Medium Term Note Programme) of the parent company.

Compliance with financial ratios -

These straight bonds currently establish the obligation to comply, at 30 June and 31 December of each year, with a financial ratio, whereby the value of the non-collateralised asset of the Group in the consolidated statement of financial position at each of these dates must at least be equal to the financial debt not collateralised. At 31 December 2020 and 2019 the aforementioned ratio had been met.

15.2 Issuance of straight SFL bonds

The detail of the issues of non-convertible debentures made by SFL is as follows:

				Thousands of euros		
Issue	Duration	Maturity	Fixed coupon payable annually	Issue amount	31 December 2020	31 December 2019
20-11-14	7 years	11-2021	1.875%	500,000	249,700	350,000
16-11-15	7 years	11-2022	2.250%	500,000	289,600	350,000
29-05-18	7 years	05-2025	1.500%	500,000	500,000	500,000
05-06-20	7 years	06-2027	1.500%	500,000	500,000	--
Total issues					**1,539,300**	**1,200,000**

These bonds constitute non-subordinated debentures and without any preference among them and have been admitted to trading on the Euronext Paris regulated market.

In June 2020, SFL carried out a new straight bonds issue for a nominal amount of 500,000 thousand euros, maturing in June 2027, with an annual coupon of 1.50% and an issue price of 99.579% of its nominal value.

Likewise, in September 2020, SFL repaid a part of the outstanding balances of the bond issues early (Liability Management) maturing in November 2021 and November 2022, totalling 100,300 thousand euros and 60,400 thousand euros, respectively.

At 31 December 2020 and 2019, the fair value of the bonds issued by SFL was 1,615,147 and 1,254,542 thousand euros, respectively.

15.3 Issue of promissory notes by the Parent

The parent company registered a European Commercial Paper programme on the Irish Stock Exchange in December 2018 for a maximum limit of 300,000 thousand euros with a short-term maturity, subsequently extended to 500,000 thousand euros. At 31 December 2020 current issues stood at 70,000 thousand euros (239,500 thousand euros at 31 December 2019).

15.4 Issuing promissory notes by SFL

In September 2018, the subsidiary company SFL registered a short-term promissory note issuance programme (NEU CP) for a maximum amount of 500,000 thousand euros, with the issues in effect at 31 December 2020 and 2019 of 165,000 and 386,500 thousand euros, respectively.

15.5 Syndicated financing of the Parent

The detail of the parent company's syndicated financing is detailed in the following table:

Thousands of euros	Maturity	31 December 2020 Limit	31 December 2020 Nominal drawn down	31 December 2019 Limit	31 December 2019 Nominal drawn down
Credit policy	03-2022	--	--	375,000	--
Credit policy	12-2023	--	--	500,000	--
Credit policy	11-2025	500,000	--	--	--
Credit facility (extendable annually over two years until 2027)	11-2025	500,000	--	--	--
Total parent company syndicated financing		**1,000,000**	**--**	**875,000**	**--**

In November 2020, the Parent signed a new credit facility amounting to 1,000,000 thousand euros to substitute the two credit facilities maturing in March 2022 and December 2023, with a total limit of 875,000 thousand euros and against which no amount has been drawn down. The new credit facility is structured into two tranches of 500,000 thousand euros each, maturing in 2025, extendable in the second tranche until 2027. This facility has the status of sustainable since its margin is tied to the rating obtained by the GRESB agency.

The fixed interest rate is variable with a margin referenced to the EURIBOR.

Compliance with financial ratios -

At 31 December 2020 and 2019, the Parent was complying with all financial ratios.

15.6 SFL syndicated financing

The detail of SFL's syndicated financing is detailed in the following table:

Thousands of euros	Maturity	31 December 2020 Limit	31 December 2020 Nominal drawn down	31 December 2019 Limit	31 December 2019 Nominal drawn down
Credit policy	06-2024	390,000	--	390,000	--
Total SFL syndicated financing		**390,000**	**--**	**390,000**	**--**

The fixed interest rate is variable with a margin referenced to the EURIBOR.

Compliance with financial ratios -

At 31 December 2020 and 2019, SFL was complying with the financial ratios provided in its respective financing contracts.

15.7 Secured mortgage loans

The details of secured mortgage loans that the Group holds on certain real estate investments is presented in the following table:

	Note	Thousands of euros – 31 December 2020 Mortgage debt	31 December 2020 Asset market value	31 December 2019 Mortgage debt	31 December 2019 Asset market value
Investment property	10.5	272,780	1,189,729	274,860	1,194,435
Total secured mortgage loans		**272,780**	**1,189,729**	**274,860**	**1,194,435**

The Parent holds a "sustainable loan" amounting to 75,700 thousand euros, whose margin will vary according to the rating the Parent obtains in ESG (environment, social and corporate governance) from the GRESB sustainability agency.

Additionally, the SFL Subgroup held fixed-rate mortgage debt at 31 December 2020 and 2019 totalling 197,080 thousand euros and 199,160 thousand euros, respectively.

Compliance with financial ratios -

The Group's secured mortgage loans are subject to compliance with various financial ratios. At 31 December 2020 and 2019, the Group complies with the financial ratios demanded in its mortgage loan agreements.

15.8 Other loans

The Group holds bilateral loans that are not secured by a mortgage that must comply with various ratios. The total limits and balances provided are detailed below:

Thousands of euros	Company	Maturity	31 December 2020		31 December 2019	
			Limit	Nominal drawn down	Limit	Nominal drawn down
BECM	SFL	07.2023	150,000	--	150,000	--
BNP Paribas	SFL	05.2021	--	--	100,000	--
BNP Paribas	SFL	05.2025	150,000	--	--	--
CADIF	SFL	06.2023	175,000	--	175,000	--
Banque Postale	SFL	06.2024	75,000	--	75,000	--
Société Générale	SFL	10.2025	100,000	--	100,000	--
Bankinter	Colonial	07.2024	--	--	50,000	50,000
CaixaBank	Colonial	07.2024	--	--	75,000	75,000
Total other loans			**650,000**	**--**	**725,000**	**125,000**

In December 2020, the Parent cancelled two loans with Bankinter and CaixaBank amounting to 50,000 thousand euros and 75,000 thousand euros, respectively.

Likewise, in 2020, SFL repaid early its loan with BNPP maturing in May 2021 with a limit of 100,000 thousand euros, and it formalised another loan with the same entity BNPP, with a limit of 150,000 thousand euros, maturing in May 2025.

Compliance with financial ratios

All loans are subject to compliance with certain financial ratios, on a quarterly basis for the Parent and semi-annually for SFL.

At 31 December 2020 and 2019, the Parent and SFL was complying with the financial ratios provided in their respective loan agreements.

15.9 Other financial liabilities – Current accounts with shareholders

At 31 December 2020 and 2019, the subsidiary SCI Washington holds a current account with its shareholder of 49,866 thousand euros, respectively. Likewise, the Parholding Subgroup also holds a current account with the same shareholder which, at 31 December 2020, amounted to 2,302 thousand euros (against which no amount had been drawn down at 31 December 2019). These current accounts accrue an additional margin over the three-month Euribor.

15.10 Guarantees delivered

At 31 December 2020, the Grupo had provided guarantees to official bodies, customers and suppliers in the amount of 9,121 thousand euros (55,271 thousand euros at 31 December 2019).

Of the total collateral provided, the main guarantee granted, amounting to 4,803 thousand euros, corresponds to commitments acquired by the company Asentia. In this regard, the Parent and Asentia have signed an agreement whereby, if any of the guarantees are executed, Asentia must compensate the Parent for any loss incurred within a maximum period of 15 days.

In 2020, the Parent released various bank guarantees totalling 48,762 thousand euros, mainly formed by 30,300 thousand euros as a guarantee delivered for the acquisition of a property in Barcelona in 2019 (Note 17.2) and 18,259 thousand euros for the recovery of the guarantees delivered in favour of the option holder for the two purchase options on seven logistics properties (Note 24.1.2).

15.11 Cash and cash equivalents

At 31 December 2020 and 2019 said heading includes cash and cash equivalents amounting to 268,553 and 216,781 thousand euros, respectively, of which, at 31 December 2020 and 2019, 1,777 thousand euros had been pledged or were for restricted use only.

15.12 Debt arrangement costs

In 2020 and 2019, the Group recognised 5,872 thousand euros and 5,569 thousand euros in the consolidated income statement, respectively, corresponding to the amortised costs during the year.

15.13 Financing interest

The average interest rate of the Group in 2020 was 1.88% (1.75% in 2019) or 2.14% including the accrual of fees (2.02% in 2019). The average interest rate of the Group's debt at 31 December 2020 (spot) is 1.70% (1.63% at 31 December 2019).

The amount of accrued interest pending payment recorded in the consolidated statement of financial position amounts to:

	Thousands of euros	
	31 December 2020	31 December 2019
Obligations	28,420	26,302
Bank borrowings	1,247	895
Other financial liabilities - Current accounts	27	23
Total	**29,694**	**27,220**

15.14 Capital management and risk management policy

Companies that operate in the real estate sector require a significant level of investment to guarantee the development of their projects and the growth of their business through the acquisition of real estate in equity and/or land.

The Group's financial structure requires its sources of financing to be diversified in entities as well as products and maturity, with the objective of ensuring its companies continue to be profitable businesses and being able to maximise shareholder return.

15.15 Financial risk management policy -

The Group efficiently manages financial risks with the objective of having an adequate financial structure that allows high levels of liquidity to be maintained as well as minimising financing costs, reducing volatility due to capital changes and ensuring compliance with its business plans.

- Interest-rate risk: The risk management policy has the objective of limiting and controlling the impact of variations in interest rates on the result and cash flows, maintaining the level of indebtedness and the overall cost of debt in line with the Group's credit rating.
  To achieve this objective, interest rate hedging instruments are contracted, if necessary, to cover possible financial cost fluctuations. The Group's policy is to contract instruments that comply with the provisions of the accounting regulations to be considered as efficient accounting coverage, and thus record its market value variations directly in the Group's other consolidated result. At 31 December 2020, the percentage of debt covered or at a fixed rate with respect to total debt stood at 95% in Spain and 96% in France (87% and 90%, at 31 December 2019, respectively).

- Liquidity risk: In order to manage liquidity risk and meet the diverse needs for funds, based on the annual treasury budget, the Group monitors the treasury forecasts monthly.
  The Group considers the following mitigating factors for liquidity risk management: (i) the generation of recurring cash in the businesses on which the Group bases its activity; (ii) the ability to renegotiate and obtain new financing facilities based on long-term business plans and (iii) the quality of the Group's assets.
  Occasionally there may be excess cash making it possible to have undrawn credit facilities or highly liquid deposits with no risk. At 31 December 2020, the Group has sufficient financing facilities to meet its short-term maturities. The Group does not arrange high-risk financial products as a method of investing cash surpluses.
- Counterparty risks: The Group mitigates this risk by carrying out financial operations with leading institutions, as well as accessing the debt market through bond issues.
- Credit risk: The parent company periodically analyses the exposure of its accounts receivable to the risk of default, carrying out a follow-up of the credit settlement and, where appropriate, of the record of credit impairments for which it is estimated that there is a risk of default.

16 Derivative financial instruments

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

	Company	Counterparty	Interest rate	Maturity	Nominal (Thousands of euros)	Fair value - Assets / (Liabilities)
Cash flow hedges-						
Collar	SFL	Société Générale	0%/-0.7525%	2026	100,000	46
Collar	SFL	CIC	-0.25%/-0.52%	2027	100,000	165
Cash flow hedges of planned future transactions -						
Swap	SFL	CA-CIB	-0.3475%	2026	100,000	(457)
Swap	SFL	CIC	-0.4525%	2026	100,000	76
Swap	Colonial	Natwest	0.0835%	2032	350,000	(6,734)
Swap	Colonial	Natwest	0.0935%	2032	110,000	(2,217)
Swap	Colonial	CA-CIB	0.0980%	2032	40,000	(782)
Swap	Colonial	Natwest	0.3460%	2033	50,000	(1,586)
Swap	Colonial	Natwest	0.3490%	2033	150,000	(4.796)
Swap	Colonial	Barclays	0.3515%	2033	100,000	(3,203)
Total 31 December 2020					**1,200,000**	**(19,488)**

	Company	Counterparty	Interest rate	Maturity	Nominal (Thousands of euros)	Fair value - Assets / (Liabilities)
Swap	SFL	CA-CIB	0.23%	2022	100.000	(1,665)
Cash flow hedges-						
Collar	SFL	Société Générale	0%/-0.7525%	2026	100.000	1,404
Swap	Colonial	Deutsche Bank	0.43%	2023	57,000	(1,792)
Cash flow hedges of planned future transactions -						
Swap	SFL	CA-CIB	-0.3475%	2026	100,000	1,877
Swap	SFL	CIC	-0.4525%	2026	100,000	2,416
Swap	Colonial	Natwest	0,0835%	2032	350,000	13,818
Swap	Colonial	Natwest	0.0935%	2032	110,000	4,242
Swap	Colonial	CA-CIB	0.098%	2032	40,000	1,622
Total 31 December 2019					**957,000**	**21,922**

During the first half of 2020, the Parent company formalised three instruments to hedge cash flows from planned operations in order to cover interest rates on future debt issues for a nominal amount of 300,000 thousand euros. They all comply with accounting standards, whose market valuation is recorded directly in equity.

