Inmobiliaria Colonial, SOCIMI, S.A.

Audit Report,
Annual Accounts as at 31 December 2020
Directors’ Report

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

Independent auditor's report on the annual accounts

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

Report on the annual accounts

Opinion

We have audited the annual accounts of Inmobiliaria Colonial, SOCIMI, S.A. (the Company), which comprise the balance sheet as at 31 December 2020, and the income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2020, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in note 2 of the notes to the annual accounts), and in particular, with the accounting principles and criteria included therein.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the annual accounts* section of our report.

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How our audit addressed the key audit matter
Recoverability of non-current investments in Group companies At 31 December 2020 Inmobiliaria Colonial, SOCIMI, S.A. recognises a balance under Non-current investments in group companies amounting to Euro 2,304,913 thousand, as detailed in Note 9 to the accompanying annual accounts. These investments are significant with respect to the Company's annual accounts as they account for approximately 38% of total assets. As indicated in Note 4.e) to the accompanying annual accounts, the Company carries out an assessment of the possible impairment adjustments by comparing the carrying amount of the shares with the recoverable amount , this being, unless otherwise evidenced, the investee's equity adjusted for any latent capital gains existing at the measurement date. Value adjustments and, if appropriate, their reversal, are recognised in the income statement for the year in which they arise. The quantification of the recoverable amount of such investments requires the use of judgements and significant estimates by Company Management when determining the valuation method and considering the key assumptions established. The materiality of the Non-current investments in group companies and the significant judgements and estimates described above mean that we consider this matter a key audit matter.	Our audit procedures included, among others, the review of the process implemented by the Company to assess the potential impairment of non-current investments in group companies. In addition, we assessed the valuation methodology used by the Company. We obtained the audited balance sheets of the most relevant investees and reviewed the amounts of the capital gains identified and checked them against the valuations of their investment property carried out by independent experts, whom we assessed in terms of the requisite competence and independence, finding no exceptions. We verified that the valuations were performed in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors (RICS) of Great Britain and in accordance with the International Valuation Standards (IVS) published by the International Standards Valuation Committee. In this regard, we held meetings with the valuers and our internal experts, verifying for a sample of those valuations the reasonableness of the variables used, such as the discount rate employed and the rental increase considered as well as other variables considered necessary in order to complete the valuations such as the final return, the term of the rental contracts and type and age of the buildings, their location and occupancy rate. Similarly, for a sample of assets, we verified through the sales and purchase deeds, the technical specifications used by the independent experts when determining the fair value of those assets. Likewise, for equity instruments in listed group companies, we have verified their recoverable amount based on the price of their shares.

Key audit matter	How our audit addressed the key audit matter
	Lastly, we assessed whether the disclosures of information included in Notes 4.e) and 9 to the accompanying annual accounts. We have concluded that Management's approach in relation to its assessment of the recoverability of investments in equity instruments in non-current group companies is consistent and is supported by the available evidence
Valuation of Investment Property	
The Company has real estate assets which are recognised under investment property amounting to Euro 3,293,395 thousand at 31 December 2020, representing 55%of total assets. Notes 4.c) and 7 to the accompanying annual accounts include information on the assets included under this heading. As indicated in Note 4.c), these properties are tested for impairment in order to check that the registered value does not exceed its recoverable value. In order to obtain the recoverable amount of such assets, the Company determines the fair value through independent expert valuations. The methodology used to determine the fair value of the investment properties is mainly the discounted cash flows method, in accordance with standard market practice. Such valuations are based on a series of significant judgements and estimates. We have therefore focused on this area due to the materiality of this heading with respect to the Company's total assets and the significant judgement required on the part of Management. Changes in the assumptions used could lead to a significant variation in the recoverable value of such assets and their impact on the income statement.	For the purposes of validating their carrying amount before considering any impairment, we verified the annual depreciation of investment property and observed that it is calculated on a straight-line basis, without detecting significant incidents. We obtained the year-end valuations of these assets by independent experts and we assessed that these experts meet the requirements of competence and independence, finding no exceptions. We verified that the valuations were performed in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors (RICS) of Great Britain and in accordance with the International Valuation Standards (IVS) published by the International Standards Valuation Committee. In this regard, we held meetings with the valuers and our internal experts, verifying for a sample of those valuations the reasonableness of the variables used, such as the discount rate employed and the rental increase considered as well as other variables considered necessary in order to complete the valuations such as the final return, the term of the rental contracts and type and age of the buildings, their location and occupancy rate. Similarly, for a sample of assets, we verified through the sales and purchase deeds, the technical specifications used by the independent experts when determining the fair value of those assets.

