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

Report on limited review of condensed
interim consolidated financial statements and
Interim consolidated directors' Report for
the six months period ended at 30 June 2020

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.

Report on limited review of condensed interim consolidated Financial statements

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

Introduction

We have performed a limited review of the accompanying condensed interim consolidated financial statements (hereinafter, the interim financial statements) of Inmobiliaria Colonial, SOCIMI, S.A., S.A. (hereinafter, "the parent company") and its subsidiaries (hereinafter, "the group"), which comprise the statement of financial position as at June 30, 2020, and the abridged income statement, comprehensive income statement, statement of changes in equity, cash flow statement and related notes, all condensed and consolidated, for the six months period then ended. The parent company´s directors are responsible for the preparation of these interim financial statements in accordance with the requirbements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial information, as provided in Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

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

Conclusion

Based on our limited review, that cannot be considered as an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six months period ended June 30, 2020 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial statements, as provided in Article 12 of Royal Decree 1362/2007.

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Emphasis of Matters

We draw attention to accompanying notes 1.c and 5 in relation to the balance under investment property at June 30, 2020, amounting to €11,754,579. Note 5 describes that the independent valuation experts have presented in their valuation reports the scenario marked by uncertainty in which they have carried out their valuation of the Group's assets, due to the absence of comparable operations in the real estate sector and therefore they have assumed that their valuations offer less certainty than that which would result in a non-Covid 19 scenario. Our opinion has not been modified for this matter.

We draw attention to Note 2, in which it is mentioned that these interim financial statements do not include all the information required of complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, therefore the accompanying interim financial statements should be read together with the consolidated annual accounts of the group for the year ended December 31, 2019. Our conclusion is not modified in respect of this matter.

Other Matters

Interim consolidated directors´ Report

The accompanying interim consolidated directors' Report for the six months period ended June 30, 2020 contains the explanations which the parent company´s directors consider appropriate regarding the principal events of this period and their impact on the interim financial statements presented, of which it does not form part, as well as the information required under the provisions of Article 15 of Royal Decree 1362/2007. We have verified that the accounting information contained in this directors' Report is in agreement with that of the interim financial statements for the six months period ended June 30, 2020. Our work is limited to checking the interim consolidated directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from Inmobiliaria Colonial, SOCIMI, S.A. and its subsidiaries´ accounting records.

Preparation of this review report

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

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Mireia Oranias Casajoanes

July 29, 2020

Inmobiliaria Colonial, SOCIMI, S.A.
and subsidiaries

Condensed interim consolidated financial statements and interim consolidated directors' report for the six-month period ended 30 June 2020

INMOBILIARIA COLONIAL, SOCIMI, S.A. AND SUBSIDIARIES
(COLONIAL GROUP)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

(Thousands of euros)

ASSETS	Note	30 June 2020	31 December 2019	EQUITY AND LIABILITIES	Note	30 June 2020	31 December 2019
Intangible assets		5,583	4,900	Share capital		1,270,287	1,270,287
Right-of-use assets		11,334	12,787	Share premium		1,491,280	1,513,749
Property, plant and equipment	4	56,103	50,900	Reserves of the Parent		194,452	186,822
Investment property	5	11,754,579	11,797,117	Consolidated reserves		2,474,292	1,735,202
Non-current financial assets		30,745	33,585	Valuation adjustments recognised in equity - financial instruments		(11,690)	22,403
Financial instruments	10	1,148	25,379	Other equity instruments		9,327	9,515
Non-current deferred tax assets		403	448	Treasury shares		(3,392)	(6,179)
Other non-current assets		30,432	8,233	Profit/(loss) for the year		(26,392)	826,799
NON-CURRENT ASSETS		**11,890,327**	**11,933,349**	**Equity attributable to the shareholders of the Parent**		**5,398,164**	**5,558,598**
				Non-controlling interests		**1,383,401**	**1,401,899**
				EQUITY	8	**6,781,565**	**6,960,497**
				Bank borrowings and other financial liabilities	9	841,607	442,358
				Bonds and similar securities issued	9	4,280,010	3,781,442
				Derivative financial instruments	10	12,586	2,782
				Lease liabilities		10,822	12,262
				Non-current deferred tax liabilities	12	377,792	381,701
				Non-current provisions		1,739	1,499
				Other non-current liabilities		87,158	79,940
				NON-CURRENT LIABILITIES		**5,611,714**	**4,701,984**
Inventories		50,048	48,196				
Trade and other receivables	6	138,271	117,095	Bank borrowings and other financial liabilities	9	3,033	3,247
Current financial assets		9	90	Bonds and similar securities issued	9	342,692	647,726
Tax assets		13,619	9,566	Derivative financial instruments	10	-	675
Cash and cash equivalents	9	773,480	216,781	Lease liabilities		1,963	2,131
CURRENT ASSETS		**975,427**	**391,728**	Trade and other payables	11	268,309	158,578
				Tax liabilities		23,708	19,085
Assets classified as held for sale	7	**173,156**	**176,434**	Current provisions		5,926	7,588
				CURRENT LIABILITIES		**645,631**	**839,030**
TOTAL ASSETS		**13,038,910**	**12,501,511**	**TOTAL EQUITY AND LIABILITIES**		**13,038,910**	**12,501,511**

The accompanying explanatory Notes 1 to 17 to the consolidated financial statements are an integral part of the condensed consolidated statement of financial situation for the six-month period ended 30 June 2020.

INMOBILIARIA COLONIAL, SOCIMI, S.A. AND SUBSIDIARIES
(COLONIAL GROUP)

CONDENSED CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD

ENDED 30 JUNE 2020

(Thousands of euros)

Income statement	Note	June 2020	June 2019
Revenue	13-a	178,107	175,865
Other income		1,408	3,274
Staff costs		(14,949)	(14,800)
Other operating expenses		(24,886)	(31,932)
Depreciation and amortisation		(3,020)	(3,298)
Net change in provisions		617	4,982
Net gains/(losses) on sales of assets	13-b	1,752	(986)
Operating profit		**139,029**	**133,105**
Change in fair value of investment property	13-c	(107,250)	418,509
Gains/(losses) on changes in value of assets and impairment	13-c	638	(61,685)
Finance income	13-d	5,318	3,276
Finance costs	13-d	(50,485)	(56,346)
Profit before tax		**(12,750)**	**436,859**
Income tax expense		1,751	(20,829)
Consolidated net profit		**(10,999)**	**416,030**
Net profit for the period attributable to the Parent	3	(26,392)	337,669
Net profit attributable to non-controlling interests	8	15,393	78,361
Basic earnings per share (Euros)	3	(0.05)	0.67
Diluted earnings per share (Euros)	3	(0.05)	0.67

Statement of comprehensive income	Note	June 2020	June 2019
Consolidated net profit		**(10,999)**	**416,030**
Other components of comprehensive income recognised directly in equity		**(36,492)**	**(1,707)**
Gain/(losses) on hedging instruments	10	(36,492)	(1,925)
Tax effect on prior years' profit or loss	10	-	218
Transfers to comprehensive income		**1,543**	**2,166**
Gain/(losses) on hedging instruments	8	1,543	2,713
Tax effect on prior years' profit or loss		-	(547)
Consolidated comprehensive income		**(45,948)**	**416,489**
Comprehensive income for the year attributable to the Parent		(60,485)	338,292
Comprehensive income attributable to non-controlling interests		14,537	78,197
Comprehensive basic earnings per share (euros)		(0.12)	0.67
Comprehensive diluted earnings per share (euros)		(0.12)	0.67

The accompanying Notes 1 to 17 are an integral part of the condensed consolidated statement of comprehensive income for the six-month period ended 30 June 2020.

INMOBILIARIA COLONIAL, SOCIMI, S.A. AND SUBSIDIARIES
(COLONIAL GROUP)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED
30 JUNE 2020

-

(Thousands of euros)

	Note	Share capital	Share premium	Reserves of the Parent	Reserves in consolidated companies	Valuation adjustments recognised in equity - financial instruments	Other equity instruments	Treasury shares	Profit (loss) for the period	Gain (Equity) attributable to shareholders of the Parent	Non-controlling interests	Total
Balance at 31/12/2018	**8**	**1,270,287**	**1,578,439**	**215,990**	**1,222,610**	**(2,078)**	**6,017**	**(5,606)**	**524,763**	**4,810,422**	**1,290,382**	**6,100,804**
Total recognised income and expense in the period		-	-	-	-	25,089	-	-	826,799	851,888	166,602	**1,018,490**
Transactions with shareholders:												
Treasury share portfolio		-	-	-	-	-	-	(3,395)	-	(3,395)	-	**(3,395)**
Distribution of 2018 results (dividends)		-	(64,690)	(569)	488,455	-	-	-	(524,763)	(101,567)	(30,744)	**(132,311)**
Share-based remuneration payments		-	-	(1,131)	-	-	3,498	2,822	-	5,189	417	**5,606**
Changes in scope		-	-	(27,468)	25,733	(608)	-	-	-	(2,343)	(26,182)	**(28,525)**
Other changes		-	-	-	(1,596)	-	-	-	-	(1,596)	1,424	**(172)**
Balance at 31 December 2019	**8**	**1,270,287**	**1,513,749**	**186,822**	**1,735,202**	**22,403**	**9,515**	**(6,179)**	**826,799**	**5,558,598**	**1,401,899**	**6,960,497**
Total recognised income and expense in the year		-	-	-	-	(34,093)	-	-	(26,392)	(60,485)	14,537	**(45,948)**
Transactions with shareholders:												
Treasury share portfolio		-	-	-	-	-	-	(1,382)	-	(1,382)	-	**(1,382)**
Distribution of 2019 results (dividends)		-	(22,469)	8,787	738,930	-	-	-	(826,799)	(101,551)	(33,267)	**(134,818)**
Share-based remuneration payments		-	-	(1,157)	-	-	(189)	4,169	-	2,823	282	**3,105**
Other changes		-	-	-	160	-	1	-	-	161	(50)	**111**
Balance at 30 June 2020	**8**	**1,270,287**	**1,491,280**	**194,452**	**2,474,292**	**(11,690)**	**9,327**	**(3,392)**	**(26,392)**	**5,398,164**	**1,383,401**	**6,781,565**

The accompanying Notes 1 to 17 are an integral part of the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2020.

INMOBILIARIA COLONIAL, SOCIMI, S.A. AND SUBSIDIARIES
(COLONIAL GROUP)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE
SIX-MONTH PERIOD ENDED 30 JUNE 2020

(Thousands of Euros)

	Note	June 2020	June 2019
CASH FLOWS FROM CONTINUING OPERATIONS			
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit from operations		139,029	133,105
Adjustments to profit			
Depreciation and amortisation (+)		3,020	3,298
Net change in provisions (+/-)		(617)	(4,982)
Other		(3,142)	1,857
Gains/(losses) on disposal of investment property (+/-)		(1,752)	986
Adjusted profit		136,538	134,264
Taxes paid (-)		(1,540)	8,963
Interest received (+)		1,116	858
Increase/(decrease) in current assets and liabilities			
Inventories (+/-)		(1,645)	(285)
Increase/(decrease) in receivables (+/-)		(16,770)	(9,481)
Increase/(decrease) in payables (+/-)		8,617	(5,523)
Increase/(decrease) in other assets and liabilities (+/-)		(14,981)	1,162
Total net cash flows from operating activities		**111,335**	**129,958**
2. CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in (-)			
Intangible assets		(1,617)	(2,620)
Property, plant and equipment	4	(5,830)	(6,767)
Investment property	5	(69,171)	(47,329)
Non-current financial assets and other		2,837	(28,094)
		(73,781)	(84,810)
Disposals of (+)			
Investment property	5	8,987	11,850
Non-current assets held for sale	7	3,939	-
		12,926	11,850
Total net cash flows from investing activities		**(60,855)**	**(72,960)**
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid (-)	8	(33,267)	(30,744)
Repayment of bank borrowings (-)	9	(1,040)	(309,771)
Repayment of debts with bondholders (-)	9	(307,500)	-
Interest paid (+/-)		(47,502)	(40,585)
Redemption of derivative financial instruments (-)	10	(3,081)	(6,008)
Treasury share transactions (+/-)	8	(1,382)	(14)
		(393,772)	(387,122)
New bank borrowings obtained (+)	9	400,000	75,000
New bondholder borrowings obtained (+)	9	500,000	515,600
Other proceeds/(payments) on current financial investments and other (+/-)		(9)	1,016
		899,991	591,616
Total net cash flows from financing activities		**506,219**	**204,494**
4. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS			
Cash flows from continuing operations		**556,699**	**261,492**
Cash and cash equivalents at the beginning of the period from continuing operations	**9**	**216,781**	**68,293**
Cash and cash equivalents at the end of the period	**9**	**773,480**	**329,785**

The accompanying Notes 1 to 17 are an integral part of the condensed consolidated statement of cash flows for the six-month period ended 30 June 2020.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries

Explanatory notes to the condensed interim consolidated financial statements for the six-month period ended 30 June 2020

1. Introduction, basis of presentation of condensed interim consolidated financial statements and other information

a) Introduction

Inmobiliaria Colonial, S.A. is a public limited company incorporated in Spain, for an indefinite period, on 8 November 1956. Its registered offices are at Paseo de la Castellana, 52, Madrid.