In addition, during the first half of 2020, the Parent cancelled its swap with Deutsche Bank, maturing in 2023, while SFL cancelled its swap with CA-CIB, maturing in 2022. The cancellations resulted in a transfer to the condensed consolidated income statement of the amount recorded in equity, which gave rise to an expense of 1,676 thousand euros.

The impact on the consolidated income statement of the recognition of derivative financial instruments for 2020 and 2019 are shown in the following table:

	Note	Thousands of euros	
		2020	2019
Expenses from derivative financial instruments	20.8	(1,685)	(2,807)
Net expenses from derivative financial instruments		**(1,685)**	**(2,807)**

16.1 Hedge accounting

At 31 December 2020 and 2019, the Parent and the subsidiary SFL applied hedge accounting to various derivative financial instruments.

At 31 December 2020, the cumulative impact recognised in the consolidated statement of financial position for hedge accounting generated a receivable balance of 19,457 thousand euros, once the tax impact and consolidation adjustments had been recognised. At 31 December 2019, the impact recognised in the consolidated statement of financial position was a payable balance of 22,403 thousand euros (Note 14).

16.2 Fair value of derivative financial instruments

The fair value of derivative financial instruments has been calculated from an update of estimated future cash flows based on an interest rate curve and volatility assigned at 31 December 2020, using the appropriate discount rates established by an independent third-party expert.

Variations of +/- 25 basis points in the interest rate curve have an effect on the fair value of derivative financial instruments of 19,576 and -30,957 thousand euros, respectively.

17 Trade payables and other non-current liabilities

The breakdown of these headings by nature and due dates of the consolidated financial statements is as follows:	Note	Thousands of euros			
		31 December 2020		31 December 2019	
		Current	Non-Current	Current	Non-Current
Trade and other payables		42,698	--	38,202	--
Payables for real estate purchases		32,771	--	50,170	--
Advances	12	20,729	28,287	41,471	21,215
Guarantees and deposits received		2,921	57,215	14,425	58,547
Debts with Social Security		2,171	--	1,863	--
Advanced income		392	--	458	--
Other payables and liabilities		13,756	396	11,589	578
Total		**115,438**	**85,898**	**158,178**	**80,340**

17.1 Trade and other payables

This mainly collects the outstanding amounts for trade purchases made by the Group, and their related costs.

17.2 Payables for real estate purchases

Collects debts derived from acquisitions of shares and/or real estate. At 31 December 2020, the amount included in this item relates mainly to payments for refurbishment or renovation works on different housing developments of SFL, amounting to 19,870 thousand euros (19,996 thousand euros at 31 December 2019). The effect of updating deferred payments is not significant.

At 31 December 2019, it included the deferred payment of the purchase of a property by the Parent in 2019, amounting to 30,300 thousand euros, which was paid in 2020.

17.3 Prepayments from customers

Non-current advances include the amount of 28,287 thousand euros (21,215 thousand euros at 31 December 2019) on account of the price of the asset that the Group is promoting under the purchase agreement subject to suspensive conditions signed by the Parent and a third party (Note 12).

Current advance payments relate mainly to amounts paid in advance by the lessees for two-monthly or quarterly leases. Also, at 31 December 2019, this heading included 18,259 thousand euros recognised by the Parent in the framework of the options granted on seven logistics assets (Note 24). In 2020, the options were exercised, charging their amount as part of the sales price of assets.

17.4 Guarantees and deposits received

This essentially collects the amounts delivered by the tenants as collateral.

17.5 Advanced income

This collects the amounts received by SFL as entry fees, which correspond to amounts billed by tenants to reserve a unique space, and which are recognised as income in a linear manner during the minimum duration of the corresponding lease.

17.6 Average payment period to suppliers and trade creditors

The information required by the second final provision of Law 31/2014, of 3 December, which modifies the Corporate Enterprises Act for the improvement of corporate governance, and modifying the third additional provision of Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, which establishes measures to combat late payments in commercial operations, all in accordance with the provisions of the resolution of 29 January 2016 of the Institute of Accounting and Audit of Accounts (ICAC) on the information to be incorporated in the report of the consolidated annual accounts in relation to the average period of payment to suppliers in trade operations, of the various Spanish companies making up the Group.

	2020	2019
	Days	Days
Average period of payment to suppliers	33	23
Ratio of transactions paid	34	22
Ratio of outstanding transactions	29	41
	Amount (Thousands of euros)	
Total payments made	188,575	18,911
Total outstanding payments	10,536	22,531

The data included in the previous table on payments to suppliers refer to those that by their nature are accounts payable for debts with suppliers of goods and services, so that data related to certain items of the "Trade payables and other accounts payable" are included from the consolidated statement of financial position.

On 26 July 2013, Law 11/2013 on measures to support entrepreneurs, stimulate growth and job creation, which modifies the Late Payment Law (Law 3/2004, of 29 December) entered into force. This modification establishes that the maximum period of payment to suppliers, from 29 July 2013, will be 30 days, unless there is a contract between the parties that raises this to a maximum of 60 days.

In relation to payments made outside the maximum legal term set, these correspond mainly to payments related to contracting works and real estate renovation, which are paid within the term established in the corresponding contracts signed with the contractors.

18 Provisions and contingent assets and liabilities

The movement for 2020 of the headings of the consolidated statement of financial position "Current provisions" and "Non-current provisions" and their corresponding detail is as follows:

		Thousands of euros			
		Non-current			Current
	Note	Staff provisions	Provisions for risks and other provisions	Total non-current	Provisions for risks and other provisions
Beginning balance		**1,472**	**27**	**1,499**	**7,588**
Provisions		817	--	817	--
Provisions against equity		115	--	115	--
Disposals	20.4.1	--	--	--	(3,240)
Other disposals		(7)	--	(7)	(846)
To be applied		(13)	--	(13)	--
Transfers		(731)	--	(731)	731
Ending balance		**1,653**	**27**	**1,680**	**4,233**

18.1 Non-current provisions

Personal provision –

Includes amounts corresponding to retirement benefits and seniority bonuses for SFL employees (Note 4.11).

18.2 Current provisions

Current provisions include an estimate of various future risks of the parent company.

19 Tax situation

19.1 Option for the REIT Tax System effective from 1 January 2017

Until 31 December 2016, the parent company had been the head of a group of companies under the tax consolidation regime since 1 January 2008. This regime included only companies in Spain, directly or indirectly, in at least 75% of its capital, or 70% in the case of listed companies and those with the majority of voting rights.

On 30 June 2017, the parent company opted for the REIT tax regime (Note 1). The adoption of said tax regime meant the break-up of the tax group in force at 31 December 2016 with effect 1 January 2017, and the recovery of the tax Group's adjustments pending recovery.

19.2 Balances held with public administrations

The details of the "Tax assets" heading of the consolidated statement of financial position is as follows:

		Thousands of euros			
		Current		Non-current	
	Note	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Public Treasury, debtor for tax concepts		--	5	--	--
Public Treasury, debtor for corporate taxes		3,466	1,044	--	--
Public Treasury, VAT debtor		14,468	8,517	--	--
Deferred tax assets	19.5	--	--	418	448
Total		**17,934**	**9,566**	**418**	**448**

The detail of the "Tax liabilities" heading of the consolidated statement of financial position is as follows:

		Thousands of euros			
		Current		Non-current	
	Note	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Public Treasury, company tax credit		--	540	--	--
Public Treasury, creditor for tax concepts		4,938	6,261	--	--
Public Treasury, creditor for exit tax (SFL Group)		5,205	8,450	--	5,141
Public Treasury, VAT creditor		4,581	3,834	--	--
Deferred tax liabilities	19.6	--	--	366,989	376,560
Total		**14,724**	**19,085**	**366,989**	**381,701**

19.3 Reconciliation of income tax results

Law 27/2014, of 27 November, on corporate tax, effective 1 January 2015, established in its article 29 that the general tax rate for taxpayers was 25 percent.

The aforementioned Royal Decree-Law also established the limitation to the compensation of negative tax bases at 25% of the tax base, prior to said compensation, for companies with a turnover equal to or greater than 60 million euros.

On 30 June 2017, the parent company opted for the SOCIMI tax regime, which was applicable with effect 1 January 2017 (Note 1). After the option for the REIT system, the results derived from the REIT activity are taxed at a rate of 0% as long as the requirements for this are met (Note 4.14-m).

The details of the "Income tax" heading of the consolidated income statement was as follows:

	Thousands of euros	
	2020	2019
Income tax expense	(10,563)	(7,239)
Deferred tax revaluation assets at fair value (IAS 40)	7,717	(11,657)
Other non-main components	856	(3,363)
Income tax expense	**(1,990)**	**(22,259)**

19.4 Reconciliation between income tax expense and prima facie tax

	Thousands of euros	
	2020	2019
Profit from continuing activities before tax	64,807	1,014,782
Profit from interrupted activities before tax	--	--
	64,807	1,014,782
Tax at the Spanish 25% tax rate (2019: 25%)	(16,202)	(253,695)
Tax effect of amounts that are not deductible (taxable) in the calculation of the tax benefit:		
IAS 40 application (revaluations and redemptions of depreciation)	(11,799)	228,601
Impairment of goodwill	--	(15,556)
Other adjustments	16,067	(589)
Subtotal	(11,934)	(41,239)
Difference in tax rates by REIT and SIIC regime	8,272	25,842
Difference in foreign tax rates	(689)	(5,950)
Adjustments to current tax for previous years	--	--
Unrecognised tax losses previously used to reduce deferred tax expense	--	(808)
Unrecognised tax losses previously recovered now to reduce current tax expense	4,441	--
Tax losses for the year not recognised in accounting	(2,080)	(104)
Income tax expense	**(1,990)**	**(22,259)**

19.5 Deferred tax assets

The detail of deferred tax assets registered by the Group is as follows:

		Thousands of euros			
		Recognised in accounting			
	Note	31 December 2019	Inclusions	Write-offs	31 December 2020
Leases	8	369	--	(37)	332
Other		79	7	--	86
Total		448	7	(37)	418

Prior years' tax losses pending offset –

The Corporation Tax effective as of 1 January 2016 establishes that the negative tax bases of previous years can be offset in future years without any time restriction, although it generally establishes a limitation to the offsetting of 70% of the positive tax base, with a minimum of 1 million euros. Additionally, in the event that the net amount of the turnover of the company, or the tax group, is between 20 and 60 million euros, such offsetting is limited to 50% of the positive tax base, while if the net amount of the turnover is equal to or greater than 60 million euros, the offsetting limit is reduced to 25% of the positive tax base.

As indicated above, certain companies in the group were part of the 6/08 tax consolidation group; therefore, certain transactions between companies included in the tax consolidation group were eliminated from the aggregate of individual tax bases, with their inclusion in the consolidated tax base being deferred until the result materialises vis-àvis third parties. Likewise, the tax consolidation regime allowed companies with positive tax bases to benefit from the negative tax bases of other companies in the group's tax consolidation.

After the tax group broke up on 31 December 2016, with effect 1 January 2017, the pending adjustments for operations between companies of the former tax consolidation group were recovered, and the resulting negative tax bases were assigned to each of the Group's companies depending on how they had contributed to them being generated.

The accumulated negative tax bases to be offset by Spanish companies at 31 December 2020 amounted to 5,401,866 thousand euros.

Deferred assets for tax credits through deductions -

The Group has various deductions pending application at 31 December 2020 due to a shortfall totalling 8,233 thousand euros.

19.6 Non-current deferred tax liabilities

The details of the "Deferred and non-current tax liabilities" heading of the non-current liability of the consolidated statement of financial position is presented in the following table:

	Thousands of euros	
	31 December 2020	31 December 2019
Deferred tax liabilities	366,989	376,560
Non-current tax liabilities	--	5,141
	366,989	381,701

Non-current tax liabilities correspond to the SFL last exit tax payment accrued by the option under the SIIC regime (Note 4-14) of the property Emile Zola acquired by the subsidiary SFL in 2017.