Key audit matter	How our audit addressed the key audit matter
	Lastly, we verified the relevant disclosures in Notes 4.c) and 7 to the accompanying annual accounts. We consider that we have obtained sufficient audit evidence in the course of our work concerning the reasonableness of the valuation of the Companies' investment properties.

Other information: Management report

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

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

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

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

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

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

The directors are responsible for the preparation of the accompanying annual accounts, such that they fairly present the equity, financial position and financial performance of the Company, in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as the aforementioned determine necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the annual accounts

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

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

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor´s report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Report on other legal and regulatory requirements

Report to the audit committee

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

Appointment period

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

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

Services provided

Services provided to the audited entity and its subsidiaries for services other than the audit of the accounts are disclosed in note 21 to the annual accounts.

In relation to the services provided to the Company and its subsidiaries for services other than the audit of the accounts, see the audit report dated February 25, 2021 of the Inmobiliaria Colonial, SOCIMI, S.A. and its subsidiaries consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Original in Spanish signed by
Mireia Oranias Casajoanes (20973)

25 February 2021

Inmobiliaria Colonial, SOCIMI, S.A.

Financial Statements for the year ended 31 December 2020 and Management Report, together with the Audit Report

Translation of a report originally Issued in Spanish based on our work performed In accordance with the audit regulations In force in Spain and of consolidated financial statements originally Issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group In Spain. In the event of a discrepancy, the Spanish-language version prevails.

Inmobiliaria Colonial, SOCIMI, S.A.

Balance sheet
31 December 2020 and 2019

(Thousands of euros)

Assets	Note	31 December 2020	31 December 2019
Intangible assets	**Note 5**	**64,929**	**146,969**
Goodwill		61,770	142,694
Intellectual property		1,170	2,339
Computer software		1,989	1,936
Property, plant and equipment	**Note 6**	**21,654**	**21,032**
Land and buildings		18,018	18,074
Installations and other P, P & E		4,647	5,048
Impairment of property, plant and equipment		(1,011)	(2,090)
Investment property	**Note 7**	**3,293,395**	**3,480,369**
Land		1,758,334	1,845,711
Constructions and installations		1,077,848	1,188,505
Investment property under development		558,142	512,220
Impairment of investment property		(100,929)	(66,067)
Non-current investments in group companies and associates	**Note 9**	**2,327,139**	**2,330,130**
Non-current equity instruments in group companies	**Note 9**	2,326,217	2,321,504
Non-current loans to group companies and associates	**Note 19**	22,226	21,766
Impairment of investments in group companies	**Note 9**	(21,304)	(13,140)
Non-current financial investments		**40,212**	**65,904**
Derivatives	**Note 10**	--	19,683
Other non-current financial assets	**Note 9-c**	40,212	46,221
Total non-current assets		**5,747,329**	**6,044,404**
Non-current assets held for sale	**Note 11**	**19,277**	**133,004**
Trade and other receivables		**20,410**	**32,410**
Trade receivables for sales and services		2,623	17,896
Trade and other payables, group companies	**Note 19**	5,880	2,744
Other receivables	**Note 12**	9,236	10,747
Prepayments to suppliers		170	179
Staff		6	--
Other receivables from public authorities	**Note 17**	2,495	844
Current investments in group companies	**Note 19**	**24,873**	**37**
Loans to group companies		24,873	37
Current financial investments	**Note 12**	**9**	**90**
Equity instruments		9	9
Other financial assets		--	81
Current accruals		**121**	**766**
Cash and cash equivalents	**Note 15**	**223,717**	**152,386**
Total current assets		**288,407**	**318,693**
Total assets		**6,035,736**	**6,363,097**

The Notes 1 to 24 and Appendices I, II and III are an integral part of the balance sheet at 31 December 2020.

Inmobiliaria Colonial, SOCIMI, S.A.