On 29 June 2017, the shareholders at the parent Company's Annual General Meeting resolved to adopt the SOCIMI (hereinafter, REIT) Tax Regime and to make the corresponding bylaw amendments to bring the Company Bylaws into line with the requirements stipulated in this regime, which included changing the corporate name to Inmobiliaria Colonial, SOCIMI, S.A.

On 30 June 2017, the parent Company submitted a request to the tax authorities to be included in the REIT Tax Regime, applicable as of 1 January 2017.

The parent Company's purpose, as set out in its bylaws, 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, the Parent maintains the credit rating obtained from Standard & Poor’s Rating Credit Market Services Europe Limited at “BBB+” long-term credit rating and an “A-2” short-term credit rating, both with a stable outlook. In addition, the Parent retains the rating obtained from Moody's "Baa2" with a stable outlook. In 2020, the subsidiary SFL 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.

The Group’s consolidated financial statements for 2019 were approved by the shareholders at the Parent’s Annual General Meeting held on 30 June 2020.

b) Basis of presentation of the condensed consolidated interim financial statements

In accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, all companies governed by the laws of a Member State of the European Union and whose securities are traded on a regulated market in any European Union country must file consolidated financial statements for periods beginning on or after 1 January 2005 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Group’s 2019 consolidated financial statements were prepared by the Parent’s directors in accordance with the International Financial Reporting Standards as adopted by the European Union, applying the consolidation, accounting and measurement principles, policies and bases set forth in Note 4 to said consolidated financial statements in order to present a true and fair view of the Group’s consolidated equity and consolidated financial position at 31 December 2019 and the consolidated results of its operations, changes in consolidated equity and the consolidated cash flows in the year then ended.

These condensed consolidated interim financial statements for the six month-period ended 30 June 2020 are presented in accordance with IAS 34 Interim Financial Reporting, and were authorised for issue by the Parent's directors on 29 July 2020 in accordance with Article 12 of Spanish Royal Decree 1362/2007.

In accordance with IAS 34, the interim financial report is intended to provide an update on the latest complete set of the Group’s annual consolidated financial statements, focusing on new activities, events and circumstances that took place during the six months and not duplicating information previously reported in the 2019 consolidated financial statements. Accordingly, for a proper understanding of the information included in these condensed consolidated interim financial statements, they must be read in conjunction with the Group's consolidated financial statements for 2019.

The accounting policies and methods used in preparing these condensed consolidated interim financial statements are the same as those applied in the consolidated financial statements for 2019.

However, since the accounting policies and measurement bases used in preparing the Group's consolidated interim financial statements for the six-month period ended 30 June 2020 may differ from those used by certain Group entities, the required adjustments and reclassifications were made on consolidation to unify such policies and bases and to make them compliant with IFRS and with the accounting policies and standards followed by the Parent.

The SFL Group, included in the scope of consolidation, was the subject of a limited review at 30 June 2020 on a shared basis between the Group's auditor, Deloitte & Associés and PriceWaterhouseCoopers Audit.

Standards and interpretations effective this year

New accounting standards became effective during the six-month period ended 30 June 2020, and were applied accordingly in preparing these condensed consolidated interim financial statements. These new standards are as follows:

- IAS 1 (Amendment) and IAS 8 (Amendment) “Definition of material” These amendments clarify the definition of “material”, while also introducing the concept of “obscuring” information, in addition to omitted or imprecise items that could be reasonably expected to influence users' decisions. These amendments make IFRSs more consistent, but are not expected to have a significant impact on the preparation of the financial statements.

- IFRS 9 (Amendment), IFRS 7 (Amendment) and IAS 39 (Amendment) “Interest Rate Benchmark Reform”: These amendments provide certain exemptions from the interest rate benchmark reform (IBOR). The exemptions relate to hedge accounting and have the effect that the IBOR reform generally should not cause the cessation of hedge accounting. However, any hedge ineffectiveness should continue to be recorded in the income statement.

- IFRS 3 (Amendment), “Definition of a business”: These changes will help to determine whether this is an acquisition of a business or a group of assets. The amended definition emphasises that the product of a business is to provide goods and services to customers, whereas the previous definition focused on providing profitability in the form of dividends, lower costs or other economic benefits to investors and others. In addition to rewording the definition, additional guidance has been provided. To be considered a business, an acquisition would have to include an input and a process that together contribute significantly to the ability to create products. The new guidelines provide a framework for assessing when both elements are present (even for early-stage companies that have not generated products). To be a business without results, it will now be necessary to have organised labour. These amendments will apply to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions occurring on or after the beginning of that period.

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

Standards and interpretations issued but not yet effective

At the signing date of these condensed consolidated interim financial statements, the following standards, modification and interpretations had been issued by the IASB but had not become effective, either because they came into effect after the date of the condensed consolidated interim financial statements or because they had yet to be adopted by the European Union:

- IFRS 10 (Amendment) and IAS 28 (Amendment), "Sales or contributions of assets between an investor and its associate/joint venture": These amendments clarify the accounting treatment of sales and contributions of assets between an investor and its associates and joint ventures that will depend on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business". The investor will recognise the full gain or loss when the non-monetary assets constitute a "business". If the assets do not meet the definition of a business, the investor recognises the gain or loss to the extent of other investors' interests. The amendments will only apply when an investor sells or contributes assets to an associate or joint venture.

  Originally, these amendments to IFRS 10 and IAS 28 were prospective and effective for annual periods beginning on or after 1 January 2016. However, at the end of 2015, the IASB took the decision to postpone the effective date of these transactions (without setting a new specific date), as it is planning a broader review that could result in simplifying the accounting for these transactions and other aspects of accounting for associates and joint ventures.

- IFRS 17, "Insurance contracts": In May 2017, the IASB completed its long-term project to develop an accounting standard for insurance contracts and published IFRS 17, "Insurance Contracts". IFRS 17 replaces IFRS 4 "Insurance Contracts", which currently allows a wide variety of accounting practices. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

  The standard will apply for annual periods beginning on or after 1 January 2021, with early application permitted if IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" are also applied. IFRS 17 is pending approval by the European Union.

- IAS 1 (Amendment) "Classification of liabilities as current or non-current": These amendments clarify that liabilities are classified as current or non-current depending on the rights that exist at the end of the reporting period. The classification is not affected by the entity's expectations or events after the end of the period (e.g. receipt of a waiver or breach of the covenant). The amendment also clarifies what IAS 1 means when it refers to the "settlement" of a liability. The effective date of these amendments is 1 January 2022, although early adoption is permitted.

- IAS 16 (Amendment) "Property, plant and equipment - Proceeds before intended use": It is prohibited to deduct from the cost of an item of property, plant and equipment any proceeds from the sale of items produced while the entity is preparing the asset for its intended use. Proceeds from the sale of such samples, together with production costs, are now recognised in income. The amendment also clarifies that an entity is testing whether the asset is functioning properly when assessing the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Therefore, an asset may be capable of operating as intended by management and be subject to depreciation before it has reached the level of operating performance expected by management. The effective date of these amendments is 1 January 2022.

- IAS 37 (Amendment) "Onerous contracts - Cost of fulfilling a contract": The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract and an allocation of other costs that are directly related to fulfilment of contracts. It also clarifies that before making a separate provision for an onerous contract, an entity shall recognise any impairment loss that has occurred on assets used to fulfil the contract, rather than on the assets dedicated to that contract. The effective date of these amendments is 1 January 2022.

- IFRS 3 (Amendment) "Reference to the Conceptual Framework": IFRS 3 has been updated to refer to the 2018 Framework to determine what constitutes an asset or a liability in a business combination (previously, reference was made to the 2001 Conceptual Framework). In addition, a new exception has been added in IFRS 3 for liabilities and contingent liabilities. The effective date of these amendments is 1 January 2022.

- Annual improvements to IFRS. 2018-2020 cycle: The amendments affect IFRS 1, IFRS 9, IFRS 16 and IAS 41 and apply to annual periods beginning on or after 1 January 2022. The main changes are:

    - 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": This amendment removes the requirement to exclude tax cash flows when measuring fair value under IAS 41.

As indicated in Note 2-b of the consolidated financial statements of the year ended 31 December 2019, the application of new standards, amendments and interpretations will be considered by the Group once they have been ratified and adopted, where appropriate, by the European Union.

The Parent's directors have reviewed the potential impacts of the future application of these standards and consider that, as noted in the 2019 financial statements, their entry into force will not have a material effect on the Group's consolidated financial statements.

In addition, the IASB has published an amendment to IFRS 16 "Leases" that provides an optional practical exemption for lessees in assessing whether a rent concession related to Covid-19 is a lease modification. Lessees may choose to account for such rent concessions in the same manner as they would if they were not lease modifications. In many cases, this will result in the accounting of the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The amendment does not provide the same facility for lessors, who have to apply the current requirements of IFRS 16 and consider whether or not there has been a modification to the relevant lease. The rebates granted by the Group were not material (see Note 13-a).

c) Responsibility for the information and estimates made

The information contained in these condensed consolidated interim financial statements for the first half of the year 2020 is the responsibility of the Directors of the Parent Company, who have verified that the various controls established to ensure the quality of the financial and accounting information they prepare have functioned effectively.

The consolidated results and the determination of consolidated equity are sensitive to the accounting principles and policies, valuation criteria and estimates followed by the Directors of the Parent Company in preparing the condensed consolidated interim financial statements. The main accounting principles and policies and measurement bases are indicated in Note 4 to the consolidated financial statements for 2019, except for the information contained in Note 1-b above on "Standards and Interpretations Effective this Year".

In preparing the condensed consolidated interim financial statements, estimates were occasionally used by the Parent Company's directors and from the consolidated entities in order to measure certain assets, liabilities, income, expenses and obligations reported herein. Basically, these estimates, made on the basis of the best available information, relate to the following aspects:

- Market value of investment property (Note 5) The market value was obtained from the appraisals periodically made by independent experts. These valuations were performed at 30 June 2020 in accordance with the methods described in Note 5.
- The valuation of assets classified as held for sale (Note 7) and property, plant and equipment for own use.
- Estimation of the appropriate provisions for impairment losses on bad debts (Note 6).
- The recovery of tax loss carryforwards and deferred tax assets recognised in the condensed consolidated statement of financial position (Note 12).
- The market value of certain financial assets, including derivative financial instruments.
- Evaluation of lawsuits, obligations and contingent assets and liabilities at year-end.

Although these estimates were made on the basis of the best available information at this date on the facts analysed, 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, in accordance with IAS 8, and would be recognised in the consolidated statement of comprehensive income.

In the six-month period ended on 30 June 2020, there were no significant changes in the estimates made at year-end 2019.

d) Comparison of information

The information contained in these condensed consolidated interim financial statements for the first half of 2020 is presented for comparison purposes with the information relating to the six-month period ended 30 June 2019 for the consolidated statement of income, statement of comprehensive income and statement of cash flows, and is compared with the information relating to the end of 2019 for the consolidated statement of financial position and statement of changes in equity.

e) Seasonality of the Group's transactions

In view of the business activities of the Group companies, the Group's transactions are not of a significant cyclical or seasonal nature. For this reason, no specific breakdowns are included in the explanatory notes to the condensed consolidated interim financial statements for the six-month period ended 30 June 2020

f) Materiality

In determining the information to be disclosed in the notes to the financial statements on the different items or other matters, the Group, in accordance with IAS 34, has taken into account materiality in relation to the condensed consolidated financial statements for the six-month period.

g) Subsequent events

On 1 July 2020, the purchase options granted in 2019 on five logistics assets were exercised. The exercise price of these options amounted to 110,890 thousand euros, although the Parent had already received 11,089 thousand euros as an advance in 2019, which was recognised under "Trade and other payables" in the condensed consolidated statement of financial position. The guarantees given to the buyer as security for the advances received have been recovered.