The details of deferred tax liabilities along with their movements are detailed in the following tables:

	Thousands of euros			
	31 December 2019	Inclusions	Write-offs	31 December 2020
Asset revaluation	371,303	2,875	(12,259)	361,919
Asset revaluation-Spain-	149,732	7,180	(12,259)	144,653
Asset revaluation-France-	221,571	(4,305)	--	217,266
Deferral for reinvestment	4,782	--	(187)	4,595
Other	475	--	--	475
	376,560	2,875	(12,446)	366,989

	Thousands of euros			
	31 December 2018	Inclusions	Write-offs	31 December 2019
Asset revaluation	356,069	15,234	--	371,303
Asset revaluation-Spain-	151,007	(1,275)	--	149,732
Asset revaluation-France-	205,062	16,509	--	221,571
Deferral for reinvestment	4,970	--	(188)	4,782
Other	475	--	--	475
	361,514	15,234	(188)	376,560

Deferred liability for asset revaluation -

This corresponds, essentially, to the difference between the accounting cost of market-valued real estate investments (IFRS base) and their tax cost (valued at acquisition cost, net of amortisation and impairment of the value that would have been deductible).

Asset revaluation - Spain -

This includes the amount of deferred taxes associated with the Group's real estate investments located in Spain, which would be accrued if said assets are transmitted at the fair value to which they are registered, using the effective rate that would apply to each of companies taking into account the applicable regulations and the existence of unregistered tax credits.

After the adoption of the REIT tax system, the movements in deferred taxes recorded during 2017 correspond, essentially, to the properties owned by the companies that have not opted for said regime, i.e. Wittywood, S.L. and Inmocol Torre Europa, S.A., and to certain adjustments derived from corporate operations. In this respect, the deferred taxes associated with the real estate investments of the Group entities, fully owned by the Parent, were recognised at an effective rate of 18.75% (25% tax rate with a limit of 25% on the offset of tax losses). Consequently, in calculating deferred tax liabilities, the Group considers the application of 48,304 thousand euros of deferred tax assets derived from negative tax bases (difference between the 25% tax rate and the effective settlement rate applied to 18.75%).

Asset revaluation - France -

The item "Asset revaluation-France-" includes the amount of deferred taxes associated with the Group's real estate investments located in France, which would accrue if said assets were transferred. It should be recalled that almost all assets in France are subject to the SIIC regime (Note 4.14-m), so they will not generate additional tax at the time of transmission. At 31 December 2020 and 2019 , only the assets of the member companies of the Parholding Subgroup were left out of said tax regime.

19.7 Tax years pending verification and inspection actions

The Group has the last four tax years open for inspection for all taxes applicable to it in Spain and France, except for corporate income tax of Spanish companies with negative tax bases to be offset or deductions pending application, in which case the verification period extends to 10 tax years. In 2016, the parent company made complementary settlements of the Corporation Tax for 2011 to 2014, which were outside the statute of limitations for these years.

It is not expected that additional liabilities will be accrued for the Group as a result of a possible inspection.

19.8 Disclosure requirements relating to REIT status, Law 11/2009, as amended by Law 16/2012

The information requirements relating to the REIT status of the Parent and its subsidiaries are included in the corresponding notes to the individual financial statements.

19.9 Compliance with the code of good tax practices –

On 10 December 2015, the Board of Directors of the parent company agreed to adhere to the code of good tax practices. Said agreement was communicated to the administration on 8 January 2016.

20 Income and expense

20.1 Revenue

The net amount of turnover corresponds to the ordinary income from contracts with clients for rents derived from the Group's equity activity, which basically focuses on the markets of Barcelona, Madrid and Paris. The net amount of turnover and its distribution by geographic segments is included in the following table:

Equity segment	Thousands of euros	
	2020	2019
Barcelona	49,742	48,248
Madrid	106,536	101,290
Rest of Spain	2,967	6,266
Paris	182,424	198,710
Total	**341,669**	**354,514**

The income for 2020 and 2019 include the effect of rental incentives throughout the minimum duration of the contract (Note 4.15.3). At 31 December 2020, the impact of previous accruals has entailed an increase in revenue of 4,910 thousand euros (2019: decrease of 228 thousand euros).

The total amount of the minimum future lease charges corresponding to the Group's non-cancellable operating leases, in accordance with the contracts in force on each date, and without taking into account the impact of common expenses, future increases in the CPI or future income updates based on contractually agreed market parameters is as follows:

	Thousands of euros	
	Nominal Value	
	31 December 2020	31 December 2019
Less than one year	*309,994*	*323.,839*
Spain	133,905	140,254
France	176,089	183,585
Between one and five years	*655,130*	*737,988*
Spain	212,970	264,306
France	442,160	473,682
More than five years	*454,569*	*470,139*
Spain	39,708	45.478
France	414,861	424,661
Total	**1,419,693**	**1,531,966**
Spain	*386,583*	*450,038*
France	*1,033,110*	*1,081,928*

20.2 Other operating income

They correspond, fundamentally, to the provision of real estate services. At 31 December 2020 and 2019, the balance of this heading amounted to 4,982 thousand euros and 9,617 thousand euros, respectively.

20.3 Staff costs

The "Staff costs" heading in the consolidated income statement is as follows:

	Thousands of euros	
	2020	2019
Wages and salaries	18,948	18,126
Social Security expenses borne by the Company	6,006	5,750
Other welfare expenses	7,259	6,839
Contributions to defined benefit plans	246	244
Internal reallocation	(1,146)	(1,043)
Total Employee costs	**31,313**	**29,916**
Spain	*16,731*	*16,234*
France	*14,582*	*13,682*

The "Other welfare expenses" heading includes the amounts corresponding to the accrual in 2020 derived from the cost of the Parent's long-term remuneration plan (Note 21-1) and the SFL options plan described in the (Note 21-2), amounting to 6,342 thousand euros (5,309 thousand euros in 2019).

The contributions to defined benefit plans made by the Parent in 2020 and 2019 amount to 246 and 244 thousand euros, respectively, and are recognised under the "Staff costs" heading of the consolidated income statement. At the end of both years, there are no outstanding amounts to contribute to the mentioned pension plan.

The number of people employed by the Group, as well as the average number of employees during the year distributed by categories and gender, was as follows:

	No. employees				Average 2020		Average 2019	
	2020		2019					
	Men	Women	Men	Women	Men	Women	Men	Women
General and Area Management	13	9	13	7	13	9	14	7
Qualified technicians and middle managers	40	42	44	49	44	49	42	46
Office clerks	30	89	29	85	27	83	26	77
Other	5	1	6	1	5	1	6	1
Total people employed	**88**	**141**	**92**	**142**	**89**	**142**	**88**	**131**

20.4 Other operating expenses

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

	Thousands of euros	
	2020	2019
External services and other expenses	18,968	23,856
Taxes	26,968	24,278
Total Other operating expenses	**45,936**	**48,134**

Net change in provisions

The movement in the year in the operating provisions included in external services and other expenses is as follows:

	Note	Thousands of euros	
		2020	2019
Net application operating provisions	18	(3,240)	(7,552)
Net provision for insolvencies and other provisions		1,548	314
Other provision allowances		5,872	278
Total Net variation of provisions		**4,180**	**(6,960)**

20.5 Net gains on sales of assets

The composition of the Group's net results from asset sales (Notes 10 and 24), as well as their geographical distribution, are detailed below:

	Thousands of euros					
	Spain		France		Total	
	2020	2019	2020	2019	2020	2019
Sale price	333,390	294,860	--	--	333,390	294,860
Asset write-offs	(314,579)	(263,208)	--	--	(314,579)	(263,208)
Write-off of waiting periods	(3,580)	(683)	--	--	(3,580)	(683)
Indirect and other costs	(13,617)	(11,045)	--	--	(13,617)	(11,045)
Net result from asset sales	**1,614**	**19,924**	**--**	**--**	**1,614**	**19,924**

20.6 Gains/(losses) on changes in value of assets and impairment

The detail of the nature of the impairments recorded in the "Result due to changes in asset value and impairment" heading of the consolidated income statement is presented in the following table:

	Note	Thousands of euros	
		2020	2019
Impairment of goodwill	7	--	(62,225)
Impairment / (Reversal) of property for own use	9	1,078	1,208
Other impairments		(46)	(339)
Substitute write-offs		(489)	(538)
Result due to variation in asset value and impairment		**543**	**(61,894)**

20.7 Changes in fair value of investment property

The breakdown of the result of the "Variations in value in real estate investments" heading of the consolidated income statement broken down by type is as follows:

	Note	Thousands of euros	
		2020	2019
Investment property	10	(77,682)	842,657
Assets classified as held for sale – Investment property	24	(1,370)	31,042
Variations in property investment value		**(79,052)**	**873,699**
Spain		*(255,578)*	*346,810*
France		*176,526*	*526,889*

20.8 Income and financial expenses

The breakdown of the financial result broken down by type is as follows:

	Note	Thousands of euros 2020	2019
Financial income:			
Income from shareholdings		--	--
Other interests and similar income		1,132	2,232
Income from derivative financial instruments	16	--	--
Total Financial Income		**1,132**	**2,232**
Financial expenses:			
Financial expenses and similar expenses		(94,400)	(89,129)
Capitalised financial costs	10,12	10,507	5,066
Financial expenses per update	8,19	(772)	(1,138)
Financial expenses associated with loan cancellation		(2,493)	(4,743)
Financial expenses associated with repurchase of debentures		(26,975)	--
Finance costs associated with arrangement expenses	15.12	(5,872)	(5,569)
Expenses from derivative financial instruments	16	(1,685)	(2,807)
Total Financial Expenses		**(121,690)**	**(98,320)**
Impairment of financial assets		**--**	**--**
Total Financial Result (Loss)		**(120,558)**	**(96,088)**

20.9 Transactions with related parties

In 2000, no transactions took place with related parties.

20.10 Result by company

The contribution of each company included in the scope of consolidation to the consolidated results for the year was as follows:

Company	Thousands of euros					
	Net consolidated income		Net result attributed to non-controlling interests		Net profit for the year attributable to the Parent	
	2020	2019	2020	2019	2020	2019
Inmobiliaria Colonial, SOCIMI, S.A.	(228,062)	348,110	--	(314)	(228,062)	347,796
SFL subgroup	294,051	647,720	(61,524)	(165,835)	232,527	481,885
Inmocol Torre Europa, S.A.	(2,327)	20	1,163	(10)	(1,164)	10
Peñalvento, S.L.U.	(67)	(332)	--	--	(67)	(332)
Colonial Tramit, S.LU	(4)	(3)	--	--	(4)	(3)
Utopicus Innovación Cultural, S.L.	(1,439)	(2,992)	266	435	(1,173)	(2,557)
Wittywood, S.L.	671	--	(335)	--	336	--
Inmocol One, S.A.	(2)	--	--	--	(2)	--
Inmocol Two, S.L.	(2)	--	--	--	(2)	--
Inmocol Three, S.L.	(2)	--	--	--	(2)	--
Total	**62,817**	**992,523**	**(60,430)**	**(165,724)**	**2,387**	**826,799**

21 Stock option plans

21.1 Long-term compensation plan linked to compliance with various management indicators

On 21 January 2014, the Annual General Meeting of the parent company established, for the Chairman and CEO of the parent company, as well as for the members of the Group's steering committee, a long-term compensation plan to be applicable from 2014 to 2018.

Between 1 and 15 April of each of the following tax years, the Board of Directors, at the proposal of the appointments and remuneration committee, will determine the number of shares that, depending on how the previous year indicators had been fulfilled, it has corresponding to each of the beneficiaries of the plan. The corresponding shares will be delivered to the beneficiaries between 15 and 30 April each year.

Shares received in execution of this plan may not be disposed of or transmitted by the beneficiaries thereof until three years have elapsed from the date of delivery, except those required to pay the taxes derived from their accrual.

The delivery of the resulting shares will include a final adjustment so that the equivalent of the monetary value of the delivered share is in no case higher than 150% of the average price of the Colonial share in November 2013.

The plan includes the usual clauses to adapt the number of shares to be received by the beneficiaries in cases of dilution.

In 2020 and 2019, 3,072 and 2,978 thousand euros were recognised under the "Staff costs – Other welfare expenses" heading of the consolidated statement of income, respectively, to cover said incentive plan (Note 20.3).

On 24 April 2020, the Parent settled the outstanding obligations corresponding to the fulfilment of the plan, once the Board of Directors determined the number of shares to be delivered to the plan beneficiaries according to the degree of compliance with the indicators for 2019, which stood at 395,116 shares (Note 14.6.1). On that date, the shares were delivered to their beneficiaries. Of these, 175,814 shares were delivered to the members of the Board of Directors and 219,302 to members of senior management, at a market value at the time of delivery of 1,364 and 1,702 thousand euros, respectively.