Balance sheet
31 December 2020 and 2019

(Thousands of euros)

Equity and liabilities	Note	31 December 2020	31 December 2019
Equity		**2,906,960**	**3,055,497**
Capital	**Note 13**	**1,270,287**	**1,270,287**
Authorised capital		1,270,287	1,270,287
Share premium	**Note 13**	**1,491,280**	**1,513,749**
Reserves	**Note 13**	**193,831**	**186,822**
Legal and bylaw-mandated reserves		54,766	45,980
Other reserves		139,065	140,842
(Treasury shares)	**Note 13**	**(24,440)**	**(6,179)**
Profit/(loss) for the year	**Note 3**	**(27,010)**	**87,867**
Other equity instruments		**3,012**	**2,951**
Valuation adjustments	**Note 10**	**(19,318)**	**18,791**
Hedging transactions		(19,318)	18,791
Total equity	**Note 13**	**2,887,642**	**3,074,288**
Long-term provisions	**Note 14**	**72**	**85**
Non-current employee benefit obligations		45	58
Other provisions		27	27
Non-current payables		**2,904,871**	**2,816,008**
Bonds and other marketable securities	**Note 15**	2,785,682	2,586,069
Bank borrowings	**Note 15**	71,317	197,846
Derivatives	**Note 10**	19,318	1,177
Other financial liabilities	**Note 16**	28,554	30,916
Non-current payables with Group companies	**Note 19**	**--**	**7,500**
Deferred tax liabilities and other non-current payables to public authorities	**Note 17**	**86,428**	**92,229**
Non-current provisions	**Note 9**	**28,287**	**21,215**
Total non-current liabilities		**3,019,658**	**2,937,037**
Current provisions	**Note 14**	**3,226**	**6,465**
Current payables		**84,533**	**256,345**
Bonds and other marketable securities	**Note 15**	85,077	256,600
Bank borrowings	**Note 15**	(544)	(873)
Derivatives	**Note 10**	--	616
Other financial liabilities		--	2
Current payables with group companies	**Note 19**	**194**	**102**
Trade and other payables		**40,448**	**88,851**
Suppliers		29,580	60,106
Other payables		4,892	5,293
Other payables to public authorities	**Note 17**	5,976	4,793
Prepayments from customers		--	18,659
Current provisions		**35**	**9**
Total current liabilities		**128,436**	**351,772**
Total equity and liabilities		**6,035,736**	**6,363,097**

The Notes 1 to 24 and Appendices I, II and III are an integral part of the balance sheet at 31 December 2020.

Inmobiliaria Colonial, SOCIMI, S.A.

Income statement

31 December 2020 and 2019

(Thousands of euros)

	Note	2020	2019
CONTINUING OPERATIONS			
Revenue	**Note 18-a**	**259,382**	**254,521**
Sales		158,067	153,193
Service provision		566	579
Finance income from holding companies	**Note 19-a**	100,749	100,749
Other operating income		**129**	**165**
Ancillary and other current management income		129	165
Staff costs	**Note 18-b**	**(14,421)**	**(14,131)**
Wages and salaries		(10,310)	(9,927)
Social charges		(4,111)	(4,204)
Other operating expenses		**(21,207)**	**(25,197)**
External services		(14,485)	(28,458)
Taxes		(6,813)	(4,359)
Losses, impairment and change in trade provisions	**Note 18-c**	182	7,775
Other current operating expenses		(91)	(155)
Depreciation and amortisation	**Notes 5, 6 and 7**	**(82,310)**	**(80,468)**
Impairment and gains/(losses) on disposal of property, plant and equipment		**(72,466)**	**28,201**
Impairments and losses	**Note 18-d**	(129,594)	(19,889)
Gains/(losses) on disposals and other	**Note 18-e**	57,128	48,090
Profit from operations		**69,107**	**163,091**
Finance income	**Note 18-f**	**1,116**	**1,901**
From investments in equity instruments		**1,116**	**1,901**
At group companies and associates	**Note 19**	460	453
At third parties		656	1,448
Finance cost	**Note 18-f**	**(85,036)**	**(67,371)**
Due to debts to third parties		(85,036)	(67,371)
Change in fair value of financial instruments	**Note 18-f**	**(632)**	**(1,625)**
Trading portfolio and others		(632)	(1,625)
Impairment and gains/(losses) on disposal of financial instruments	**Notes 9 and 18-f**	**(8,164)**	**(7,136)**
Impairments and losses		(8,164)	(7,136)
Financial profit/(loss)		**(92,716)**	**(74,231)**
Profit before tax	**Note 17**	**(23,609)**	**88,860**
Corporate income tax		**(3,401)**	**(993)**
Profit/(loss) for the year from continuing operations	**Note 3**	**(27,010)**	**87,867**

The accompanying Notes 1 to 24 and Appendices I, II and III are an integral part of the of the income statement for 2020.

Inmobiliaria Colonial, SOCIMI, S.A.