On 2 July 2020, the Parent subscribed the capital increase carried out by the Spanish company Wittywood, S.L. and now holds 50% of the share capital of this company. Wittywood, S.L. is the owner of a plot of land in 22@ on which it plans to develop an office building built with wood.

No significant events occurred subsequent to the reporting date.

h) Covid-19 health crisis

The Covid-19 pandemic has affected and continues to significantly affect both our domestic and global markets. Likewise, its impact on the Colonial Group'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 during the financial year 2020 and a significant drop in GDP in Europe and, in particular, in the markets in which the Colonial Group operates: Spain and France.

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.

The capital markets in turn reacted in mid-March with a sharp correction, with high volatility derived mainly from the current reduced visibility on the short and medium term termination of this crisis.

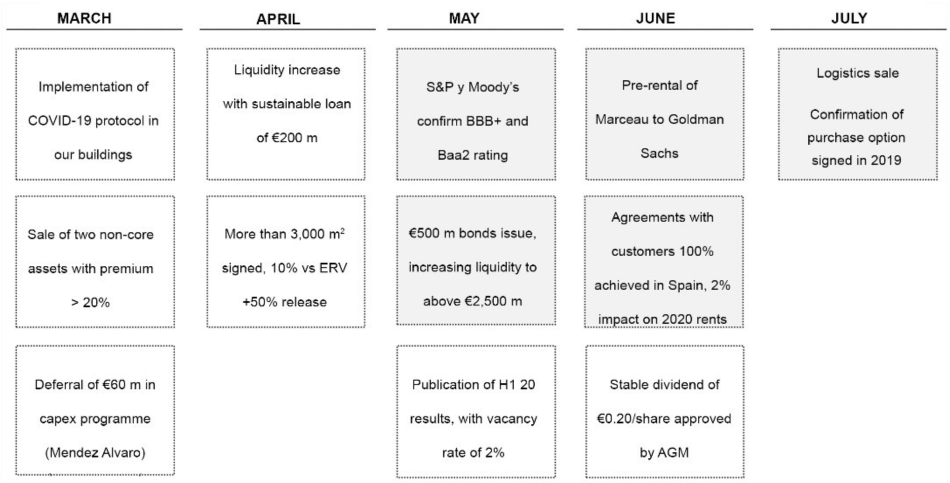
In this context, Grupo Colonial's priority has been to ensure the health and safety of our teams, as well as the continuity of our activity and services for our customers. To date, the spread of the coronavirus has not had a significant impact on our employees or management team.

Our activity remains stable and the first half results reflect the strength of the Colonial Group's portfolio and the resilience of its business model.

Sensitive to the situation of its customers, and especially those in sectors most affected by the prohibition on their activities, Colonial Group is engaged in individualised conversations to meet all their needs. In this regard, the Group's sales team has analysed and negotiated deferral systems or, on an exceptional basis, rent payment credits with a special focus on companies that are in financial difficulties as a result of and within the framework of the prohibition on carrying out their activities in the commercial or leisure sector.

At the present time, the estimated impact of these negotiations amounts to 2% of the revenue for the condensed consolidated income statement for 2020. This estimate is the result of the combination of assets and customers of the Colonial Group, where the retail sector represents a minority, with large companies being the Group's main customers.

Since the beginning of the crisis, Colonial's management team has carried out a series of measures to strengthen the Group's position in the face of a complex scenario, particularly the following:



The Colonial Group's financial situation is sound, with its Investment Grade rating confirmed at the end of April 2020, taking into account the current conditions of both the Group and the overall environment, and this is reflected in the following aggregate figures:

1) Group Loan-to-Value of 36.6%

2) Liquidity of more than 2,488,480 thousand euros, making it possible to cover more than six times the maturity of the debt drawn down for 2020 and 2021 (assuming the non-renewal of short-term promissory notes).

Lastly, the location of the Group's assets, the diversification of its client portfolio and its financial position enable the Colonial Group to face this crisis from a solid position. It is still premature to estimate what the final impact of the Covid-19 pandemic could be on the Group's future results.

2. Changes in the composition of the Group

In the first six months of 2020 there were no changes in the Group's scope of consolidation.

The changes in the scope of consolidation for 2019 can be found in Note 2-f to the consolidated financial statements for the year ended 31 December 2019. Also, the Appendix to the consolidated financial statements for the year ended 31 December 2019 provides relevant information on the Group companies that were consolidated at that date.

3. Earnings per share in ordinary activities

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

	Thousands of euros	
	30 June 2020	30 June 2019
Consolidated profit for the year attributable to shareholders of the Parent:	(26,392)	337,669
	No. of shares	No. of shares
Weighted average number of ordinary shares (in thousands)	507,617	507,511
	Euros	Euros
Basic earnings per share:	(0.05)	0.67
Diluted earnings per share:	(0.05)	0.67

4. Property, plant and equipment

The changes in this caption of non-current assets of the condensed consolidated statement of financial position have been the following:

	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	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	4,290	1,542	5,832
Depreciation charge	(688)	(728)	(1,416)
Disposals	(89)	(33)	(122)
Impairment (Note 13-c)	909	-	909
Balance at 30 June 2020	**48,723**	**7,380**	**56,103**
Acquisition cost	*55,453*	*16,876*	*72,329*
Accumulated depreciation and amortisation	*(5,549)*	*(9,496)*	*(15,045)*
Accumulated impairment	*(1,181)*	-	*(1,181)*

At 30 June 2020 and 2019, it was necessary to recognise a reversal of the impairment of assets (Note 13-c) amounting to 909 and 664 thousand euros, respectively, determined on the basis of valuations by independent experts.

Lastly, in the first half of 2020 there were disposals due to replacement for a total amount of 122 thousand euros (2019: 94 thousand euros).

5. Investment property

The changes in this caption of non-current assets of the condensed consolidated statement of financial position have been the following:

	Thousands of euros			
	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	(641)	(17,321)	-	(17,962)
Transfers	(567,859)	203,250	-	(364,609)
Changes in value	831,407	11,250	-	842,657
Balance at 31 December 2019	**10,915,600**	**880,517**	**1,000**	**11,797,117**
Additions	24,876	48,548	-	73,424
Disposals (Note 13-b)	(8,226)	-	(500)	(8,726)
Transfers	68,883	(68,883)	-	-
Changes in value (Note 13-c)	(84,809)	(22,427)	-	(107,236)
Balance at 30 June 2020	**10,916,324**	**837,755**	**500**	**11,754,579**

In the first half of 2020 the Parent acquired a floor of a building in Madrid for 5,084 thousand euros, including acquisition costs, of which 500 thousand euros had already been received as an advance in prior years.

The other additions in the first half of 2020 related to investments in property assets, both in development and in operation, amounting to 68,340 thousand euros, including 4,664 thousand euros of capitalised finance costs.

Disposals in the first half of 2020, totalling 9,800 thousand euros, gave rise to a gain of 947 thousand euros, including indirect costs of sale (Note 13-b). The main transactions were sale of a hotel in Mojácar and a flat in Madrid. In addition, in the first half of 2020 there were disposals due to replacement for a total amount of 186 thousand euros.

a) Changes in fair value of investment property

"Changes in value of investment property" in the condensed consolidated income statement includes the investment property revaluation losses for the six-month period ended 30 June 2020 amounting to 107,236 thousand euros (Note 13-c), based on the valuations made by independent experts at 30 June 2020.

In accordance with IAS 40, the Group calculates the fair value of its investment property on a regular basis. 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. 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, except as described below.

The outbreak of the new coronavirus (Covid-19), declared a "global pandemic" by the WHO on 11 March 2020, has impacted the global financial markets. Market activity has been affected, so appraisers consider that they cannot base their opinion of value on market and comparable evidence prior to this situation. Appraisers state that they are faced with an unprecedented situation on which to base their opinion, which is why their valuation is subject to substantial valuation uncertainty in accordance with the VPS 3 and VPGA 10 of the RICS Global Valuation Standards, which state that, with less certainty, a higher degree of valuation caution should be taken into account than under normal conditions. Appraisers emphasise that the inclusion of the valuation uncertainty clause does not mean that the valuation cannot be relied upon, but rather that it is included to ensure transparency that, in these extraordinary circumstances, the valuation has less certainty than it would normally have. The valuation uncertainty clause is included as a precautionary step and does not negate the credibility of the valuation.

At 30 June 2020, the Group's valuations have been updated on the basis of the contract portfolio to date and the new yields. The breakdown of the change in yields is shown in the table below:

Yields (%) – Offices	30 June 2020	31 December 2019
Barcelona – Prime Yield		
Portfolio in operation	4.39	4.35
Total portfolio	4.41	4.37
Madrid – Prime Yield		
Portfolio in operation	4.25	4.27
Total portfolio	4.28	4.30
Paris – Prime Yield		
Portfolio in operation	3.19	3.14
Total portfolio	3.09	3.02

A change of one-quarter of one point in yields would have the following impact on the valuations used by the Group at 30 June 2020 and 31 December 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
June 2020	12,163,824	889,039	(763,914)
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 statement of financial position where the valued assets are recognised, is as follows:

	Thousands of euros	
	30 June 2020	31 December 2019
Headings of the consolidated statement of financial position -		
Property, plant and equipment - Own use	37,607	36,973
Investment property (Note 5)	11,754,079	11,796,117
Inventories	50,048	48,196
Assets classified as held for sale (Note 7)	173,156	176,434
Trade and other receivables – Lease incentives (Note 6)	92,063	86,733
Intangible assets - Lease rights acquired	2,196	3,994
Total headings of the consolidated statement of financial position	**12,109,149**	**12,148,447**
Unrealised gains on assets recognised under IAS 16	35,888	37,726
Unrealised gains on other assets	12,787	4,256
Outstanding payments	6,000	6,000
Measurement	**12,163,824**	**12,196,429**

Although the sensitivity of other key variables was considered, such analysis was not carried out given that reasonable changes that could arise would not lead to a material change in the fair value of the assets.

b) Other information

At 30 June 2020, the Group has pledged assets as collateral for mortgage loans with a carrying amount of 1,157,917 thousand euros to secure debts amounting to 273,820 thousand euros (Note 9-g). At 31 December 2019, the above amounts amounted to 1,189,474 thousand euros and 274,860 thousand euros, respectively.

6. Trade and other receivables

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

	Thousands of euros	
	30 June 2020	31 December 2019
Trade receivables for sales and services	41,348	14,403
Trade receivables for sale of properties	48	14,070
Accrual of lease incentives	92,063	86,733
Other receivables	90,832	91,034
Other current assets	3,674	318
Impairment of receivables -		
- Trade receivables for sales and services	(4,221)	(3,990)
- Other receivables	(85,473)	(85,473)
Total trade and other receivables	**138,271**	**117,095**

a) Trade receivables for sales and services

This item mainly includes amounts receivable from customers mainly of the Group's rentals business in France, with monthly, quarterly or annual billing periods, with no significant overdue balances.

In the context of the Covid-19 pandemic, the Group has granted payment facilities to some of its customers, deferring payment of the leases. The total amount of the amounts deferred by the Group is approximately 10 million euros, of which 3 million euros is in Spain.

b) Trade receivables for sale of properties

In the first half of 2020 the Parent collected 13,750 thousand euros, which was secured by the purchasers through the arrangement of a first-ranking mortgage on the property sold in favour of the Parent. With the collection of the deferred amount the mortgage has been cancelled.

c) Impairment of receivables

Given the composition of the Colonial Group's lessee portfolio, which is made up of companies of recognised 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 Colonial Group has estimated that the expected impairment of these financial assets is immaterial.

However, the Group companies analyse customer balances for sales and services on an individual basis and record the related impairment losses for an amount equal to the expected credit losses. In the context of the Covid-19 pandemic, the Group did not record a significant increase in the amount of impairment losses on loans.