On 30 April 2019, the Parent settled the outstanding obligations corresponding to the fulfilment of the plan, once the Board of Directors determined the number of shares to be delivered to the plan beneficiaries according to the degree of compliance with the indicators for 2018, which stood at 493,894 shares (Note 14.6.1). On that date, the shares were delivered to their beneficiaries. Of these, 219,767 shares were delivered to the members of the Board of Directors and

274,127 to members of senior management, at a market value at the time of delivery of 2,109 and 1,657 thousand euros, respectively.

Extension of the duration of the long-term compensation plan linked to compliance with various management indicators -

On 29 June 2017, the Annual General Meeting approved extending the duration of the application of the share delivery plan approved by the annual general meeting dated 21 January 2014 for a period of two additional years under the same terms and conditions.

2nd extension of the duration of the long-term compensation plan linked to compliance with various management indicators -

On 30 June 2020, the General Shareholders' Meeting approved a further extension of the duration of the application of the share delivery plan approved by the shareholders on 21 January 2014 for an additional 2 years, i.e. for the periods 2021 and 2022, all under the same terms and conditions, except for the resolution that, as from 2021, the number of shares corresponding to each of the beneficiaries of the plan accrued each year will be determined on the basis of the average compliance with the indicators set forth in the plan during the two previous financial years. The prohibition to dispose of or transfer the shares received under the plan during the period of three years from the date of delivery is maintained, except as required to pay any taxes derived from the accrual of the shares.

21.2 SFL stock option plans

The subsidiary SFL maintains a free share allocation plan at 31 December 2020, whose details are as follows:

	Plan 5	Plan 5	Plan 5
Meeting date	20.04.2018	20.04.2018	20.04.2018
Board of Directors Date	20.04.2018	15.02.2019	06.02.2020
Initial target number	33,592	32,948	34,476
% initially expected	100%	100%	100%
Number initially expected	33,592	32,948	34,476
Value per share (euros)	€48.64	€54.00	€65.38
Options cancelled / outflows	-1,768	-340	-128
% expected at closing	200%	100%	100%
Estimated number at closing	63,648	32,608	34,348

Each share allocation plan has been calculated based on the expected number of shares multiplied by the unit fair value of those shares. This expected number of shares corresponds to the total number of shares multiplied by the expected purchase attribution percentage. The resulting amount is allocated linearly during the allocation period.

The fair value of the attributed shares is determined by the price at the date of attribution, corrected by the updated value of future dividends paid during the acquisition period, applying the Capital Asset Pricing Model (CAPM) method.

At 31 December 2020, the expected percentage at year-end for the 2018 plan was 200%, while for the 2019 and 2020 plan it was 100%.

During the first half of 2020, 46,494 free shares from Plan 4 from 2017 were delivered.

At 31 December 2020 and 2019, the amount recognised in the consolidated income statement corresponding to said plans for the free allocation of shares amounted to 3,270 and 2,331 thousand euros (Note 20.3).

22 Balances with related parties and associated companies

At 31 December 2020 and 2019, the Group did not hold any balances with related parties or associates.

23 Remuneration and other benefits to the Board of Directors and members of senior management

23.1 Composition of the Parent's Board of Directors

At 31 December 2020 the Parent's Board of Directors consisted of 8 males and 3 females, while at 31 December 2019 it was formed by 10 men and 3 women.

At 31 December 2020 the composition of the board of directors of the parent company is as follows:

Director	Position	Director Type
Mr. Juan José Brugera Clavero	Chairman	Executive
Mr Pedro Viñolas Serra	Vice-chairman	Executive
Mr Sheikh Ali Jassim M. J. Al-Thani	Proprietary	Director
Mr Adnane Mousannif	Proprietary	Director
Mr Carlos Fernández González	Proprietary	Director
Mr Javier López Casado	Proprietary	Director
Mr Juan Carlos García Cañizares	Independent	Director
Mr Luis Maluquer Trepat	Lead Independent	Director
Ms. Silvia Mónica Alonso-Castrillo Allain	Independent	Director
Ms. Ana Bolado Valle	Independent	Director
Ms. Ana Cristina Peralta Moreno	Independent	Director

On 30 June 2020, Mr Carlos Fernández-Lerga and Mr Javier Iglesias de Ussel tendered their resignations as directors of the Parent since the maximum period established by law had elapsed for a director to be considered independent. The Board of Directors thanks them for their services provided to the Parent and expresses their appreciation for their dedication to the Company.

Likewise, on the same date, and further to a favourable report from the Appointments and Remuneration Committee, Mr Luis Maluquer was appointed as the new lead independent director of the Parent.

In accordance with the provisions of article 229 of the Corporate Enterprises Act, the directors have stated that neither they nor any of their related parties are involved in any direct or indirect conflicts that may affect the interests of the Parent.

23.2 Remuneration of the Board of Directors

The remuneration accrued in 2020 and 2019 by the Parent's Board of Directors, classified by item, was as follows:

	Thousands of euros					
	31 December 2020			31 December 2019		
	Parent company	Other Group companies	Total	Parent company	Other Group companies	Total
Remuneration accrued by executive directors (*):	**2,535**	**150**	**2,685**	**2,520**	**150**	**2,670**
Non-executive directors per diems:	**962**	**75**	**1,037**	**619**	**60**	**679**
Executive directors per diems:	**--**	**58**	**58**	**--**	**48**	**48**
Fixed remuneration for non-executive directors:	**863**	**60**	**923**	**864**	**80**	**944**
Directors' remuneration	575	50	625	580	40	620
Additional compensation audit and control committee	125	10	135	123	40	163
Additional remuneration appointments and remuneration committee	163	--	163	161	--	161
Remuneration of executive directors.	**--**	**70**	**70**	**--**	**70**	**70**
Total 2019	**4,360**	**413**	**4,773**	**4,003**	**408**	**4,411**

Amount of the remuneration obtained by the executive directors (*):	2,535	278	2,813	2,520	268	2,788

(*) The amount corresponding to the accrued expense associated with the long-term incentive plan described in Note 21 is not included.

At 31 December 2020 and 2019, the Parent had taken out a civil liability insurance policy that covers all the directors, members of senior management and employees of the Parent, with a premium amounting to 357 thousand euros and 270 thousand euros, respectively. The aforementioned amount includes, for both years, the civil liability insurance premium paid for damages caused by acts or omissions.

The Annual General Meeting held on 28 June 2016 approved granting the executive directors a defined contribution scheme that covers retirement contingencies and, where appropriate, disability and death. At 31 December 2020 and 2019, the Parent recognised 183 thousand euros and 182 thousand euros, respectively, in this regard under "Staff costs" in the consolidated income statement.

In addition to that stated in the previous paragraph, the Group has not been awarded loans or taken out pension plans or life insurance for the previous and current members of the Board of Directors of the parent company.

At 31 December 2020 and 2019, two members of the Board of Directors have signed guarantee or golden parachute clauses for certain cases of dismissal or change of control, which have all been approved by the General Shareholders' Meeting.

Likewise, in 2020 and 2019, there were no terminations, modifications or early terminations of contracts beyond the ordinary business activities between the Parent and the members of the Board of Directors or any person acting on their behalf.

23.3 Compensation to senior management

The parent company's senior management is made up of all those senior executives and other persons who, reporting directly to the CEO, manage the parent company. At 31 December 2020 and 2019, senior management consisted of two males and two females.

The monetary remuneration received by senior management during 2020 amounted to 1,369 thousand euros. Additionally, they received 1,072 thousand euros corresponding to the long-term incentive plan (1,275 thousand euros and 1,657 thousand euros, respectively in the year 2019).

The Board of Directors held on 27 July 2016 approved awarding a member of senior management a defined contribution scheme that covers retirement contingencies and, where appropriate, disability and death. At 31 December 2020 and 2019, the Parent recognised 63 thousand euros and 62 thousand euros, respectively, in this regard under "Staff costs" in the consolidated statement of comprehensive income.

At 31 December 2020 and 2019, a member of senior management had signed a guarantee or golden parachute clause for certain cases of dismissal or change of control.

24 Assets classified as held for sale

The movements in this section of the statement of financial position have been the following:

		Thousands of euros	
		Investment property	
	Note	31 December 2020	31 December 2019
Beginning balance		**176,434**	**26,091**
Inclusions		6,680	--
Transfers	10 and 13.3	283,315	364,609
Disposals	20.5	(183,100)	(245,308)
Value variation	20.7	(1,370)	31,042
Ending balance		**281,959**	**176,434**

Movements in 2020 -

In 2020, the Parent transferred three properties from the consolidated statement of financial position heading “Investment property”, amounting to 277,492 thousand euros and 5,823 thousand euros from “Trade and other receivables”, relating to the accrual of lease incentives.

For the three properties transferred, private sale agreements were signed, one relating to a property in Tarragona corresponding to the Parent and two properties located in Paris, corresponding to SFL. In the three cases, the transfer must take place in February 2021 provided that all the conditions set out in the contract are met (Note 26).

Of the total transferred properties, the Parent has disposed of a rural property and four logistics assets for a total amount of 186,590 thousand euros, leading to a loss of 7,623 thousand euros, including indirect sale costs.

Movements in 2019 -

In 2019, the Parent transferred 19 properties from the consolidated statement of financial position heading "Investment property", amounting to 364,609 thousand euros.

Of the total transferred property, the Parent disposed of a hotel in Madrid and 11 logistics assets for a total sale amount of 271,910 thousand euros.

Of the rest of the transferred properties, purchase options were signed on seven logistic assets, amounting to 18,259 thousand euros, for whose amount guarantees were pledged in favour of the option holder. In 2020, all the options were exercised, considering their amount to be part of the sales price, and all these guarantees provided have been returned.

<u>Changes in the value of investment property classified as held for sale -</u>

The "Changes in value of investment property" heading in the consolidated income statement includes the results of revaluating the assets classified as held for sale (Note 20.7) for 2020, amounting to 1,370 thousand euros, in accordance with the independent expert appraisals at 31 December 2020 (Note 4.4) (31,042 thousand euros profit for 2019).

25 Remuneration to auditors

The fees accrued for account auditing services corresponding to 2020 and 2019 of the different companies making up the Colonial Group, provided by the main auditor and other auditors, have amounted to the following:

	Thousands of euros			
	2020		2019	
	Main auditor	Other auditors	Main auditor	Other auditors
Audit services	607	245	667	241
Other verification services	126	--	143	19
Total audit and related services	733	245	810	260
Tax advice services	--	73	--	29
Other services	107	156	53	282
Total professional services	107	229	53	311

The main auditor of the Colonial Group for 2020 and 2019 is PricewaterhouseCoopers Auditores, S.L.

The fees of the main auditor for other verification services include 126 thousand euros corresponding to services provided to the Group for limited reviews, the issuance of comfort letters and agreed-upon procedures reports (141 thousand euros in 2019). Additionally, in 2019, the Parent's auditor provided services to subsidiaries on agreed procedures amounting to 2 thousand euros (in 2020, it did not provide any services to subsidiaries).

At 31 December 2020, the fees of the main auditor for other professional services provided to the Group amounted to 107 thousand euros corresponding to the performance of market surveys, limited reviews and translations to English of statutory information (53 thousand euros at 31 December 2019).

The main auditor's fees represent less than 1% of its turnover in Spain.

26 Events after the reporting date

Since 31 December 2020 and up to the date on which these consolidated annual financial statements were prepared, no significant events have occurred, except:

- On 13 January 2021, one of SFL's properties, the 112 Wagram in París, was sold for 120.5 million euros (Note 24).

- On 17 February 2021, another of SFL's properties, at 9 avenue Percier, Paris, was sold for 143.5 million euros (Note 24).

- Lastly on 17 February 2021, the Parent disposed of a logistics asset located in Tarragona for a price of 19.5 million euros. (Note 24).

- On 24 February 2021, the Parent acquired 3.19% of the share capital of the subsidiary Utopicus Innovación Cultural, S.L. and now holds 100% of the share capital of this company.

Annexes

Companies included in the scope of consolidation

At 31 December 2020 and 2019, the fully consolidated companies and the information related thereto were as follows:

	% shareholding				Shareholder	Activity
	Direct		Indirect			
	2020	2019	2020	2019		
Colonial Tramit, S.L.U. Avda. Diagonal 532 08006 Barcelona (Spain)	100%	100%	-	-		Real estate
Inmocol Torre Europa, S.A. (*) Avda. Diagonal 532 08006 Barcelona (Spain)	50%	50%	-	-		Real estate
Wittywood, S.L. Avda. Diagonal 532 08006 Barcelona (Spain)	50%	-	-	-		Real estate
Inmocol One, S.A.U. Pº de la Castellana, 52 28046 Madrid (Spain)	100%	-	-	-		Real estate
Inmocol Two, S.L.U. Pº de la Castellana, 52 28046 Madrid (Spain)	100%	-	-	-		Real estate
Inmocol Three, S.L.U. Pº de la Castellana, 52 28046 Madrid (Spain)	100%	-	-	-		Real estate
Peñalvento, S.L.U. Pº de la Castellana, 52 28046 Madrid (Spain)	100%	100%	-	-		Real estate
Utopicus Innovación Cultural, S.L. Príncipe de Vergara, 112 28002 Madrid (Spain)	96.81%	96.81%	-	-		Co-working

	% shareholding				Shareholder	Activity
	Direct		Indirect			
	2020	2019	2020	2019		
SA Société Foncière Lyonnaise (SFL) 42, rue Washington 75008 Paris (France)	81.71%	81.71%	-	-		Real estate
SNC Condorcet Holding (**) 42, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Real estate
SNC Condorcet Propco (**) 42, rue Washington 75008 Paris (France)	-	-	100%	100%	SNC Condorcet Holding	Real estate
SCI Washington (*) 42, rue Washington 75008 Paris (France)	-	-	66%	66%	SFL	Real estate
SCI 103 Grenelle (*) 42, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Real estate
SCI Paul Cézanne (*) 42, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Real estate
SA Segpim (*) 42, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Marketing real estate and service provision
SAS Locaparis (*) 42, rue Washington 75008 Paris (France)	-	-	100%	100%	Segpim	Marketing real estate and service provision
SAS Maud (*) 42, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Real estate
SAS SB2 (*) 42, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Real estate
SAS SB3 (*) 42, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Real estate
SCI SB3 42, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Real estate
SAS Parholding (*) 42, rue Washington 75008 Paris (France)	-	-	50%	50%	SFL	Real estate
SC Parchamps (*) 42, rue Washington 75008 Paris (France)	-	-	100%	100%	SAS Parholding	Real estate
SC Pargal (*) 42, rue Washington 75008 Paris (France)	-	-	100%	100%	SAS Parholding	Real estate
SC Parhaus (*) 42, rue Washington 75008 Paris (France)	-	-	100%	100%	SAS Parholding	Real estate

* Company audited in 2020 by PricewaterhouseCoopers
** Company audited in 2020 by Deloitte & Associés

At 31 December 2020 and 2019, the Group companies were audited by PricewaterhouseCoopers Auditores, S.L., except the SFL Group, which was jointly audited by Deloitte and PricewaterhouseCoopers.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries

Consolidated directors' report for the year ended 31 December 2020

Group Status

Rental Market Situation

Barcelona

In the office market in Barcelona, an annual take-up volume of 138,000 sqm was reached, in an atypical year, with a figure significantly lower than that of 2019 and around 50% lower than the average over the last 5 years. The fourth quarter registered the highest take-up volume within this year with 41,700 sqm signed, even exceeding the figure from 1Q 2020. The vacancy rate in general has increased mainly due to the return to the market of second-hand spaces. Scarcity of quality product, however, keeps the CBD vacancy rate at levels below 2%. For Grade A office supply this situation is further enhanced, reaching a vacancy rate of 0.5% in the CBD.

Madrid

Take-up in the office market in Madrid for the last quarter of the year stood at more than 86,600 sqm. Consequently, 2020 closed with a signed surface area of 334,000 sqm, the lowest figure since 2014 and 35% below the average over the last 5 years. Despite it having been a year of great uncertainty, a total of 11 large strategic moves were taken, four of which were signed during 4Q 2020. The vacancy rate in general has increased to stand at 9.2% in 4Q, being the main reason for second-hand surface area returning to the market and the completion of various projects. In the CBD, the vacancy rate remains at moderate levels of 5.3% and available Grade A product is 2.0%, at around 50,000 sqm, in line with previous quarters.

Paris

In the office market in Paris, take-up in 2020 was 1,321,000 sqm, an historically low figure due to the COVID-19 crisis and the subsequent slowdown of activity, however, there has been an increase in the take-up reached in 4Q (409,000 sqm). The CBD is the market which has proven to be most resilient with a vacancy rate of 3.6%. Grade A product remains scarce with a vacancy rate below 1% in the CBD

Sources: Reports by Jones Lang Lasalle, Cushman & Wakefield, CBRE & Savills

Organisational structure and operation

Colonial is the benchmark SOCIMI in the quality office market in Europe and since the end of June 2017 it has been a member of the IBEX 35, which is the reference index of the Spanish stock market.

The company has a market capitalisation of approximately 4,000 million euros with a free float of around 60% and manages an asset volume of more than 12,000 million euros.

The company's strategy focuses on building industrial value through creating the highest quality prime product through real estate transformation and repositioning of the assets.

In particular, the strategy is based on the following pillars:

- A business model focused on transformation and creation of top-quality offices in prime locations, mainly the CBD (Central Business District).
- Maximum commitment in creating offices that respond to the best demands in the market, with special emphasis on efficiency and sustainability.

- A diversified pan-European strategy in the Barcelona, Madrid and Paris office markets.
- An investment strategy that combines core acquisitions with prime factory acquisitions and value-added components.
- A clearly industrial real estate approach to capture above-market-average value creation.

Today Colonial is the European company with the greatest focus on city centre areas and leads the Spanish real estate market in terms of quality, sustainability and efficiency of its office portfolio.

Likewise, it has adopted a comprehensive approach to all areas of Corporate Social Responsibility, aiming at the highest standards of (1) sustainability and energy efficiency, (2) corporate governance and transparency, as well as (3) excellence in HR and social actions and making them an integral part of the Group's strategy.

In recent years Colonial has successfully implemented the objective of organic investment announced to the capital market: asset acquisitions prioritising off-market operations, identifying properties with added value potential in market segments with sound fundamentals. For this reason, there have been significant investments and divestitures in the Colonial Group since 2015.

At the end of 2020, the Colonial Group has a robust capital structure with a solid "Investment Grade" rating. The Group's LTV stands at 36% in December 2020.

The parent company's strategy is to consolidate itself as the leader of prime offices in Europe with special emphasis on the Barcelona, Madrid and Paris markets:

- A solid capital structure with a clear vocation to maintain the highest credit rating standards - investment grade
- An attractive return for the shareholder based on a recurring return combined with creating real estate value from value-added initiatives.

Business performance and results

Introduction

At 31 December 2020, the Group's turnover was 342 million euros.

The operating profit was 185 million euros.

The revaluation of real estate investments, in accordance with the independent appraisal carried out by Jones Lang Lasalle and CB Richard Ellis, in Spain, and Cushman & Walkfield and CB Richard Ellis, in France at year end, was -79 million euros. The change in value, which was recorded in both France and Spain, does not represent a cash outflow.

Net financial expense was 120 million euros.

Considering all this, and taking into account the result attributable to minorities (60 million euros), the after-tax result attributable to the parent company amounts to 2 million euros in profit.

Profit for the year

Net Asset Value/ Net Tangible Assets (NAV/NTA) of 11.27 euros/share (11.47 euros/share including the dividend paid), in line with the previous year.

Colonial closed 2020 with a net asset value (NAV/NTA) of 11.27 euros/share which, including the dividend paid of 0.20 euros/share amounts to 11.47 euros/share, stable compared to the (NAV/(NTA) of 11.46 euros/share from the previous year (+0.1%).

The stable evolution of the NAV (NTA) is underpinned by the defensive performance of the value of the assets. It is worth highlighting the increase in value of the Paris portfolio that has compensated for the slight correction of the Madrid and Barcelona portfolios.

Among the main aspects that explain the evolution of the NAV (NTA), it is important to highlight:

- Growth of +4% like-for-like in 2020 of the asset portfolio in Paris.
- Successful management of the project portfolio with high levels of pre-letting.
- Resilient execution of the contract portfolio, exceeding ERV's of the previous year.
- Generation of stable cash flow maintaining recurring results of €27cts/share.
- A favourable situation in the investment markets for prime assets, especially in the second half of 2021, allowing divestments at a double-digit premium over GAV.

The high interest by the investment market for core CBD assets, with an increase in transaction volumes and prices in the second half of the year, enabled a favourable evolution of value in the second half of the year. This compensated for the slight correction of the NTA in the first half, closing the year with stable Net Tangible Assets, including the dividend paid.

Significant increase in the value of the real estate portfolio-

The gross asset value of the Colonial Group at the close of 2020 amounted to 12,020 million euros (12,631million euros including transfer costs), showing an increase of +1.2% like-for-like compared to the previous year. Including the disposals registered in 2020 for 313 million euros, the value of the assets has decreased by 1%.

The variation in the second half of 2020 amounted to +1.3% like for like, compensating the correction in the first half of 2020.

The Barcelona and Madrid asset portfolios saw a slight correction of (3%) like-for-like. This correction was mainly concentrated in the first half of the year, with a variation of (2%) like-for-like, given that in the second half of the year the correction was negligible at (1%) like-for-like.

In Paris, the portfolio value increased +4% like-for-like, thanks to the robust nature of the prime portfolio in Paris and the progress in the project portfolio. After an increase of +1% in the first half of the year, noteworthy is the acceleration of the increase in value of the Paris portfolio of +3% like-for-like in the second half of the year, showing investors' interest in Prime assets in Paris.

The defensive performance of Colonial's asset portfolio is underpinned by:

1. The high concentration in prime CBD locations with strong fundamentals, enabling a higher protection in recessive cycles and a better growth profile in upward cycles.

2. The high quality of the buildings that enables attracting clients with maximum solvency and high loyalty indices.

3. A successful diversification strategy that optimizes the risk profile of the portfolio, as shown in the 2020 results, where the Paris assets have compensated for the slight value correction in Barcelona and Madrid.

4. An industrial approach on value creation through the repositioning of assets, creating Alpha real estate value that creates a differential in the market and offers a more defensive positioning.

Significant increase in recurring net profit and net profit per share-

The Group closed 2020 with a net attributable recurring profit of 138 million euros, in line with the previous year.

Net recurring profit per share amounted to €27.06cts/share.

The slight decrease in attributable recurring net profit of (1.7million euros), (1%) vs. the previous year, is mainly due to the disposal of non-strategic assets, mainly carried out in the second half of 2019. These disposals have resulted in an impact of lower rents on the recurring profit of 9 million euros.

Consequently, the recurring profit per share, excluding the above-mentioned non-strategic asset sales, would have been €28.83cts/share, which represents an increase of +5% year-on-year in comparable terms.

The net result of the Group amounts to 2 million euros, including the value variation of the assets registered at 31 December 2020 as well as the impact of asset sales and other non-recurring impacts.

Solid like for like increase in net income-

The Group closed 2020 with 340 million euros of recurring Gross Rental Income, and recurring Net Rental Income (recurring EBITDA rents) of 318 million euros.

Recurring Gross Rental Income in 2020 decreased 3%, mainly due to the disposal of non-strategic assets.

In like-for-like terms, adjusting for investments, disposals and variations in the project and renovation pipeline and other extraordinary items, the Group's gross rental income corrected only by 1%, mainly in previous years levels of revenues.

The net rental income (recurring EBITDA rents) increased +2% in like-for-like terms (+3% like-for-like in the offices portfolio).

Gross Rental Income from the office portfolio increased by +1% year-on-year.

The increase in rents in the office portfolio is based on an increase of +2% in Barcelona and +15% in Madrid. Both cities have shown solid like-for-like rental growth of +5% and +3%, respectively.

The Gross Rental Income of the offices portfolio in Paris decreased by 6%, mainly due to the rotation of the project portfolio and lower activity in the business centres of Cloud and Eduard VII due to the pandemic. In like-for-like terms, the offices Gross Rental Income remained stable at (0.7%) like-for-like.

Highlighted is the growth in the office portfolios of both Madrid and Barcelona.

The Gross Rental Income from the offices portfolio in Madrid increased +15%, based on (1) a like-for-like increase of +3.4% together with (2) an increase in rental income of +11.4% due to an indemnity for the early exit of a client, as well as (3) a successful delivery of the assets of Castellana 163 and Jose Abascal 56.

The Gross Rental Income from the Barcelona portfolio increased +2%, mainly due to a strong like-for-like rise of +5%. Likewise, the rest of the income was affected by client rotation and disposals that were partially compensated by the acquisition of Parc Glories II the previous year.

The Gross Rental Income of the offices portfolio in Paris decreased 6%, mainly due to the rotation of the project portfolio and lower activity in the Cloud and Eduard VII business centres. Excluding this effect, the Gross Rental Income like-for-like slightly decreased by (0.7%) like-for-like.

The rest of the portfolio mainly corresponds to the Hotel Indigo in Paris, as well as the three secondary retail assets coming from the Axiare acquisition. All these assets, less defensive in the current crisis, have suffered a decrease in rental income amounting to 7 million euros like-for-like.