7. Assets classified as held for sale

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

	Thousands of euros
	Investment property
Balance at 31 December 2018	**26,091**
Transfers	364,609
Disposals	(245,308)
Value variation	31,042
Balance at 31 December 2019	**176,434**
Additions	236
Disposals (Note 13-b)	(3,500)
Value variation (Note 13-c)	(14)
Balance at 30 June 2020	**173,156**

In January 2020, the Parent sold an asset located in Madrid for 4,000 thousand euros, generating a net gain of 805 thousand euros, taking into account the indirect costs of the sale (Note 13-b).

"Changes in fair value of investment property" in the condensed consolidated income statement includes the revaluation losses on investment property reclassified to "Assets classified as held for sale" for the six-month period ended 30 June 2020, amounting to 14 thousand euros (Note 13-c).

8. Equity

a) Share capital

At both 30 June 2020 and 31 December 2019, the share capital 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 30 June 2020 and 31 December 2019 are as follows:

	30 June 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 both 30 June 2020 and 31 December 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.

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.

b) Share premium

On 30 June 2020, the Annual General Meeting agreed to the distribution of dividends charged to the share premium in the amount of 22,469 thousand euros.

c) Legal reserve

At 30 June 2020, taking into account the allocation to the legal reserve of 8,787 thousand euros included in the distribution of the Parent's profit for 2019, approved by the shareholders at the Annual General Meeting on 30 June 2020, the legal reserve amounted to 54,767 thousand euros (31 December 2019: 45,980 thousand euros).

d) Other reserves of the Parent

In the first six months of 2020, the income generated from the delivery of treasury shares to the beneficiaries of the long-term incentives plan, calculated as the difference between the carrying amount of the shares delivered and the amount of the obligation assumed by the Parent Company, which amounted to a loss of 1,157 thousand euros in the first half of 2020 (loss of 1,131 thousand euros in 2019) was also recognised in the Company's reserves.

In the first half of 2020 and 2019, there were no transactions involving the Parent's own shares other than those mentioned in the preceding paragraph.

At 30 June 2020, the Parent had 169,439 thousand euros of restricted reserves.

e) Valuation adjustments recognised in other consolidated comprehensive income – financial instruments

This heading in the consolidated statement of financial position includes the net amount of the changes in fair value of the financial derivatives designated as hedging instruments in cash flow hedges (see Note 10).

The changes in this heading are shown in the table below:

	Thousands of euros	
	30 June 2020	31 December 2019
Beginning balance	22,403	(2,078)
Changes in the fair value of hedges in the year	(35,636)	22,335
Transfers to consolidated net profit	1,543	2,146
Ending balance	**(11,690)**	**22,403**

In the first half of 2020, the Parent company took out various financial hedging instruments (Note 10). In addition, the Parent company and SFL each cancelled a derivative (Note 10).

f) Treasury shares of the Parent

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

	30 June 2020		31 December 2019	
	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
Delivery of incentives plan shares	(395,116)	(4,169)	(493,894)	(2,822)
Other acquisitions	176,860	1,372	-	-
Ending balance	**131,110**	**1,504**	**349,366**	**4,301**

Deliveries of Parent company 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.

g) 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 treasury shares under liquidity contracts and their acquisition cost were as follows:

	30 June 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	-	10	-	20
Ending balance	**229,500**	**1,888**	**229,500**	**1,878**

h) Non-controlling interests

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

	Thousands of euros				
	Torre Marenostrum, S.L.	Inmocol Torre Europa, S.A.	Utopicus	SFL subgroup	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	(26,726)	-	544	-	(26,182)
Financial instruments	(164)	-	-	1,042	878
Balance at 31 December 2019	**-**	**12,610**	**575**	**1,388,714**	**1,401,899**
Profit/(loss) for the year	-	(1,105)	(122)	16,620	15,393
Dividends and other	-	-	-	(33,035)	(33,035)
Financial instruments	-	-	-	(856)	(856)
Balance at 30 June 2020	**-**	**11,505**	**453**	**1,371,443**	**1,383,401**

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

	Thousands of euros	
	30 June 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	232	1,841
Total	**(33,035)**	**(28,903)**

9. Bank borrowings and other financial liabilities

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

30 June 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	2,080	2,080	193,960	75,700	125,000	-	396,740	398,820
Syndicated loans	-	200,000	-	200,000	-	-	400,000	400,000
Interest	1,108	-	-	-	-	-	-	1,108
Debt arrangement costs	(2,660)	(2,468)	(1,469)	(923)	(139)	-	(4,999)	(7,659)
Total debts with credit institutions	528	199,612	192,491	274,777	124,861	-	791,741	792,269
Other financial liabilities:								
Current accounts	-	49,866	-	-	-	-	49,866	49,866
Current account interest	32	-	-	-	-	-	-	32
Other financial liabilities	2,473	-	-	-	-	-	-	2,473
Total other financial liabilities	2,505	49,866	-	-	-	-	49,866	52,371
Total debts with credit institutions and other financial liabilities	**3,033**	**249,478**	**192,491**	**274,777**	**124,861**	**-**	**841,607**	**844,640**
Issue of debentures and similar securities:								
Issue of bonds and promissory notes	318,500	350,000	850,000	-	600,000	2,500,000	4,300,000	4,618,500
Interest	29,385	-	-	-	-	-	-	29,385
Debt arrangement costs	(5,193)	(5,013)	(4,655)	(4,104)	(3,362)	(2,856)	(19,990)	(25,183)
Total issue of debentures and similar securities	**342,692**	**344,987**	**845,345**	**(4,104)**	**596,638**	**2,497,144**	**4,280,010**	**4,622,702**
Total	**345,725**	**594,465**	**1,037,836**	**270,673**	**721,499**	**2,497,144**	**5,121,617**	**5,467,342**

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:								
Préstamos	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:								
Issue of bonds and promissory notes	626,000	350,000	350,000	500,000	600,000	2,000,000	3,800,000	4,426,000
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	**647,726**	**345,458**	**345,780**	**496,328**	**596,697**	**1,997,179**	**3,781,442**	**4,429,168**
Total	**650,973**	**395,225**	**539,162**	**570,801**	**721,433**	**1,997,179**	**4,223,800**	**4,874,773**

The changes in net financial debt during the first half of 2020, arising from cash flows and others, are presented in the following table:

	Thousands of euros		
	31 December 2019	Cash flows	30 June 2020
Préstamos	399,860	(1,040)	398,820
Syndicated loans	-	400,000	400,000
Issue of promissory notes	626,000	(307,500)	318,500
Issuing bonds	3,800,000	500,000	4,300,000
Gross financial debt (nominal gross debt)	**4,825,860**	**591,460**	**5,417,320**
Cash and cash equivalents	(216,781)	(556,699)	(773,480)
Net financial debt	**4,609,079**	**34,761**	**4,643,840**

a) Issues of standard debentures by the parent company

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	30 June 2020	31 December 2019
05/06/2015	8 years	05/06/2023	2.728%	500,000	500,000	500,000
28/10/2016	8 years	28/10/2024	1.450%	600,000	600,000	600,000
10/11/2016	10 years	10/11/2026	1.875%	50,000	50,000	50,000
28/11/2017	8 years	28/11/2025	1.625%	500,000	500,000	500,000
28/11/2017	12 years	28/11/2029	2.500%	300,000	300,000	300,000
17/04/2018	8 years	17/04/2026	2.000%	650,000	650,000	650,000
Total issues					**2,600,000**	**2,600,000**

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

At 30 June 2020 and 31 December 2019, the fair value of the bonds issued by the parent company is 2,646,594 and 2,784,774 thousand euros, respectively.

Compliance with financial ratios -

The standard debentures currently in force establish the need for compliance, at 30 June and 31 December of each year, of a financial ratio by virtue of which the value of the Colonial Group's unsecured assets in the consolidated statement of financial position on each of the dates will have to be at least equal to the unsecured financial debt. At 30 June 2020 and 31 December 2019, the aforementioned ratio has been met.

b) Issuance of standard debentures by SFL

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	30 June 2020	31 December 2019
20/11/2014	7 years	26/11/2021	1.875%	500,000	350,000	350,000
16/11/2015	7 years	16/11/2022	2.250%	500,000	350,000	350,000
29/05/2018	7 years	29/05/2025	1.500%	500,000	500,000	500,000
05/06/2020	7 years	05/06/2027	1.500%	500,000	500,000	-
Total issues					**1,700,000**	**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 bonds issue amounting to 500,000 thousand euros, with a coupon of 1.500% and maturing in June 2027 (seven years).

At 30 June 2020 and 31 December 2019, the fair value of the bonds issued by the SFL is 1,747,736 and 1,254,542 thousand euros, respectively.

c) Issue of promissory notes by the parent company

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. The amount of current issues at 30 June 2020 was 70,000 thousand euros (31 December 2019: 239,500 thousand euros).

d) Issuing promissory notes by SFL

In September 2018, the subsidiary company SFL, registered a short-term promissory note issuance program (NEU CP) for a maximum amount of 500,000 thousand euros, with the current issues at 30 June 2020 amounting to 248,500 thousand euros (31 December 2019: 386,500 thousand euros).

e) Syndicated financing of the parent company

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

Thousands of euros	Maturity	30 June 2020		31 December 2019	
		Limit	Nominal Drawn	Limit	Nominal Drawn
Credit policy	December 2023	500,000	200,000	500,000	-
Credit policy	March 2022	375,000	-	375,000	-
Sustainable loan	April 2022	200,000	200,000	-	-
Total parent company syndicated financing		**1,075,000**	**400,000**	**875,000**	**-**

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

In April the Parent signed a new sustainable loan amounting to 200,000 thousand euros and maturing in 2022 with a group of banks whose agent bank is Caixabank. The margin of the sustainable loan is linked to the rating obtained by the parent company from the GRESB sustainability agency.

Compliance with financial ratios -

At 30 June 2020 and 31 December 2019, the parent company is compliant with all the financial ratios provided in its financing contracts.

f) SFL syndicated financing

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

Thousands of euros	Maturity	30 June 2020		31 December 2019	
		Limit	Nominal Drawn	Limit	Nominal Drawn
Credit policy	June 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 30 June 2020 and 31 December 2019, SFL is compliant with financial ratios provided in its respective financing contracts.

g) Secured mortgage loans

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

	Thousands of euros			
	30 June 2020		31 December 2019	
	Mortgage debt	Asset market value	Mortgage debt	Asset market value
Investment property (Note 5)	273,820	1,166,405	274,860	1,194,435
Total secured mortgage loans	**273,820**	**1,166,405**	**274,860**	**1,194,435**

Out of the total mortgage debt, the SFL subgroup holds fixed-rate mortgage debt at 30 June 2020 and 31 December 2019 for 198,120 and 199,160 thousand euros, respectively. The rest relates to a mortgage loan of the Parent company for an amount of 75,700 thousand euros, is considered a "sustainable loan" since its margin will vary according to the rating that the parent company obtains in ESG (environment, social and corporate governance) by the GRESB sustainability agency.

Compliance with financial ratios -

The Group's secured mortgage loans are subject to compliance with various financial ratios. At 30 June 2020 and 31 December 2019, the Group is compliant with financial ratios required in its respective mortgage financing contracts.

h) 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	30 June 2020		31 December 2019	
			Limit	Nominal Drawn	Limit	Nominal Drawn
BECM	SFL	July 2023	150,000	-	150,000	-
BNP Paribas	SFL	May 2025	150,000	-	100,000	-
CADIF	SFL	June 2023	175,000	-	175,000	-
Banque Postale	SFL	June 2024	75,000	-	75,000	-
Société Générale	SFL	October 2024	100,000	-	100,000	-
Bankinter	Colonial	July 2024	50,000	50,000	50,000	50,000
CaixaBank	Colonial	July 2024	75,000	75,000	75,000	75,000
Total other loans			**775,000**	**125,000**	**725,000**	**125,000**

In May 2020, the subsidiary SFL formalised the refinancing of the credit line with BNPP Paribas, increasing the nominal amount to 150,000 thousand euros and extending its maturity until May 2025.

Compliance with financial ratios -

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

At 30 June 2020 and 31 December 2019, the parent company and the subsidiary SFL were compliant with the financial ratios provided in their respective financing contracts.

i) Other financial liabilities - Current accounts

At 30 June 2020 and 31 December 2019, the subsidiary company SCI Washington holds a current account of 49,866 thousand euros with SFL. This current account accrues an interest rate at the three-month Euribor plus an additional margin.

j) Guarantees delivered

The parent company has guarantees granted to official bodies, customers and suppliers at 30 June 2020 for 56,895 thousand euros (55,271 thousand euros at 31 December 2019). Of these, there is a guarantee amounting to 30,300 thousand euros delivered in deferred payment guarantee derived from a real estate investment purchase operation during 2019.

Additionally, various guarantees were set up for 18,259 thousand euros in guarantee of various commitments acquired by the parent company for the amounts received in relation to an operation to sell several real estate investments (Note 7).

Of the remaining amount, the main guarantee granted is 4,804 thousand euros, corresponding to commitments acquired by the company Asentia. In this regard, the parent company and the aforementioned company have signed an agreement whereby, if any of the guarantees are executed, Asentia must compensate the parent company for any loss incurred within a maximum period of 15 days.

k) Cash and cash equivalents

At 30 June 2020 and 31 December 2019, said heading includes cash and cash equivalents amounting to 773,480 and 216,781 thousand euros, respectively, 1,777 thousand euros of which are restricted or were pledged.

l) Debt arrangement costs

During the first half of 2020 and 2019, the Group recorded 1,631 and 1,562 thousand euros in the condensed consolidated income statement, respectively, corresponding to the amortised costs during the year (Note 13-d).

m) Financing interest

The average interest rate of the Group in the first half of 2020 was 1.80% (1.75% in 2019) or 2.08% incorporating the accrual of commissions (2.02% in 2019). The average interest rate of the Group's debt in effect at 30 June 2020 (spot) is 1.69% (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	
	30 June 2020	31 December 2019
Obligations	29,385	26,302
Bank borrowings	1,108	895
Other financial liabilities - Current accounts	32	23
Total	30,525	27,220

n) Capital management and risk management policy

The basic risks to which the Group is exposed and the risk management policies are detailed in the financial statements for the year ended 31 December 2019 and are reproduced in the directors' report that forms part of these interim financial statements.

10. 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	-0.7525% / 0%	2026	100,000	290
Collar	SFL	CIC	-0.25%/-0.52%	2027	100,000	461
Cash flow hedges of planned future transactions -						
Swap	SFL	CA-CIB	-0.3475%	2026	100,000	(134)
Swap	SFL	CIC	-0.4525%	2026	100,000	397
Swap	Colonial	Natwest	0.0835%	2032	350,000	(3,813)
Swap	Colonial	Natwest	0.0935%	2032	110,000	(1,297)
Swap	Colonial	CA-CIB	0.098%	2032	40,000	(231)
Swap	Colonial	Barclays	0.3515%	2033	100,000	(2,370)
Swap	Colonial	Natwest	0.346%	2033	50,000	(1,175)
Swap	Colonial	Natwest	0.348%	2033	150,000	(3,566)
Total 30 June 2020					**1,200,000**	**(11,438)**

	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	-0.7525% / 0%	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 the provisions of hedge accounting standards, whose market valuation is recorded directly in equity.

In addition, during the first half of 2020, the parent company 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 1,543 thousand euros.

The impact on the condensed consolidated income statement for posting derivative financial instruments has amounted, for the six-month period ended 30 June 2020 and 2019, to 1,618 and 3,345 thousand euros of net financial expense, respectively (Note 13-d).

a) Hedge accounting -

At 30 June 2020 and 31 December 2019, the parent company and the subsidiary SFL apply hedge accounting to various derivative financial instruments.

At 30 June 2020, the cumulative impact recognised in other consolidated comprehensive income for hedge accounting amounted to a debit balance of 11,690 thousand euros, once the tax impact and consolidation adjustments were recognised (22,403 thousand euros of credit balance at 31 December 2019).

b) 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 30 June 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 18,376 and -32,036 thousand euros, respectively.

11. Trade creditors and other liabilities

"Trade and other payables" in the condensed consolidated statement of financial position includes the dividend approved by the shareholders at the Annual General Meeting on 30 June, amounting to 101,551 thousand euros, which was paid in July 2020.

12. Tax situation

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

	Thousands of euros	
	30 June 2020	31 December 2019
Deferred tax liabilities	372,623	376,560
Non-current tax liabilities	5,169	5,141
	377,792	381,701

Deferred tax liabilities –

The details of deferred tax liabilities along with their movements are shown in the following table:

	Thousands of euros			
Deferred tax liabilities	31 December 2019	Inclusions	Write-offs	30 June 2020
Asset revaluation	371,303	(2,546)	(1,297)	367,460
Asset revaluation-Spain-	149,732	4,615	(1,297)	153,050
Asset revaluation-France-	221,571	(7,161)	-	214,410
Deferral for reinvestment	4,782	-	(93)	4,689
Other	475	-	(1)	474
	376,560	(2,546)	(1,391)	372,623

13. Income and expense

a) Revenue

Revenue corresponds to income from rents derived from the Group's equity activity, which basically focuses on the markets of Barcelona, Madrid and Paris. At 30 June 2020 and 2019, revenue amounted to 178,107 and 175,865 thousand euros, respectively, and its distribution of geographic segments is shown in the following table:

Equity segment	Thousands of euros	
	June 2020	June 2019
Barcelona*	25,841	23,299
Madrid*	59,106	50,851
Rest of Spain	1,970	3,806
Paris	91,190	97,909
Total	**178,107**	**175,865**

* Includes income from coworking customers amounting to 3,705 and 2,101 thousand euros at 30 June 2020 and 2019, respectively.

Revenue in 2020 and 2019 includes the effect of deferring grace periods and staggered rent clauses throughout the term between the start of the lease and the first option for renewing the lease agreements. At 30 June 2020, the impact of previous accruals has entailed an increase in revenue 5,330 thousand euros (same period of 2019: decrease of 298 thousand euros).

In the context of the Covid-19 pandemic, the Group has granted certain rent subsidies to some of its lessees. The total amount forgiven is approximately 2 million euros.

The Edouard VII building of the subsidiary SFL, whose rental income is partially linked to the income from the conference centre, the Indigo hotel and the car park, as well as from the business centre of the building #cloud.paris, has seen a reduction in income of about 2.9 million euros compared to the first half of 2019 (1.7 million net of expenses).

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 by CPI or future income updates based on contractually agreed market parameters is the following:

	Thousands of euros	
	Nominal Value	
	30 June 2020	31 December 2019
Less than one year	324,871	323,839
Spain	137,742	140,254
France	187,129	183,585
Between one and five years	721,013	737,988
Spain	238,827	264,306
France	482,186	473,682
More than five years	480,537	470,139
Spain	43,641	45,478
France	436,896	424,661
Total	**1,526,421**	**1,531,966**
Spain	420,210	450,038
France	1,106,211	1,081,928

b) Net gains/(losses) on sales of assets

The composition of the Group's net results from asset sales (Notes 5 and 7), as well as their geographical distribution, are detailed below:

	Thousands of euros					
	Spain		France		Total	
	June 2020	June 2019	June 2020	June 2019	June 2020	June 2019
Sale price	13,800	28,000	-	-	13,800	28,000
Asset write-offs	(11,540)	(26,545)	-	-	(11,540)	(26,545)
Write-off of waiting periods	-	-	-	-	-	-
Indirect and other costs	(508)	(2,441)	-	-	(508)	(2,441)
Net result from asset sales	**1,752**	**(986)**	**-**	**-**	**1,752**	**(986)**

c) Variation in asset value and impairment

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

	Thousands of euros	
	June 2020	June 2019
Investment property (Note 5)	(107,236)	408,751
Assets classified as held for sale - Real estate investments (Note 7)	(14)	9,758
Variations in property investment value	**(107,250)**	**418,509**
Spain	(150,056)	184,043
France	42,806	234,466

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

	Thousands of euros	
	June 2020	June 2019
Impairment of goodwill	-	(62,225)
Impairment / (Reversal) of real estate for own use (Note 4)	909	664
Other impairments	(46)	-
Substitute write-offs	(225)	(124)
Result due to variation in asset value and impairment	**638**	**(61,685)**
Spain	684	(61,682)
France	(46)	(3)

d) Income and financial expenses

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

	Thousands of euros	
	June 2020	June 2019
Financial income:		
Other interests and similar income	339	858
Capitalised financial costs	4,979	2,418
Total Financial Income	**5,318**	**3,276**
Financial expenses:		
Financial expenses and similar expenses	(46,851)	(46,374)
Financial expenses per update	(385)	(617)
Financial expenses associated with loan cancellation	-	(4,448)
Financial expenses associated with arrangement expenses (Note 9-l)	(1,631)	(1,562)
Expenses from derivative financial instruments (Note 10)	(1,618)	(3,345)
Total Financial Expenses	**(50,485)**	**(56,346)**
Impairment of financial assets	**-**	**-**
Total Financial Result (Loss)	**(45,167)**	**(53,070)**

14. Segment reporting

All the Group's activities are carried on in Spain and France. The segment information for the first period of the financial year 2020 and 2019 is as follows:

Segment reporting 1H 2020	Thousands of euros						
	Equity						
	Barcelona	Madrid	Paris	Remainder	Total equity	Corporate unit	Total Group
Income							
Revenue (Note 13-a)	25,841	59,106	91,190	1,970	178,107	-	178,107
Other income	57	-	841	-	898	510	1,408
Net gains/(losses) on sales of assets (Note 13-b)	(43)	926	-	869	1,752	-	1,752
Operating profit/(loss)	22,926	51,988	86,725	2,821	164,460	(25,431)	139,029
Changes in fair value of investment property (Note 13-c)	(49,744)	(97,099)	42,806	(3,213)	(107,250)	-	(107,250)
Gains/(losses) on changes in value of assets and impairment (Note 13-c)	(106)	(119)	-	-	(225)	863	638
Financial profit/(loss) (Note 13-d)	-	-	-	-	-	(45,167)	(45,167)
Profit before tax	-	-	-	-	-	(12,750)	(12,750)
Consolidated net profit	-	-	-	-	-	(10,999)	(10,999)
Net profit attributable to non-controlling interests	-	-	-	-	-	(15,393)	(15,393)
Net profit/(loss) attributable to shareholders of the Parent (Note 3)	-	-	-	-	-	26,392	26,392

There were no significant inter-segment transactions during the six-month period ended on 30 June 2020.

Segment reporting 1H 2019	Thousands of euros						
	Equity						
	Barcelona	Madrid	Paris	Remainder	Total equity	Corporate unit	Total Group
Income							
Revenue (Note 13-a)	23,299	50,851	97,909	3,679	175,738	127	175,865
Other income	-	26	1,280	-	1,306	1,968	3,274
Net gains/(losses) on sales of assets (Note 13-b)	-	-	-	-	-	-	-
Operating profit/(loss)	20,710	37,535	93,907	3,320	155,472	(22,367)	133,105
Changes in fair value of investment property (Note 13-c)	88,630	92,288	234,466	3,125	418,509	-	418,509
Gains/(losses) on changes in value of assets and impairment (Note 13-c)	-	-	-	-	-	(61,685)	(61,685)
Financial profit/(loss) (Note 13-d)	-	-	-	-	-	(53,070)	(53,070)
Profit before tax	-	-	-	-	-	436,859	436,859
Consolidated net profit	-	-	-	-	-	416,030	416,030
Net profit attributable to non-controlling interests	-	-	-	-	-	(78,361)	(78,361)
Net profit/(loss) attributable to shareholders of the Parent (Note 3)	-	-	-	-	-	337,669	337,669

There were no significant inter-segment transactions during the six-month period ended on 30 June 2019.

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

15. Information on transactions and balances with related parties

At 30 June 2020 and 31 December 2019, the Group does not hold any balances with related parties and associated companies.