<u>Solid operational fundamentals</u>

Solid take-up levels, capturing rental price increases-

The Group's business business performed with resilience in 2020, maintaining a solid take-up and high occupancy levels.

At the close of 2020, the Colonial Group had signed 77 rental contracts on the office portfolio corresponding to 97,363 sqm and annual rents of 36 million euros. Of the total letting activity, 68% (66,440 sqm) corresponds to renewals, spread over the three markets in which the group operates, and the rest (30,924 sqm) corresponds to new lettings.

Double-digit Release Spreads

The release spread (signed rents vs previous rents) was in high double digits in 2020, reaching +17%. These ratios highlight the defensive nature of Colonial's contract portfolio with significant improvement margins on current rents. Worth mentioning is the high increase in the Barcelona portfolio +45%, as well as the solid increase in Madrid +15% and Paris +6%.

Strong rental growth

Compared with the market rent (ERV) at December 2019, signed rents increased by +6% in 2020. In Barcelona, rents were signed at +6% above market rent 12/19, in the Paris portfolio, the increase in ERVs was +9%, and the Madrid portfolio was up +2%.

With regard to the cumulative letting activity, worth highlighting is the high volume signed in the Madrid market, amounting to 44,592 sqm, of which 37,556 sqm are renewals and 7,036 sqm correspond to new lettings. In Barcelona, more than 28,911 sqm were signed, of which 18,308 sqm are renewals and 10,603 sqm correspond to new contracts on available surfaces.

In Paris, 23,861 sqm were signed, of which 10,576 sqm were renewals and 13,284 sqm correspond to new contracts. Of these new contracts, it is worth mentioning that 9,586 sqm correspond to the Marceau project, an asset 100% pre-let during the COVID-19 pandemic. In terms of renewals, of special mention is the almost 6,000 sqm on the Edouard VII asset, as well as the more than 2,600 sqm on the Cézanne Saint Honoré asset.

Letting performance during the pandemic

The volume of signed contracts in the COVID-19 period (2nd, 3rd, and 4th quarters of 2020) is above the volume signed in the first quarter of 2020 (pre-COVID period), with high rental prices in the signed contracts.

In the first quarter of 2020 (pre-COVID), close to 14,000 sqm were signed. This figure was exceeded in each of the following quarters, with a letting volume of close to 30,000 sqm per quarter, specifically 28,709 sqm in the second quarter, 26,600 sqm in the third quarter and 28,516 sqm in the fourth quarter.

The release spread in the COVID-19 period was at +17%, a high double-digit level compared to the pre-COVID situation. Highlighted are Barcelona with an increase of +44% and Madrid with +15%.

Rental growth during the COVID-19 period was at +5%, boosted by Paris with +10% and Barcelona with +5%. Madrid was at +2%, due to a contract renewal that was carried out with a slight correction. Excluding this contract, the rest of the portfolio increased +7% compared to the market rents at December 2019.

Solid occupancy levels-

At the close of 2020, the total vacancy of the Colonial Group stood at 4.8%, a vacancy rate in line with recent quarters, although above the ratio one year ago. Of special mention is the improvement in the Madrid office portfolio, reaching 3%.

In the office portfolio in Madrid the vacancy rate decreased down to 3.1%, improving by +120 bps compared to the previous year, mainly due to the 100% occupancy in the Josefa Valcárcel 40 bis asset, among others.

The Barcelona office portfolio has a vacancy rate of 4.6%, a rate in line with the last quarters, but shows an increase of +262 bps compared to the rate from one year ago, mainly due to the client rotation in various assets and new entries into operation.

The office portfolio in Paris has a vacancy rate of 5.6%, which has increased with respect to the close of 2019, mainly due to the entry into operation of the completed refurbishments on the 103 Grenelle and Edouard VII assets. This new entry into operation, offers a future source of potential cash flow from additional rents, given that they represent a top-quality offer in the centre of Paris, currently scarce in the market. Excluding the Grenelle asset, the vacancy rate in Paris is 3%.

Client Portfolio and COVID-19 Negotiations-

The Colonial Group has a portfolio of clients diversified between sectors with high levels of loyalty, permanency and solvency.

This great resilience of the client portfolio has been the base for which the collection rate1 levels in Q4 2020 have remained high at 97% for the office portfolio (100% in Paris)

Due to the COVID-19 crisis, the commercial team of the Colonial Group has analysed and negotiated deferral systems or, in exceptional cases, allowances for the payment of rents with a special focus on all the companies that are having financial difficulties as a result, and in the framework, of the limitation of the development of their activities in the commercial and leisure sectors.

Forty-one percent of the Colonial Group's clients had discussions with the commercial team. To date, all the negotiations related to the first and second wave have finalized.

The impact of these agreements reached 4.5% of the annualized passing rents2 as of 31 December 2020.

It is worth mentioning that in exchange of those agreement, extension of the contract maturities have been signed, improving the average maturity of the contract portfolio. The impact of the agreements in the 2020 Profit and Loss account amounted to 6 million of euros.

Projects delivery with important advances

Evolution and progress in the project portfolio-

Colonial continues with solid progress on project pipeline of 9 assets with more than 189,000 sqm located in the city centres of Barcelona, Madrid and Paris. Of the 9 current projects, 3 of them are fully pre-let to date.

Among the larger projects, highlighted are the 3 projects in Paris and Campus Méndez Álvaro, located in the south of the Castellana in Madrid. Two of the projects in Paris, Louvre Saint-Honoré and Marceau, are already 100% pre-let.

In addition in Madrid, worth highlighting are the projects of Velázquez 80 and Miguel Ángel 23, benchmark projects in the prime CBD in Madrid that will be delivered at the end of 2021. The pre-commercialization phase of the projects has begun and has received a very good response from the market. The main interest comes from clients in the financial services sector with demand exceeding 2,000 sqm.

The project in Diagonal 525 in Barcelona is in its final phase and its delivery is expected during the first quarter of 2021. This asset is 100% pre-let to Naturgy at record rental prices in the prime CBD market of Barcelona.

Successful progress of projects – Marceau in the prime CBD of Paris-

Marceau deserves special attention, located a few metres from the "Place de l'Étoile" in the epicentre of the prime CBD in Paris. The works are progressing at a good pace and the delivery date has not changed due to the pandemic. The high commercial interest in this project has led to a pre-letting of 100% during the COVID-19 pandemic.

During the most difficult period of the pandemic, Colonial and Goldman Sachs signed a pre-letting contract of 6,000 sqm, for 12 years, with a non-cancellable term of nine years. With this transaction, Goldman Sachs, one of the largest investment banking and securities groups in the world, intends to increase its presence in the Gaul country, enabling it to double the workforce of the company in Paris.

Additionally, in the third and fourth quarters, pre-let contracts were signed to occupy the two remaining floors, reaching 100% occupancy. Both contracts were signed under very good terms with regards to the rental price.

Successful delivery of projects - Castellana 163-

In 2020, the Colonial Group successfully delivered the Castellana 163 project in the CBD in Madrid, making it a benchmark in the area.

The Castellana 163 building was acquired in the first quarter of 2017 through an off-market transaction at a very favorable price. Its total repositioning was carried out in phases as the client contracts expired.

The project, designed by Colonial, has maximized the rentable surface area of the building, increasing it by more than 1,000 sq m. Among the many technical characteristics of the project, noteworthy is the new façade that increases the natural light by 45% and the design of the two entrances, attracting prime clients.

From the beginning of the project, Castellana 163 was the object of great commercial interest by “AAA” clients and currently has an occupancy of 91%. The average rent of the rented spaces is more 28 euros/sqm/month, achieving a release spread of almost 100% (the average rent of the asset prior to the project was 14 euros/m^2/month).

After completing the project and commercializing the spaces at rental prices above the ERV, the Company obtained a valuation of 1.8x times the cost of the project (acquisition cost + invested capex)

This real estate value creation is an example of the Alpha Value creation which enables extra returns for Colonial shareholders.

Successful execution of the disposal program

Disposal more than 600 million euros with double-digit premium on GAV-

In 2020, the Colonial Group divested a total of 617 million euros of mature and non-strategic assets, of which 413 million euros corresponded to the Alpha V programme executed at the end of 2020.

Alpha V disposals – more than 400 million euros in 4Q 2020-

At the end of 2020 and the beginning of 2021, Colonial executed the Alpha V project for a value of 413 million euros and a double-digit premium on last appraisal.

This project includes the disposal of two mature office assets, an office asset in a secondary location, a relocated commercial asset and the collection of the last asset included in the sale of the logistics portfolio.

With these disposals, the Colonial Group exceeded the Capital market Day guidance on disposal volume for the rest of the year that stood at 300 million euros.

At the end of 2020, the sale of Av. Bruselas 38 was signed in Madrid, an asset located in Arroyo de la Vega, a secondary area in Madrid. After finishing the project and renting it at market price with a long-term expiry, Colonial sold the asset crystalizing a significant premium on the total cost of the project (acquisition cost + invested capex).

In Paris, two disposals were carried out on mature core assets, 112 Wagram and 70 Percier, with a premium of +16% over valuation and a capital value of 20.000euros/sqm. These transactions show the investors’ appetite for the Paris market, with special acceleration in the second half.

Additionally, Colonial sold the nom core retail asset Les Gavarres, coming from the purchase of Axiare, and executed the final settlement of the sale of the last asset in the logistics package within the agreement announced in August 2019.

Divestments 2Q 2020 and 3Q 2020-

In this context, in the second and third quarters of 2020 (in the middle of the COVID-19 period), the Colonial Group divested more than €204m in non-strategic assets corresponding to 11 buildings with a total surface area of 223,543 sqm above ground.

Specifically, part of the call option on the logistics portfolio, two secondary office buildings in Barcelona were sold, the Berlín-Numancia and the Plaza Europa, 40-42 assets, and the Hotel Mojácar was disposed of.

These transactions are being delivered under the framework of a capital allocation strategy of the portfolio, disposing of mature and/or non-strategic products in order to:

1. Optimize the quality and returns of the portfolio, further increasing the exposure to prime offices with interesting risk-adjusted returns.

2. Release capital to strengthen the capital structure and maximize Colonial's Total Shareholder Return.

ESG Strategy

Corporate Strategy & Decarbonisation Strategy-

The Group pursues a clear leadership in ESG, being a fundamental element of its strategy, prioritizing sustainable long-term returns, and based on a business model of high-quality products. Accordingly, the Colonial Group's Corporate Strategy has a central focus on maximum excellence in the fields of governance, social aspects and sustainable investment.

the end of 2018, the Colonial Group created the ESG Committee, a body created to accelerate the operational implementation of the ESG strategic plan. This Committee is comprised of 7 members of Colonial's Executive Board.

In addition, and to accelerate the strategic leadership in ESG, Colonial constituted the Sustainability Commission at the end of 2020. This Commission is comprised of five members of Colonial's Board of Directors, namely Ms. Silvia M. Alonso-Castrillo Allain, Mr. Adnane Moussanif, Mr. Luis Maluquer Trepat, Ms. Ana Bolado Valle and Ms. Ana Peralta Moreno.

Furthermore, the Company is working on the implementation of the strategic plan for decarbonization. This plan implies the commitment of the Colonial Group so that by 2050, its entire office portfolio will be neutral in carbon emissions, and totally aligned with the Paris climate agreement of December 2015.

For the Colonial Group, this implies: (i) neutrality in carbon emissions by 2050 (ii) a 75% reduction in Scopes 1 & 2 by 2030 starting from 2015.

Important advances in the indexes-

2020 was a very successful year in terms of ESG. Accordingly, the Group achieved some significant advances in the sustainability indexes:

1. Colonial has obtained the EPRA Gold sBPR rating for the 5th consecutive year, which certifies the highest reporting standards in ESG.

2. Colonial obtained a rating of 90 out of 100 in the GRESB index 2020, placing it at the high end of the sector. This 5-star rating is above the average of its peers and has led to an increase of scoring by +48% in 2 years and +17% year-on-year (+13 bps).

3. Colonial has obtained a rating of A- from CDP 2020, confirming its leadership in decarbonization. This rating far exceeds the European regional average as well as the financial services sector average and has led to a strong year-on-year boost, increasing from C to A-.

4. Colonial has obtained a rating at the high end of the sector from Vigeo A1, placed in the top 5% of the 4,835 companies rated (9th of 86 within financial services). This rating exceeds the average of the sector in all KPIs of performance and risk management, with a major year-on-year boost.

5. Sustainalytics has given Colonial a rating of 10.5 in ESG risk, placing it in the top 20 of the 420 listed real estate companies analysed. The agency highlights the good management of ESG policies in accordance with all the international standards.