In the first half of 2020 and 2019, the following transactions with related parties took place:

	Thousands of euros	
	Rental income	
	June 2020	June 2019
Gas Natural Fenosa, S.D.G. (*)	-	1,508
Total	**-**	**1,508**

(*) Gas Natural, SDG, S.A. was the partner of the parent company in the subsidiary Torre Marenostrum, S.L. On 30 April 2019, the parent company acquired the interest held by Gas Natural, S.D.G., S.A. in the subsidiary

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

a) Composition of the Board of Directors

The Parent's Board of Directors is made up of eight men and three women at 30 June 2020, 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 Alonso-Castrillo Allain	Independent	Director
Ms. Ana Bolado Valle	Independent	Director
Ms. Ana Peralta Moreno	Independent	Director

On 30 June 2020, Carlos Fernádez-Lerga and Javier Iglesias de Ussel tendered their resignations as directors of the Parent as a result of the elapse of the maximum period established by law for a director to be considered independent. The Board of Directors thanks them for their services to the parent company and expresses its 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 company.

b) Remuneration of the Board of Directors

The remuneration accrued during the first half of 2020 and 2019 by the members of the Board of Directors of the parent company classified by concept have been the following:

	Thousands of euros		
30 June 2020	Parent company	Other Group companies	Total
Remuneration accrued by executive directors (*):	**1,886**	**75**	**1,961**
Non-executive directors per diems:	**627**	**57**	**684**
Executive directors per diems:	**-**	**38**	**38**
Fixed remuneration for non-executive directors:	**476**	**40**	**516**
Directors compensation	313	20	333
Additional compensation audit and control committee	75	20	95
Additional remuneration appointments and remuneration committee	88	-	88
Remuneration of executive directors.	**-**	**35**	**35**
Total for first half of 2020	**2,989**	**245**	**3,234**
Amount of compensation earned by executive directors (*):	1,886	148	2,034

(*) The amount corresponding to the accrued expense associated with the long-term incentive plan.

	Thousands of euros		
30 June 2019	Parent company	Other Group companies	Total
Remuneration accrued by executive directors (*):	**2,727**	**75**	**2,802**
Non-executive directors per diems:	**268**	**27**	**295**
Executive directors per diems:	**-**	**22**	**22**
Fixed remuneration for non-executive directors:	**394**	**41**	**435**
Directors compensation	267	41	308
Additional compensation audit and control committee	52	-	52
Additional remuneration appointments and remuneration committee	75	-	75
Remuneration of executive directors.	**-**	**35**	**35**
Total for first half of 2019	**3,389**	**200**	**3,589**
Amount of compensation earned by executive directors (*):	2,727	132	2,859

(*) The amount corresponding to the accrued expense associated with the long-term incentive plan.

The remuneration accrued in the first half of 2020 by the members of the Parent's Board of Directors in their capacity as such in respect of fixed amounts and remuneration for attendance fees amounted to 1,103 thousand euros (first half of 2019: 662 thousand euros). In addition, certain non-executive directors of the parent company have received 97 thousand euros from SFL in their capacity as directors of that company (first half of 2019: 68 thousand euros).

The monetary remuneration of the executive directors during the first half of the financial year 2020 for all items received from the Parent amounted to 1,886 thousand euros. In addition, they received as remuneration in kind 1,364 thousand euros under the long-term share delivery plan (first half of the financial year 2019: 2,727 and 2,109 thousand euros, respectively). In addition, the non-executive directors of the parent company have received 148 thousand euros from SFL in their capacity as directors of that company (first half of 2019: 132 thousand euros).

At 30 June 2020 and 2019, the parent company had taken out a civil liability insurance policy that covers all directors, members of senior management and employees of the parent company, including for both years the annual civil liability insurance premium for damage caused by acts or omissions in the amount of 359 and 270 thousand euros, respectively.

The shareholders at the Annual General Meeting held on 28 June 2016 approved the granting of a defined contribution scheme for executive directors covering retirement and, when applicable, disability and death, with total annual contributions of 183 thousand euros and 182 thousand euros in 2020 and 2019, respectively. At 30 June 2020, the parent company registered 91 thousand euros, respectively, for said item in the "Personnel expense" section of the condensed consolidated income statement (first half of 2019: 91 thousand euros pursuant to this resolution).

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 30 June 2020 and 2019, two members of the Board of Directors have signed guarantee or shield clauses for certain cases of dismissal or change of control, which have all been approved at the Annual General Meeting.

In addition, during the first half of 2020 and 2019, there have been no terminations, modifications or early terminations of contracts outside ordinary business activities between the parent company and the members of the Board of Directors or any person acting on their behalf.

c) 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 30 June 2020 and 2019, senior management consists of two males and two females.

The monetary remuneration received by senior management during the first half of 2020 amounts to 887 thousand euros. Additionally, they received 1,072 thousand euros corresponding to the long-term incentive plan (1,070 and 1,657 thousand euros, respectively, during the same period of 2019).

The Annual General Meeting held on 27 July 2016 approved the granting of a defined contribution scheme for a member of senior management covering retirement and, when applicable, disability and death, with annual contributions of 63 thousand euros and 62 thousand euros in 2020 and 2019, respectively. At 30 June 2020 and 2019, the parent company registered 32 and 32 thousand euros, respectively, for said item in the "Personnel expense" section of the consolidated income statement.

At 30 June 2020 and 2019, a member of senior management had signed a guarantee or shield clause for certain cases of dismissal or change of control.

17. Average headcount

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

	No. employees				Average 2020		Average 2019	
	June 2020		June 2019					
	Men	Women	Men	Women	Men	Women	Men	Women
General and Area Management	13	9	13	7	13	9	13	7
Qualified technicians and middle managers	46	54	35	40	45	54	35	41
Office clerks	26	80	30	82	25	81	28	79
Other	5	2	6	1	5	2	6	1
Total people employed	**90**	**145**	**84**	**130**	**88**	**146**	**82**	**128**

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries

Consolidated directors' report for the first half of 2020

1. Company situation

Rental Market Situation

Barcelona

Take-up in the office market in Barcelona was low and stood at 68,000 sqm in the first half of 2020. This figure reflects the scarcity of product in the market together with a temporary cease in demand due to the COVID-19 crisis. The vacancy rate was at 2.3% in the CBD as of 03/20. Rents remained stable, due to a lack of quality space, positioning prime rents at €27.5/sqm/month.

Madrid

During the first half of 2020, 148,000 sqm were signed in the office market in Madrid. This figure is lower than that of the previous year due to the COVID-19 crisis. The vacancy rate as of 03/20 in Madrid was 8.1%, with a vacancy rate in the CBD of 4.2%. At the close of the first half of 2020, prime rents in Madrid remained stable, to stand at €36.5/sqm/month.

Paris

In the office market in Paris, take-up in the first half of 2020 was 667,500 sqm, an historic low. The COVID-19 crisis and the subsequent slowdown of activity have had a considerable impact on these figures. In the CBD, the vacancy rate was 1.6% as of 03/20, at historically low levels. Prime rents stood at €870/sqm/year, a figure slightly higher than that of the previous quarter.

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

The COVID-19 situation at Colonial

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

To date, all of the international agencies estimate a significant contraction in the global economy in 2020 and an important decrease in the GDP in Europe and specifically in the markets Colonial operates in: Spain and France.

There is a majority opinion that in the medium term there will be a recovery of this economic impact, although there is a plurality of opinions about the speed of recovery in each country and region, largely depending on the evolution of the health crisis.

The capital markets reacted in turn in mid-March with a strong correction, and high volatility mainly due to the current reduced visibility on the end of this crisis in the short and medium terms.

In this context, Colonial's priority has been to ensure the health and safety of our teams, as well as the continuity of our activity and services for our clients. To date, the spread of the Coronavirus has not had a significant impact on our employees or management teams.

Our activity has remained stable and the results of the first half reflect the strength of Colonial's portfolio and the resilience of its business model.

Sensitive to its clients' situations and especially to those most affected by the limitation of their activities, Colonial is having individual conversations with them to meet all of their needs. Accordingly, the commercial team of the

Group has analysed and negotiated deferrals or, in exceptional cases, allowances for the payment of rents with a special focus on all of the companies that are having financial difficulties, as a consequence of and in the framework of the prohibition of the development of their activities in the retail and leisure sectors. To date, the impact of these negotiations amounts to 2% of the rental income of the full year profit and loss account of 2020.

This estimate is the consequence of the composition of Colonial's assets and clients, where the retail sector represents a minority proportion, and large companies are the main clients of the Group.

Since the beginning of the crisis, the management team has carried out a series of measures to strengthen the position of the Group in front of a complex scenario. The following milestones are highlighted to date.

MARCH	APRIL	MAY	JUNE	JULY
Implementation of **covid-19 protocolo** within our buildings	**Increased liquidity** through the signature of €200m sustainable loan	Rating agencies S&P and Moody's confirm credit rating, BBB+ and Baa2	Pre-letting of Marceau Goldman Sachs	Logistics Disposal Settlement of Call Option signed in 2019
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 100% reached with clients in Spain, 2% impact of 2020 GRI	Solid Q2 Results
Postponement of capex program €60M (Méndez Alvaro)		Release of Q1 results, with vacancy rate at 2%	Stable dividend of €20Cts./share approved by AGM	

The Colonial Group's financial situation is solid, with the Investment Grade rating confirmed at the end of April, taking into consideration the current circumstances of the Group as well as the general context as a whole. This is reflected in the following figures:

1)A Group LTV of 36.6%

2)A liquidity of more than €2,488m that exceeds the debt maturity by more than 6 times for 2020 and 2021 (considering the non-renewal of the ECP pr.ogram)

Lastly, the location of the Group's assets, the diversification of its client portfolio and its financial position allow Colonial to face this crisis from a solid position, with it being still premature to estimate the final impact that the COVID-19 pandemic may have on the future results of the Group.

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 5,000 million euros with a free float of around 60% and manages an asset volume of more than 12,100 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.

- 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.

Over the last 3 years, the Colonial Group has made significant divestments of non-core assets worth 1,400 million euros, with double-digit premiums on the current valuation.

Furthermore, as part of the improvement of the Group's Prime portfolio, Colonial has acquired more than 2,900 million euros of core CBD properties since 2015, identifying assets with added value potential in market segments with solid fundamentals.

During the first half of 2020, Colonial divested from the Hotel Mojácar (non-core asset), for a price of 8.4 million euros, which corresponds to a premium of +22% over the December 2019 appraisal. In addition, 14 million euros were received in deferred payments from the sale of the Hotel Centro Norte in 2019.

At the end of the first half 2020, the Colonial Group has a robust capital structure with a solid "Investment Grade" rating. The Group's LTV stands at 36.6% in June 2020.

The 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.

2. Business performance and results

Introduction

At 30 June 2020, the Group's total revenue was 178 million euros, of which 177 million euros corresponded its recurring business, property rentals.

The revaluation of real estate investments and assets classified as held for sale, in accordance with the independent appraisal carried out by CB Richard Ellis and Jones Lang Lasalle in Spain, and CB Richard Ellis and Cushman & Walkfield in France at half-year end, was (107) million euros. The revaluation, which has been recorded in both France and Spain, is the result of the decrease in the appraisal value of the assets.

The net financial result was (45) million euros, an improvement of 15% over the same period of the previous year.

Profit before tax and non-controlling interests at the end of the first half of 2020 amounted to (13) million euros.

Finally, and after deducting the profit attributable to non-controlling interests of (15) million euros, as well as the income tax of 2 million euros, the after-tax profit attributable to the Group amounts to (26) million euros.

Profit for the year

An increase in Recurring Net Profit

The Colonial Group closed the first half of 2020 with a net recurring profit of €83m, +20% compared to the same period of the previous year.

Net recurring EPS amounted to €16.24cts, resulting in an increase of +20% compared to the previous year.

The increase in the recurring net profit of +€14m (+20% vs. the previous year) was driven by:

1.An increase in EBITDA like-for-like and projects of +€15m (+€8m, after the adjustment of the impact of the disposals of non-strategic assets carried out in 2019)

2.In addition, a reduction of €3m in financial costs was obtained

The disposals of non-strategic assets, mainly carried out in the second half of 2019, have resulted in an impact of lower rents on the recurring profit of €7m. Consequently, the recurring profit per share, excluding the above-mentioned non-strategic asset sales, would have been €17.55cts/share, which represents an increase of +30% year on year in comparable terms.

The value of the portfolio corrected slightly, with a variation of (0.2%) like-for-like compared to December 2019, consequently the net result of the Group after considering the value variation is negative and amounts to €(26)m. It is worth highlighting that this variation does not imply a cash outflow.

Solid growth in Gross Rental Income

Colonial closed the first half of 2020 with €177m of Gross Rental Income, an increase of +2% compared to the previous year.

The office portfolio has increased +7% year-on-year (+3% in like-for-like terms) boosted by the increase in income in the portfolios of Madrid +31% and Barcelona +11%.