6. MSCI, the reference rating for listed companies, has given Colonial an A on its ESG rating, one of the highest ratings internationally, in particular due to its very high standards in Corporate Governance.

Energy Efficiency-Certifications of the Colonial Group's asset portfolio-

93% of the offices portfolio has LEED or BREEAM energy certificates. This high level of certifications places Colonial in a leading position in energy efficiency in Europe. Notably, 1,900 million euros in assets have LEED certificates and ratings and 9,400 million euros in assets have BREEAM certificates.

Additionally, SFL was placed in the rating of the BBCA 2020, positioning it among the top 10 project owners in 2020.

Sustainable financing-

In 2020, Colonial entered into a new credit facility (Revolving Credit Facility – RCF) in the amount of 1,000 million euros to replace two Revolving Credit Facility (RCF) lines that it had available in their entirety in the amount of 875 million euros. The new credit facility will be structured in two tranches with maturities of 5 and 5+1+1 years and is considered sustainable because its margin is linked to the rating obtained by the GRESB agency.

To date Colonial has incurred in 1,076 million euros of sustainable financing, reinforcing the message of the Group's commitment to ESG.

ESG Investment – Decarbonisation Laboratory-

Colonial will build the first office building in Spain made entirely of wood

The WittyWood building will have 4,100 sqm destined to office use. The project, which is a unique concept of office building in Spain, will have spaces equipped with the latest technologies. WittyWood is located on 42 Llacuna, in the heart of the 22@ district.

The WittyWood building will be built using wood as the primary material, an unprecedented case in the offices market in Spain. Timber engineering acts as storage for Co2, consequently considerably reducing the emissions that impact global warming. In the construction phase alone, carbon emissions are reduced by 50%. Due to these characteristics, among others, the building will count on the maximum environmental certificates: LEED Platinum and WELL Platinum.

A solid capital structure

A strong balance sheet-

At 31 December 2020, the Colonial Group had a solid balance sheet with an LTV of 36%, 100 bps lower than the previous year.

Including the Alpha V disposals registered at the beginning of 2021, the proforma LTV was below 35%.

The available liquidity of the Group amounted to 2,309 million euros, an increase of more than 200 million euros compared to December 2019. This liquidity enables the Group to assure their financing needs in the coming years and be able to cover all its debt maturities until 2024.

Throughout 2020, the two ratings agencies that qualify Colonial's debt, Standard & Poor's and Moody's, have confirmed Colonial's current rating in their reviews in April and in November of 2020.

Colonial has maintained a stable credit rating during the pandemic, in the face of various downward credit rating corrections in the European real estate sector.

Access to the debt market based on a solid rating-

The Colonial Group has accessed the bonds and debt market, obtaining new financing for 2,000 million euros in very favorable terms thanks to the high rating by Standard & Poor's and Moody's that underlines the defensive character of Colonial's business model.

Debt investors reacted very favorably as of April 2020, with the debt spreads trading at similar levels to pre-COVID times, following again the fundamentals and trusting the robustness of Colonial's balance sheet.

1) In June 2020, the Colonial Group successfully closed a bond issuance for 500 million euros through its French subsidiary, SFL. The bonds have a 7-year maturity, with an annual coupon of 1.5%. Demand exceeded up to four times the issue volume and was placed to quality European investors.

2) In October 2020, Colonial formalized a bond issuance amounting to 500 million euros, listed on the Spanish stock market. The issue is structured over 8 years with a coupon of 1.35% and maturing in October 2028. The demand exceeded the issue volume by three and was backed by more than 80 international investors with an institutional profile.

3) On 10 November, Colonial formalized a new credit facility (Revolving Credit Facility – RCF) in the amount of 1,000 million euros in substitution of the two Revolving Credit Facility (RCF) lines that it had available in its entirely for 875 million euros. The signing of this credit line has led to as a new milestone in the sector, with unique conditions in terms of maturities with flexibility until 2027.

Active balance sheet management – Liability Management-

During 2020, the Colonial Group carried out two Liability Management operations:

1) During September, SFL bought back 100 million euros of bonds maturing in 2021 and 60 million euros of bonds maturing in 2022 that accrue an annual coupon of 1.875% and 2.25%, respectively.

2) In October, Colonial bought 194 million euros of the bonds maturing in 2023 and 107 million euros of the bonds maturing in 2024, that accrue an annual coupon of 2.728% and 1.45%, respectively.

In addition, during the month of December, Colonial cancelled two bilateral loans early, in the amount of 125 million euros, which enabled the average maturity of the gross debt of the Group to be extended, reducing the financial expenses, and optimizing its treasury.

These transactions allowed for the extension of the average maturity of the Group's debt from 3.8 years to 5.2 years. They have also enabled the distribution of the debt maturities over the next 10 years and a reduction in the average cost of debt to 1.71%.

Analyst consensus-

In the framework of the COVID-19 crisis, the analysts are progressively revising their assumptions and perspectives on the European listed market.

In the case of the Colonial Group, the analysts' consensus maintains "buy" recommendations and highlights the Company's strength in their analysis, thanks to its strategy of positioning in prime offices in Barcelona, Madrid and Paris.

<u>Strategic Prime positioning with great resilience</u>

Colonial's strength to deal with the current situation is based on its strategic prime positioning with offices in the CBD and clients with solid solvency, as well as a solid balance sheet.

The main strengths of the Group are the following:

A. Pan-European leadership in Grade A in the city centre (CBD)

   Main owner of top-quality assets in central locations with 77% of its portfolios in CBD areas in each of the markets Colonial operates in.

   An adequate international diversification with a 62% exposure in Paris, one of the most defensive office markets globally.

B. A strong prime positioning with a top-quality client portfolio which provides an attractive combination of 1) rents at the high end of the market with 2) high loyalty levels and solid maturity profiles.

   The contract portfolio of the Colonial Group had a positive “reversionary buffer” in 2020, given that the current rents of the portfolio are still below the current market rents. Likewise, to date, the Group has captured high reversion rates with a release spread1 of +17% at the close of 2020.

C. Excellence in ESG

   The Colonial Group pursues a clear leadership in ESG, being a fundamental element of its strategy, prioritizing sustainable long-term returns, based on a business model of high-quality products. Accordingly, the Colonial Group’s Corporate Strategy has a central focus on maximum excellence in the fields of governance, social aspects and sustainable investment.

D. An attractive project pipeline located in the best areas of Paris, Madrid and Barcelona, with significant pre-letting.

   Colonial’s project portfolio is 100% located in the city centres of Barcelona, Madrid and Paris. More than 50% of the value corresponds to 3 big projects in Paris and Campus Méndez Álvaro, which is a mix of office and residential use in the south of the Madrid CBD.

E. Active management of the portfolio, through the disposals of non-core assets, improving the prime positioning and releasing capital for opportunities of value creation for our shareholder.

   Over the last 3 years, the Colonial Group has carried out significant disposals of non-core assets for more than €2,000m, with double digit premiums over current valuations.

   In 2020, and more specifically, in the quarters of COVID (2Q-4Q), Colonial divested more than 600 million euros in non-strategic or mature assets with double-digit premiums over pre-COVID appraisals. These transactions confirm the resilience of the value of Colonial’s portfolio and its commitment to its strategy of an active rotation of the portfolio.

F. A solid balance sheet with the best rating in the Spanish real estate sector, confirmed by S&P and Moody’s in the middle of the COVID-19 crisis.
   The group has one of the highest levels of liquidity in the sector, as well as an LTV of 34.8% post Alpha V disposals with a collateral of Core assets with maximum quality.

Liquidity and capital resources

See "Capital management and risk management policy" section of Note 15.14 of the consolidated financial statements for the year ended 31 December 2020.

The average payment period (APP) of the Group's Spanish companies to their suppliers for 2020 was 33 days. In relation to payments made outside the maximum legal term set, these correspond mainly to payments related to contracting works and real estate renovation, which are paid within the term established in the corresponding contracts signed with the contractors.

The Group has set two payment days per month to comply with the requirements established under Law 11/2013 of 26 July. In this regard, the dates of entry are on the 5th and 20th of each month and the corresponding payments are made on the 5th and 20th of the following month.

Objective and risk management policies

Asset management is exposed to various internal and external risks and uncertainties that can impact Colonial's activity. Therefore, Colonial aims to create sustainable value by optimising the constantly evolving ratio between profitability and risk in financial, environmental, social and economic areas, among others. This balance, together with a holistic and dynamic vision of risk, reinforces Colonial's leadership in the sector and consolidates its position in the long term. Risk management is a key aspect in Colonial's organisational culture, and for this reason, the Group has developed the Risk Control and Management System (hereinafter, RCMS), which establishes a basis for efficient and effective management of the risks throughout the organisation.

To meet these corporate objectives, the risks to which Colonial is exposed are identified, analysed, evaluated, managed, controlled and updated. With the objective of maintaining an effective and updated RCMS, Colonial has prepared a corporate risk map, which identifies the main risks that affect the Group, and evaluates them in terms of impact and probability of occurrence. This map is reviewed and updated periodically every year, with the aim of having an integrated and dynamic risk management tool, which evolves with changes in the environment in which the company operates and changes in the organisation itself.

The main responsibilities assigned in relation to the RCMS correspond to the Board of Directors, the Audit and Control Committee and the internal audit unit. The RCMS also explicitly determines the responsibilities of senior management, operational management and risk owners in relation to risk management.

The Board of Directors is assigned the function of determining the risk control and management policy, including tax policies, identifying the main risks of the Group and implementing and supervising the internal information and control systems, in order to ensure future viability and competitiveness of the Group, adopting the most relevant decisions for its best development. For the management of this function, it has the support of the Audit and Control Committee, which performs, among others, the following functions related to the field of control and risk management:

- Submit a report on risk policy and management to the Board for approval.
- Periodically review the control and risk management systems, so that the main risks are identified, managed and adequately disclosed.
- Oversee the process of preparing, the integrity and presentation of mandatory (financial and non-financial) public information.

Additionally, Colonial has the regulatory compliance unit and the internal audit unit as tools to reinforce said objective. The regulatory compliance unit is responsible for ensuring adequate compliance with the norms and laws that may affect it to undertake its activity, and the internal audit function is responsible for carrying out the necessary supervision activities, contemplated in its annual plans approved by the Audit and Control Committee, to evaluate the effectiveness of the risk management processes and the action plans and controls implemented by the corresponding management teams to mitigate said risks.

For better risk management, Colonial differentiates in two broad areas the different types of risks to which the Group is exposed based on their origin:

- External risks: risks related to the environment in which Colonial carries out its activity and that influence and condition the company's operations.
- Internal risks: risks originated from the company's own activity and its management team.

The main external risks that Colonial faces to achieve its objectives include:

- Economic risks, derived from the political and macroeconomic situation in the countries where it operates, and from changes in investors' own expectations.
- Market risks, derived from transformation in the industry and the business model itself, the greater complexity to develop the investment/divestment strategy, and the fluctuation of the real estate market with an impact on the valuation of real estate assets.
- Financial risks, related to restrictions in capital markets, interest rate fluctuations, the impact of changes in tax regulations (mainly by the SOCIMI regime) and those of the counterparty of the main clients.
- Environmental risks derived from the most demanding demands in ESG, and mainly those related to the impact of climate change on the Group's activity.

The main internal risks that Colonial faces to achieve its objectives include:

- Strategic risks in relation to the scaling and diversification of the Group, the composition of the asset portfolio and the strategy in the *coworking* market.
- Various operational risks related to maintaining occupancy levels in the real estate and the levels of income contracted, undertaking the projects in term and cost, managing the level of indebtedness and the current credit rating, cyber-attacks or failures in the information systems, as well as those of managing the organisational structure and talent.
- Risks arising from compliance with all applicable regulations and contractual obligations, including tax risks related to the loss of the status of REIT by Colonial and the loss by its French subsidiary Société Foncière Lyonnaise of its status as a Real Estate Investment Trust (REIT).

In addition, the global health crisis caused by COVID-19 has generated a high level of uncertainty in many areas in 2020, especially in the economic sphere, with different effects on the various sectors of the business fabric. In response to this situation, the Colonial Group has implemented a range of measures to secure and preserve the health of its employees and assets, as well as business continuity. The main measures carried out in 2020 focused on the following:

- Protecting and supporting our employees
- Assets Protection
- Analysis of the portfolio and customer service
- Review of the project and investment portfolio
- Continuing with the plan to divest non-core assets
- Financial measures aimed at ensuring the Group's liquidity and strengthening its solvency
- Strengthening internal and external communication

Colonial displayed a high degree of resilience in the face of this crisis, especially in the strategic, operational and financial areas. In 2020, the Company reviewed its corporate risk map and analysed the development of risks as a result of this crisis, identifying and monitoring risks, assessing and anticipating possible impacts, reviewing control measures and adopting appropriate decisions in each of these areas in order to mitigate their impact and secure the Group’s operations.