The income from the offices portfolio in Madrid increased +31%, based on (1) a solid like-for-like increase of +7% together with (2) an increase in rental income of +24% due to an indemnization for the early exit of a client, as well as a successful delivery of the assets of Avenida Bruselas 38, Castellana 163 and Ribera de Loira.

The income from the Barcelona portfolio increased +11%, based on (1) a strong like-for-like increase of +9% together with (2) an increase in income of +6% for the acquisition of Parc Glories II, compensating for the lower rents due to the client rotation in the Diagonal 525 project and other renovation programs such as Diagonal 530.

The income from the Paris portfolio went down by (5) %, mainly due to less income because of the rotation of surfaces in renovation in the 103 Grenelle and Washington Plaza assets (impact of -4%). Excluding this effect, the comparable rental income is reduced by (0.8%) like-for-like due to the Galerie CE and Edouard VII assets.

The rest of the portfolio corresponds to the residual logistics portfolio, three secondary retail assets of Axiare and the Hotel Indigo in Paris. All these assets are less defensive in the current crisis, and have suffered a decrease in rental income amounting to €2m like-for-like.

A prime real estate portfolio with defensive value

The gross asset value of the Colonial Group at the close of the first half of 2020 amounted to €12,164m (€12,773m including transfer costs), showing a slight value correction of (0.3%) in 6 months, (0.2%) in like-for-like terms. The year-on-year variation is positive and amounts to +4% like-for-like.

The asset portfolios in Barcelona and Madrid have seen a correction in value of (2%) in 6 months, given the environment of the COVID-19 crisis. In Paris, the value of the portfolio has increased by +1% in 6 months, thanks to the robustness of the prime portfolio in Paris as well as the progress on the project portfolio. Particularly worth highlighting is the pre-letting of 80% of the 83 Marceau project under very favorable conditions having a significant impact on value creation.

The defensive behaviour of Colonial's asset portfolio is due to:

1)The high concentration in Prime CBD locations with strong fundamentals that allows for a higher protection of falls in value in recessive cycles and a better growth profile in upside cycles.

2)The high quality of its buildings that attracts clients with maximum solvency and with high loyalty indices.

3)A successful diversification strategy that optimizes the risk profile of the portfolio, as shown in the first half 2020 results, where the Paris assets have partially compensated for the value evolution in Spain.

4)An industrial approach on value creation through repositioning of assets creating Alpha Real Estate value that makes the difference compared to the market and offers a more defensive positioning.

Shareholder return & net asset value

Colonial closes the first half of 2020 with an EPRA Net Asset Value of €11.21/share, which is a decrease of (2.2%), compared to the net value of the assets at December 2019 and a +6.5% year-on-year growth.

The evolution of the Net Asset Value in the first half of 2020 can be broken down into the following effects:

1.The Paris portfolio has contributed an increase in value of €6cts (+0.5% in 6 months) which has partially compensated for the decrease in the value of the Barcelona and Madrid portfolios amounting to €27cts/share

2.The net recurring EPS was €16cts/share (+1.4% of NAV in 6 months)

3.Colonial's dividend and other effects have led to an impact of €(21)cts/share

Including the accrued dividend of €20cts/share in the first half of 2020, the total shareholder return amounts to (0.5%) in 6 months and +8.4% year-on-year.

In absolute terms, the EPRA NAV amounts to €5,697m, a figure 2% lower than that at the close of 2019 (€5,825m) and +6.5% higher than the NAV from the year before.

Solid operational fundamentals in all segments

1. The second quarter maintains solid fundamentals

At the close of the first half of 2020, the Colonial Group had signed 32 rental contracts on the office portfolio corresponding to 42,247sqm and annual rents of €16m.

In the second quarter, the Colonial Group signed more than 28,000 sqm between new contracts and renewals. This volume of contracts is above that of the first quarter of 2020 (pre-COVID period) when 13,500 sqm were signed.

Regarding the letting activity in the second quarter, highlighted are the Barcelona and Paris markets where 13,720 sqm and 14,523 sqm were signed respectively.

In Barcelona, worth highlighting are the contracts signed with Human Resources consultancy firm in Diagonal 609 (1,000sqm) and a technical consultancy company in Tore Bcn (800sqm) and in Paris, highlighted are the signings of more than 6,000 sqm on the 83 Marceau asset and 5,974 sqm on the Edouard VII complex.

In Madrid, it was a period of reduced activity given that some contract maturities were not executed by the clients and the rest of the available surfaces of the portfolio are concentrated in secondary areas more difficult to rent, given that the CBD assets are almost at full occupancy.

The rental prices signed in this second quarter are in line with pre-COVID-19 levels showing the resilience of the portfolio to date.

For the contracts renewed in the second quarter, the release spread (signed rents vs previous rents) was +32%. In Barcelona, the release spread was +54% and in Paris, the release spread was +14%.

Likewise, the growth of the signed prices compared to the market rent at December 2019 remained high in this second quarter, reaching +11% for all contracts signed.

In Barcelona, the rents signed were +9% above market rents 12/19, and in Madrid, the increase was +13%. In the Paris portfolio, the increase compared to market rents was up +12%.

Consequently, the accumulated volume of rental contracts in the first 6 months amounts to 42,247 sqm, with the following breakdown:

In the Madrid portfolio, rental contracts with a surface area of 5,839 sqm were signed on 6 transactions. Of special mention is the renewal of almost 2,000 sqm on the Recoletos 37 asset with a large publishing company, the renewal of 1,073 sqm on the Egeo asset with a food company, as well as the renewal of almost 1,000 sqm on the Francisca Delgado 11 asset with an international consultancy firm.

In the Barcelona office portfolio, rental contracts with a surface area of 20,744 sqm across 17 transactions were formalized. Among the highlights is the signing of 3,200 sqm on the Torre BCN asset and the signing of 1,245 sqm on the Diagonal 609-615 asset, both mainly with banking entities, as well as the signing of almost 1,000 sqm on the Torre Marenostrum building with a communications consultancy firm. In Barcelona, also worth mentioning is the renewal of 10,906 sqm in the building in Sant Cugat, mainly with a banking entity and almost 2,000 sqm with various tenants in the Diagonal 609-615 building.

In the Paris office portfolio, rental contracts for a volume of 15,664 sqm were signed across 9 transactions. It is worth highlighting the renewal of almost 6,000 sqm on the Edouard VII building, as well as a new contract signed with Goldman Sachs on the Marceau asset for more than 6,000 sqm.

This pre-letting lease signed with Goldman Sachs is for 12 years, with a non-cancellable term of nine years. The let surface area is almost 6,500 sqm, which represents 81% of the building's total office space. With this transaction, Goldman Sachs, one of the largest investment banking and securities companies in the world, intends to increase its presence in the Gaul country, enabling it to double the workforce of the company in Paris.

2. Solid occupancy levels

The total vacancy of the Colonial Group at the close of the first half of 2020 stood at levels of 4%.

This level of vacancy is in line with levels from one year ago, and it has increased by 200 bps compared to the ratio of the first quarter, due to client rotations in the Barcelona portfolio and to the delivery of the renovation program on the Grenelle asset in Paris.

The like-for-like vacancy of the Colonial Group, excluding the entry into operation of the 103 Grenelle building, is at 3%, an increase of 200 bps compared to the first quarter of 2020.

The financial vacancy of the Colonial Group's portfolio is shown as follows:

The Barcelona office portfolio has a vacancy rate of 4%, a ratio that has been increased over the first half mainly due to an exit of tenants in the Torre BCN asset.

In the office portfolio in Madrid the vacancy rate has remained stable at 4%, given that there have been no new contracts for empty spaces in the first half, due to the reduced volume of visits in light of the COVID-19 crisis.

The office portfolio in Paris has a vacancy rate of 4%. This ratio has increased because of the entry into operation of the 103 Grenelle asset. Excluding this asset, the vacancy in Paris is at 2%.

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.

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 of 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.

41% of the Colonial Group's clients have had conversations with the commercial team who have reached agreements with more than 80% of them, having closed all of the negotiations in the Spanish client portfolio.

At the date of this publication, the impact of these negotiations amounted to 2% of the annual rental income for the 2020 profit and loss account.

In addition, it is important to point out that short term rental deferral payment agreements have been made with the clients most affected by the crisis in exchange for an extension of the current contracts. The average months that the contracts have been extended by are between 24 and 36 months, which have resulted in 800 additional months in the contract portfolio corresponding to approximately €40m in secured future rents.

ESG Strategy

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 is based on pursuing the maximum excellence in the fields of governance, social aspects and sustainable investment, taking action in different areas:

1.Strategic Plan on Sustainability & Decarbonization

The strategic plan for decarbonization 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 agreements made at the conference held in 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 the base year 2015.

With this objective, in 2019 the Colonial Group continued to work on this topic and achieved a (59%) reduction like-for-like in its carbon footprint (Scopes 1 & 2), reaching an intensity ratio of 8 kgCo2e/sqm for Scopes 1 & 2, placing it among the lowest carbon footprints in the European sector.

2.ESG Investment – Decarbonization 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 buildings in Spain, will count on spaces equipped with the latest technologies. WittyWood is located on calle Llacuna 42, in the heart of the 22@ district.

The new Colonial building will have a total investment cost of €12m, and will be 50% assumed by Colonial together with its strategic partner Narcís Barceló, a pioneer in these types of buildings. The delivery is expected to take place in the second half of 2021.

With the construction of this new building, Colonial is starting a new venture on the exploration of industrialized construction, as well as IOT technology (Internet of Things), essential tools for the optimization of energy consumption.

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 envisage the maximum environmental certificates: LEED Platinum and WELL Platinum.

3.Energy Efficiency of the Colonial Group's asset portfolio

93% of the office portfolio in operation have LEED or BREEAM energy certificates, an increase of 56 bps compared to the level of certificates at December 2019. This high level of certification places Colonial in a leading position in energy efficiency in Europe.

Specifically, €2,000m of the assets have LEED certificates and €9,400m of the assets have BREEAM certificates.

4.Sustainable financing

Thanks to its high standards in sustainability, in April 2020 Colonial formalized a sustainable loan for €200m with the margin linked to its GRESB rating.

Together with the sustainable loans from 2019 which amount to €151m, to date Colonial has issued €351m of sustainable financing.

Digital and Co-working Strategy

Coworking and Flexible Spaces

At the end of the first half of 2020, Utopicus, the Colonial Group flexible spaces operator, had 11 centres in operation, corresponding to 29,758 sqm of surface area.

The Colonial Group, through Utopicus, offers flexible spaces to its clients with the aim of improving the experience of its clients in the office spaces of the Group. Therefore, it has continued expanding the centres of Utopicus in the Colonial Group's own buildings, combining traditional offices with flexible, innovative spaces. Specifically, during the first six months of 2020 two new centres were opened:

•Utopicus Castellana, located in the Castellana 163 building in Madrid has a flexible working space of 3,600 sqm and is located in the CBD of the capital. With two entrances, one through the Castellana façade and the other through Capitán Haya, the space is equipped with meeting and training rooms, private offices and flexible working area.

•Utopicus Torre Marenostrum, located in Barcelona, has a flexible working space of 3,850 sqm in the emblematic neighbourhood of Barceloneta, where working with sea views is possible. The space represents the integration between city and sea and is equipped with all the usual spaces and services of Utopicus.

At the same time, work continues for the opening of 2 new centres in Madrid over the coming months. Once finalised, Utopicus will manage 13 centres with a surface area in operation of close to 40,000 sqm2 and the capacity for more than 4,500 workstations, strengthening its leadership in the segment of flexible office and coworking spaces in Spain.

Digitalisation

In the first half of 2020, the Colonial Group continued to maintain a strong focus on innovation through the development and implementation of Propnet technology, which will enable the use of spaces to be optimized across the entire portfolio of the Group over the coming years.

Colonial has developed an application that, together with the prior sensorization of the property, will lead to an improvement in the efficiency and energy consumption of the spaces. The application measures different aspects of a building, such as the heating, clean air, lights and consumption, among others, always looking to increase the comfort and well-being of the Colonial Group clients.

A solid capital structure

A strong balance sheet

At the close of the first half of 2020, the Colonial Group had a solid balance sheet which is reflected in the following figures:

1)A Group LTV of 36.6%

2)A liquidity of more than €2,488m. This liquidity exceeds by more than 6 times the debt maturity available for 2020 and 2021 (considering the non-renewal of the ECP program).