Despite all these measures, there is still a high degree of uncertainty as to the impact of this crisis from an economic point of view, particularly, in terms of the destruction of employment and the business fabric, with the consequent impact it may have on the real estate sector.

Events after the reporting date

Since 31 December 2020 and up to the date on which these consolidated annual financial statements were prepared, no significant events have occurred, except:

- On 13 January 2021, one of SFL's properties, the 112 Wagram in París, was sold for 120.5 million euros (Note 24).

- On 17 February 2021, another of SFL's properties, at 9 avenue Percier, Paris, was sold for 143.5 million euros (Note 24).

- Lastly on 17 February 2021, the Parent disposed of a logistics asset located in Tarragona for a price of 19.5 million euros. (Note 24).

- On 24 February 2021, the Parent acquired 3.19% of the share capital of the subsidiary Utopicus Innovación Cultural, S.L. and now holds 100% of the share capital of this company.

Outlook

The COVID-19 pandemic has affected and continues to significantly affect both our domestic and global markets. Likewise, its impact on Colonial's real estate activity, as well as on the economy in general, remains uncertain and difficult to predict.

At present, all international organisations estimate a significant contraction in the global economy and a significant drop in GDP in Europe and, in particular, in the markets in which Colonial operates: Spain and France, whose governments have taken and are continuing to take unprecedented decisions such as establishing restrictions on freedom of movement.

There is a majority opinion that in the medium term there will be a recovery from this economic impact, although there is a plurality of opinions on the speed of recovery in each country and region, which will depend mainly on developments in the health crisis.

Barcelona and Madrid

As regards the market for quality offices in Barcelona and Madrid, the fundamentals remain strong and have better prospects than in secondary areas. The demand for quality assets in prime locations is expected to recover before that of secondary properties, due to the need for high value-added companies to attract talent, offer the best working environment for their employees and have the best mobility options. This demand, together with a poor quality offer and a significant lack of new office projects for the next few years, means that prime rents are expected to remain stable and recover the growth path once the health crisis is overcome.

Investor appetite for prime office products is also expected to continue. In an environment of low interest rates, the current spread of the real estate yield over the 10-year bond is more than 300 basis points, a historical high, and more than 100 basis points above the long-term average.

Paris

The Paris market is one of the most important worldwide and has a high level of liquidity.

Today the availability of office space in the best areas of the city stands at 1.6%, a record low. The lack of product combined with the high demand from companies for prime products means that consultants expect office rents to remain high. During the second half of 2020, prime rents are at levels of 870 euros/m²/year, slightly higher than in the first quarter before the start of the pandemic.

In terms of investment volume, the interest of foreign capital in prime office buildings remains very high, with several deals underway that will be concluded in the coming weeks. Prime yields remain stable at 2.75%, and even lower in one-off transactions.

Future strategy

Against this market backdrop, Colonial's strategy remains committed to long-term value creation in the prime office sector, with a focus on quality and risk-adjusted returns, and with a strong credit rating and liquidity position.

Research and development activities

As a result of the Group's own characteristics, its activities and its structure, research and development activities are not usually carried out at Inmobiliaria Colonial, SOCIMI, S.A.

Treasury Shares

At 31 December 2020, the Parent had 3,360,610 treasury shares with a nominal value of 8,402 thousand euros, representing 0.66% of the Parent's share capital.

Other significant information

On 10 December 2015, the Board of Directors of the parent company agreed to adhere to the code of good tax practices. Said agreement was communicated to the Spanish tax agency on 8 January 2016.

Annual Corporate Governance Report

In accordance with the provisions of article 538 of the Spanish Limited Liability Companies Law, it is noted that the annual corporate governance report for 2020 is included in this directors' report in its corresponding separate section.

Alternative Performance Measures (European Securities and Markets Authority)

An explanatory glossary of alternative performance measures is included below, including their definition and relevance for Colonial, in accordance with the recommendations of the European Securities and Markets Authority (ESMA) published in October 2015 (*ESMA Guidelines on Alternative Performance Measures*). These Alternative Performance Measures have not been audited or reviewed by the parent company's auditor.

Alternative Performance Measure	**Form of calculation**	**Definition/Relevance**
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation)	Calculated as "Operating profit", adjusted by "Depreciation and amortisation", the "Changes in value of investment property" and "Gains/(losses) on changes in value of assets due to impairment".	Indicator of the Group's capacity to generate profits considering only its productive activity, eliminating depreciation allowances, the effect of indebtedness and the tax effect.
Gross Financial Debt (GFD)	Calculated as the sum of "Bank borrowings and other financial liabilities" and "Issuance of bonds and similar securities" and "Commercial paper issues", excluding "Interest" (accrued), "Arrangement costs" and "Other financial liabilities" in the consolidated statement of financial position.	Relevant indicator for analysing the Group's financial position.
Net Financial Debt (NFD)	Calculated by adjusting the item "Cash and cash equivalents" in Gross Financial Debt.	Relevant indicator for analysing the Group's financial position.
EPRA1 NTA (EPRA Net Tangible Assets)	It is calculated based on the Company's equity and adjusting certain items following the recommendations of the EPRA.	Standard analysis ratio in real estate and recommended by EPRA.
EPRA[1] NDV (EPRA Net Disposal Value)	Calculated by adjusting the following items in the EPRA NTA: the market value of the financial instruments, the market value of the financial debt, the taxes that would accrue on the sale of the assets at their market value, applying the tax credits available to the Group on a going concern basis.	Standard analysis ratio in real estate and recommended by EPRA.
Market Value excluding transaction costs or *Gross Asset Value (GAV) excluding Transfer costs*	Valuation of all assets in the Group's portfolio made by appraisers outside the Group, deducting transaction costs or transfer costs.	Standard analysis ratio in the real estate sector.
Market Value including transaction costs or *GAV including Transfer costs*	Valuation of all assets in the Group's portfolio made by appraisers outside the Group, before subtracting transaction costs or transfer costs.	Standard analysis ratio in the real estate sector.
Like-for-like Rental income	Amount of rental income for rentals included in "*Revenue*" comparable between two periods. In order to obtain this amount, income from investments or divestitures made between both periods, those from assets included in the project and renovation portfolio, as well as other atypical adjustments (for example, compensation for early termination of rental agreements) are excluded from both periods.	This makes it possible to compare, on a like-for-like basis, the change in rental income of an asset or group of assets.

1EPRA (*European Public Real Estate Association*) which recommends best practice standards to be followed in the real estate sector. The calculation of these APMs follows the instructions set by EPRA.

Alternative Performance Measure	Form of calculation	Definition/Relevance
Like-for-like Valuation	Amount of market valuation excluding transaction costs or market valuation including transaction costs comparable between two periods. In order to obtain it, income from rentals from investments or divestitures made between both periods is excluded from both periods.	This makes it possible to compare, on a homogeneous basis, the change in the portfolio's market valuation.
Loan to Value Group or LtV Group	Calculated as the result of dividing the Net financial debt between the Market Valuation including transaction costs of the Group's portfolio of assets.	This makes it possible to analyse the relationship between net financial debt and the valuation of assets in the Group's portfolio.
Holding Company LtV or Colonial LtV	Calculated as the result of dividing the reduced gross financial debt of the amount of the *"Cash and cash equivalents"* item of the parent company and of the fully-owned Spanish subsidiaries among the sum of the Market Valuation including transaction costs of the portfolio of assets of the parent company of the Group and of the fully-owned Spanish subsidiaries and EPRA NTA of other financial interests in subsidiaries.	This makes it possible to analyse the relationship between net financial debt and the valuation of assets in the Group's parent company.

Alternative Performance Measures included in the previous table have their origin in items of the consolidated annual financial statements of Inmobiliaria Colonial or in the breakdowns of the items (sub-items) included in the corresponding explanatory notes of the report, except as indicated below.

The following is a reconciliation of those alternative performance measures whose origin does not derive, in their entirety, from items or sub-items of the consolidated annual financial statements of Inmobiliaria Colonial, as provided in paragraph 28 of the aforementioned recommendations.

EPRA NTA (Net Tangible Assets)

EPRA NAV (EPRA Net Tangible Assets)	Millions of Euros	
	2020	2019
"Net equity attributable to the parent company's shareholders"	**5,401**	**5,559**
Includes/excludes:		
Adjustments from (i) to (v) with respect to strategic alliance interests	--	--
Diluted NTA	**5,401**	**5,559**
Includes:		
(ii.a) Revaluation of investment assets	--	--
(ii.b) Revaluation of assets under development	--	--
(ii.c) Revaluation of other investments	64	45
(iii) Revaluation of finance leases	--	--
(iv) Stock revaluation	10	3
Diluted NTA at Fair Value	**5,475**	**5,607**
Excludes:		
(v) Deferred taxes	233	240
(vi) Market value of financial instruments	19	(21)
EPRA NTA	**5,727**	**5,826**
Number of shares (millions)	508	508
EPRA NTA per share	11.27	11.46

EPRA NDV (Net Disposal Value)

EPRA NAV (EPRA Net Disposal Value)	Millions of Euros	
	2020	2019
"Net equity attributable to the parent company's shareholders"	**5,401**	**5,559**
Includes/excludes:		
Adjustments from (i) to (v) with respect to strategic alliance interests	--	--
Diluted NDV	**5,401**	**5,559**
Includes:		
(ii.a) Revaluation of investment assets	--	--
(ii.b) Revaluation of assets under development	--	--
(ii.c) Revaluation of other investments	64	45
(iii) Revaluation of finance leases	--	--
(iv) Stock revaluation	10	3
Diluted NDV at Fair Value	**5,475**	**5,607**
Excludes:		
(v) Deferred taxes	--	--
(vi) Market value of financial instruments	--	--
Includes:		
(ix) Market value of debt	(280)	(258)
EPRA NDV	**5,195**	**5,349**
Number of shares (millions)	508	508
EPRA NDV per share	10.23	10.53

Market Value excluding transaction costs or GAV excluding Transfer costs

Market Value excluding transaction costs or GAV excluding Transfer costs	Millions of Euros	
	2020	2019
Barcelona	1,333	1,534
Madrid	2,441	2,543
Paris	6,616	6,502
Leased out	**10,390**	**10,579**
Projects	1,556	1,338
Other	74	279
Total Market Value excluding transaction costs	**12,020**	**12,196**
Spain	4,562	5,039
France	7,458	7,157

Market Value including transaction costs or GAV including Transfer costs

Market Value including transaction costs or GAV including Transfer costs	Millions of Euros	
	2020	2019
Total Market Value excluding transaction costs	12,020	12,196
Plus: transaction costs	611	611
Total Market Value including transaction costs	**12,631**	**12,807**
Spain	4,685	5,175
France	7,946	7,632

Like-for-like Rental Income

Like-for-like Rental Income	Millions of Euros				
	Offices				
	Barcelona	Madrid	Paris	Other	TOTAL
2019 Rental Income	**48**	**89**	**191**	**24**	**352**
Like for like	2	3	(1)	(7)	(3)
Projects and inclusions	(3)	2	(6)	--	(7)
Investments and divestitures	2	--	--	(8)	(6)
Other and compensation	--	9	(3)	--	6
2020 Rental Income	**49**	**103**	**181**	**9**	**342**

Like-for-like Valuation

Like-for-like Valuation	Millions of Euros	
	2020	2019
Valuation at 1 January	12,196	11,348
Like for like Spain	(163)	407
Like for like France	300	588
Acquisitions and divestitures	(313)	(147)
Valuation at 31 December	**12,020**	**12,196**

Loan to Value Group or LtV Group

Loan to Value Group or LtV Group	Millions of Euros	
	2020	2019
Gross financial debt	4,851	4,826
Commitments of deferrals for transactions selling real estate assets	--	17
Less: "Cash and cash equivalents"	(269)	(217)
(A) Net financial debt	**4,582**	**4,626**
Market Value including transaction costs	12,631	12,807
Plus: Shares in treasury stock of the parent company valued at EPRA NAV	38	7
(B) Market Value including transaction costs and Parent's treasury shares	**12,669**	**12,814**
Loan to Value Group (A)/(B)	**36.2%**	**36.1%**

Holding Company LtV or Colonial LtV

Holding Company LtV or Colonial LtV	Millions of Euros	
Holding Company	2020	2019
Gross financial debt	2,945	3,040
Commitments of deferrals for transactions selling real estate assets	--	17
Less: "Cash and cash equivalents" of the parent company and the fully-owned Spanish subsidiaries	(244)	(161)
(A) Net financial debt	**2,701**	**2,896**
(B) Market Value including transaction costs	**8,972**	**9,289**
Loan to Value Holding (A)/(B)	**30.1%**	**31.2%**