Investment Grade Rating confirmed during the COVID-19 crisis

Standard and Poor's and Moody's confirmed Colonial's rating in April 2020 in view of the effects of the COVID-19 crisis and under the currently known circumstances.

In particular, they have considered:

>The S&P agency maintains BBB+ rating. The stable perspective, which has been confirmed, reflects the opinion of S&P that Colonial will withstand the effects of COVID-19

>Moody’s also maintains Baa2 rating with a stable outlook which it granted in 2019. The rating is mainly based on Colonial’s leadership position in the prime offices market in France and Spain, its solid client base and the high occupancy rates of its portfolio, the deleveraging at 31 December 2019 and the strong liquidity of Colonial

Colonial is one of the few European Real Estate companies that have maintained its rating consolidating its positioning as the Real Estate company with the highest rating in the Spanish sector and among the best rated in Europe.

Access to the debt market

In the first half of 2020, the Colonial Group successfully closed a debt issuance operation for €500m through its French subsidiary, SFL. The bonds have a 7 years maturity, with an annual coupon of 1.5% interest rate. Demand exceeded up to four times the issue volume and they were to quality European investors.

Additionally, the Colonial Group has formalized a sustainable loan in Spain for €200m. Its Club Deal format includes the following leading banking institutions, both national and international: BBVA, BNP Paribas, Caixabank and Natixis. Caixabank is acting as the Agent Bank and Sustainability Agent.

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.

Strategic Prime positioning with great resilience

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 Colonial Group are the following:

A.Leadership in Grade A offices in the city centre (CBD)

Colonial has high quality product in city centre locations, with 76% of the portfolio in the CBD.

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 has a positive “reversionary buffer” in the first half of the year, given that the current rents of the portfolio are still below the market rents as of December 2019. Likewise, to date, the Group has captured high reversion rates with a release spread1 of +29% in the first half of 2020.

C.A solid balance sheet with the best rating in the Spanish real estate sector, confirmed by S&P and Moody’s during April 2020, in the peak of the COVID-19 crisis.

A prudent LTV profile with one of the highest levels of liquidity in the sector, covering more than 6 times the debt maturities in 2020 and 2021 (considering the non-renewal of the ECP program)

D.An attractive project pipeline located in one of 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, with 50% of the value attached to 3 projects in Paris.

To date, 33% of the project portfolio is already pre-let, corresponding to €28m of rental income. This ratio has increased more than 800 bps compared to the rental levels at the beginning of the year, thanks to the successful pre-letting transaction of the 83 Marceau project in Paris.

E.Active management of the portfolio, through the disposals of non-core assets and the acquisition of assets located in CBD areas, improving the risk-return profile of the Group.

Over the last 3 years, the Colonial Group has carried out significant disposals of non-core assets for €1,400m, with double digit premiums over the asset valuations in process.

In addition, in the framework of improving the Prime portfolio of the Group, since 2015 Colonial has acquired more than €2,900m1, in core CBD buildings, identifying assets with added value potential in market segments with solid fundamentals.

In the first half of 2020, Colonial divested the Hotel Mojácar (a non-strategic asset) for €8.4m, corresponding to a +22% premium on the appraisal value as of December 2019. In addition, €14m of deferred payments were received related to the disposal of the Hotel Centro Norte in 2019.

After the close of the first half, the call option for the remaining part of the logistics disposal signed in 2019 has been executed.

3. Liquidity and capital resources

See "Capital management and risk management policy" section of Note 15-o of the consolidated annual financial statements for the year ended 31 December 2019, and Note 9-n of these condensed interim financial statements.

4. 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 changes in 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 *co-working* 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 SOCIMI 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 current global crisis caused by the Covid-19 will have an uncertain impact on the Group's operations in 2020. In response to the threat of this situation, the Group established a crisis committee and has implemented a series of measures to ensure and preserve the health of its employees and assets, as well as to mitigate the impact generated by Covid-19 on the Group's operations. The measures carried out in the first half of 2020 have 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

Despite all these measures, and in the absence of an effective treatment for Covid-19, the impact that the expansion of this pandemic will have from an economic and social point of view and, in particular, in certain sectors such as real estate, is not known at this time. In view of this scenario, the company is working in 2020 on reviewing its corporate risk map and analysing the evolution of risks as a consequence of this crisis, as well as the efficiency of the controls for each of the risks. The dynamic approach and monitoring of risks is part of the Group's RCMS, although it takes on special importance in this extraordinary situation, as it allows for analysing and improving control systems and the Group's resilience.

5. Events after the reporting date

On 1 July 2020, the purchase options granted in 2019 on five logistics assets were exercised. The exercise price of these options amounted to 110,890 thousand euros, although the Parent had already received 11,089 thousand euros as an advance in 2019, which was recognised under "Trade and other payables" in the consolidated interim statement of financial position. The guarantees given to the buyer as security for the advances received have been recovered.

On 2 July 2020, the Parent subscribed the capital increase carried out by the Spanish company Wittywood, S.L. and now holds 50% of the share capital of this company. Wittywood, S.L. is the owner of a plot of land in 22@ on which it plans to develop an office building built with wood.

No significant events occurred subsequent to the reporting date.

6. Foreseeable evolution

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 during the year 2020 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 of high value-added companies to attract talent, offer the best working environment to 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.

7. 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.

8. Treasury Shares

In the first half of 2020, Inmobiliaria Colonial, SOCIMI, S.A. delivered a net number of 218,256 treasury shares to the beneficiaries of the long-term incentive plan. At 30 June 2020, the Parent had a closing balance of 360,610 shares of 902 thousand euros nominal value (2.5 euros per share), representing 0.07% of the Parent's share capital.

9. 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 (Deloitte, S.L.).

Alternative Performance Measure	Form of calculation	Definition/Relevance
EBIT ***(Earnings before interest and taxes)***	Calculated as "*Operating profit*" plus "*Changes in value of investment property*" and "*Gains/(losses) on changes in value of assets and impairment*".	Indicator of the Group's capacity to generate profits considering only its productive activity reduced by the effect of indebtedness and the tax effect.
EBITDA **(*Earnings Before Interest, Taxes, Depreciation and Amortisation*)**	Calculated as "*Operating profit*" adjusted by "*Amortisations*" and "*Net change in provisions*".	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"*, excluding *"Interest"* (accrued), *"Arrangement costs"* and *"Other financial liabilities"* of 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.
EPRA[1] NAV	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] NNNAV	Calculated by adjusting the following items in the EPRA NAV: the market value of the financial instruments, the market value of the financial debt and the taxes that would accrue on the sale of the assets at their market value, using the going-concern principle.	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 the item "*Net amount of turnover*" 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.

[1] EPRA (*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 like-for-like basis, the change in the portfolio's market valuation.
***Loan to Value* Group or LtV Group**	Calculated as the result of dividing the gross financial debt less *"Cash and cash equivalents"* and adjusted by the amount of commitments for deferrals for real estate transactions between the market valuation including transaction costs of the Group's asset portfolio.	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 adjusted by the amount of commitments of deferrals for the purchase and sale of real estate assets, 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 NAV 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.

The *alternative performance measures* included in the foregoing table originate from items in the consolidated financial statements and condensed consolidated interim financial statements of Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries or from breakdowns of items (sub-items) included in the related explanatory notes to the financial statements, 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 NAV

EPRA NAV	30/06/2020	31/12/2019
	(Millions of euros)	
"EQUITY ATTRIBUTABLE TO THE PARENT COMPANY'S SHAREHOLDERS"	5,398	5,559
Includes:		
(i.a) Revaluation of investment assets	22	21
(i.b) Revaluation of assets under development	8	N/A
(i.c) Revaluation of other investments	17	24
(ii) Revaluation of financial leases	N/A	N/A
(iii) Revaluation of assets held for sale	N/A	3
Excludes:		
(iv) Market value of financial instruments	11	(21)
(v.a) Deferred taxes	240	240
(v.b) Goodwill as a result of deferred assets	N/A	N/A
Includes/excludes:		
Adjustments from (i) to (v) with respect to interests of strategic alliances	N/A	N/A
EPRA NAV	5,697	5,825

- **EPRA NNNAV**

EPRA NNNAV	30/06/2020	31/12/2019
	(Millions of euros)	
EPRA NAV	5,697	5,825
Includes:		
(i) Market value of financial instruments	(11)	21
(ii) Market value of the debt	(116)	(258)
(iii) Deferred taxes	(241)	(240)
EPRA NNNAV	**5,328**	5,348

- **Market Value excluding transaction costs or GAV *excluding Transfer costs***

Market Value excluding transaction costs or GAV *excluding Transfer costs*	30/06/2020	31/12/2019
	(Millions of euros)	
Barcelona	1,500	1,534
Madrid	2,568	2,543
Paris	6,455	6,502
Leased out	**10,523**	10,578
Projects	**1,379**	1,338
Logistics and other	**262**	280
Total Market Value excluding transaction costs and Parent's treasury shares	**12,164**	**12,196**
Spain	4,925	5,039
France	7,239	7,157

- **Market Value including transaction costs or GAV *including Transfer costs***

Market Value including transaction costs or GAV *including Transfer costs*	30/06/2020	31/12/2019
	(Millions of euros)	
Total Market Value excluding transaction costs	**12,164**	12,196
Plus: transaction costs	609	611
Total Market Value including transaction costs, treasury shares, EPRA	**12,773**	**12,807**
Spain	5,058	5,175
France	7,715	7,632

- ***Like-for-like* Rental Income**

Like-for-like Rental Income	Barcelona	Madrid	Paris[1]	Other[2]	TOTAL
	(Millions of euros)				
Rental income 1st half of 2018	**20**	**46**	**94**	**10**	**170**
Like for like	1	2	3	0	6
Projects and inclusions	1	(1)	(2)	1	(1)
Investments and divestitures	1	(4)	0	2	(1)
Other and compensation	0	0	0	0	0
Rental income 1st half of 2019	**23**	**43**	**95**	**13**	**174**
like for like	2	3	(1)	(2)	2
Projects and inclusions	(1)	1	(3)	0	(3)
Investments and divestitures	1	0	0	(6)	(5)
Other and compensation	0	10	(1)	0	9
Rental income 1st half of 2020	**25**	**57**	**90**	**5**	**177**

(1) Portfolio of offices including Prime CBD retail of Galeries Champs Elysées and Pedralbes Centre
(2) Residual logistics portfolio, Axiare secondary retail and Hotel Indigo in Paris

- ***Like-for-like* Valuation**

Like-for-like Valuation	30/06/2020	31/12/2019
	(Millions of euros)	
Valuation at 1 January	12,196	11,348
Like-for-like Spain	(107)	407
Like-for-like France	81	588
Acquisitions and divestitures	(6)	(147)
Total valuation	**12,164**	**12,196**

- ***Loan to Value* Group or LtV Group**

***Loan to Value* Group or LtV Group**	**30/06/2020**	**31/12/2019**
	(Millions of euros)	
Gross financial debt	5,417	4,826
Commitments of deferrals for transactions selling real estate assets	30	17
Less: *"Cash and cash equivalents"*	(773)	(217)
(A) Net financial debt (adjusted for deferral commitments)	**4,674**	4,626
Market Value including transaction costs	12,773	12,807
Plus: Shares in treasury stock of the parent company valued at EPRA NAV	4	7
(B) Market Value including transaction costs and Parent's treasury shares	**12,777**	12,814
***Loan to Value* Group (A)/(B)**	**36,6%**	**36,1%**

- **Holding Company LtV or Colonial LtV**

Holding Company LtV or Colonial LtV Holding Company	**30/06/2020**	**31/12/2019**
	(Millions of euros)	
Gross financial debt	3,271	3,040
Commitments of deferrals for transactions selling real estate assets	30	17
Less: *"Cash and cash equivalents"* of the parent company and the fully-owned Spanish subsidiaries	(503)	(161)
(A) Net financial debt (adjusted for deferral commitments)	**2,798**	2,896
(B) Total Market Value including transaction costs and Parent's treasury shares and EPRA NAV of subsidiaries with non-controlling interests	**9,157**	9,289
***Loan to Value* Holding (A)/(B)**	**30,6%**	**31,2%**