Statements of changes in equity
for the years ended on
31 December 2020 and 2019
A) Statement of comprehensive income

(Thousands of euros)

	Note	2020	2019
Income statement		**(27,010)**	**87,867**
Income and expenses charged directly to equity			
Cash flow hedges	**Note 13**	(39,640)	18,698
Total income and expense recognised directly in equity		**(39,640)**	**18,698**
Transfers to income statement			
Cash flow hedges	**Note 13**	1,531	2,115
Total transfers to income statement		**1,531**	**2,115**
Total recognised income and expense		**(65,119)**	**108,680**

The accompanying Notes 1 to 24 and Appendices I, II and III are an integral part
of the statement recognised income and expense for 2020.

Inmobiliaria Colonial, SOCIMI, S.A.

Statements of changes in equity
for the years ended on
31 December 2020 and 2019
B) Statement of total changes in equity

(Thousands of euros)

	Authorised capital	Share premium	Reserves	Treasury shares	Other equity instruments	Profit/(loss) for the year	Valuation adjustments	Total
Balance adjusted at 1 January 2018	**1,270,287**	**1,578,439**	**215,991**	**(5,606)**	**1,317**	**36,308**	**(492)**	**3,096,244**
Total recognised income and expense	--	--	--	--	--	87,867	20,813	**108,680**
Transactions with shareholders:								
Net treasury share transactions	--	--	--	(3,395)	--	--	--	**(3,395)**
Distribution of results (dividends)	--	(64,690)	(569)	--	--	(36,308)	--	**(101,567)**
Business combinations	--	--	(27,469)	--	--	--	(1,530)	**(28,999)**
Accrual of long term remuneration plan 2019	--	--	--	--	2,951	--	--	**2,951**
Delivery of long term remuneration plan 2018	--	--	(1,131)	2,822	(1,317)	--	--	**374**
Balance at 31 December 2019	**1,270,287**	**1,513,749**	**186,822**	**(6,179)**	**2,951**	**87,867**	**18,791**	**3,074,288**

The accompanying Notes 1 to 24 and Appendices I, II and III are an integral part of the of the statement of changes in equity for 2020.

Inmobiliaria Colonial, SOCIMI, S.A.

Statements of changes in equity
for the years ended on
31 December 2020 and 2019

B) Statement of total changes in equity

(Thousands of euros)

	Authorised capital	Share premium	Reserves	Treasury shares	Other equity instruments	Profit/(loss) for the year	Valuation adjustments	Total
Balance adjusted at 1 January 2019	**1,270,287**	**1,513,749**	**186,822**	**(6,179)**	**2,951**	**87,867**	**18,791**	**3,074,288**
Total recognised income and expense	--	--	--	--	--	(27,010)	(38,109)	**(65,119)**
Transactions with shareholders:								
Net treasury share transactions	--	--	--	(22,430)	--	--	--	**(20,564)**
Distribution of results (dividends)	--	(22,469)	8,787	--	--	(87,867)	--	**(101,549)**
Accrual of long term remuneration plan 2020	--	--	--	--	3,012	--	--	**3,012**
Delivery of long term remuneration plan 2019	--	--	(1,778)	4,169	(2,951)	--	--	**(560)**
Balance at 31 December 2020	**1,270,287**	**1,491,280**	**193,831**	**(24,440)**	**3,012**	**(27,010)**	**(19,318)**	**2,887,642**

The accompanying Notes 1 to 24 and Appendices I, II and III are an integral part of the
of the statement of changes in equity for 2020.

Inmobiliaria Colonial, SOCIMI, S.A.

Cash flow statements for the years ended on 31 December 2020 and 2019

(Thousands of euros)

	Note	2020	2019
Cash flows from operating activities			
Pre-tax profit/(loss)		**(23,609)**	**88,860**
Adjustments to profit		**146,561**	**17,974**
Depreciation and amortisation	**Notes 5, 6 and 7**	82,310	80,468
Impairment losses	**Note 18**	129,594	19,889
Changes in provisions	**Notes 14 and 18**	(182)	(7,775)
Impairment and gains/(losses) on disposal of assets	**Notes 5, 6 and 7**	(57,128)	(48,090)
Impairment and gains/(losses) on disposal of financial instruments	**Notes 9 and 18**	8,164	7,136
Finance income	**Note 18**	(1,116)	(1,901)
Income from equity investments in group companies	**Note 19**	(100,749)	(100,749)
Finance cost	**Note 18**	85,036	67,371
Change in fair value of financial instruments	**Notes 9 and 18**	632	1,625
Changes in working capital		**(82,779)**	**32,752**
Trade and other receivables		15,908	16,042
Other current assets		(24,191)	(645)
Trade and other payables		(70,248)	19,644
Other current liabilities		(8,555)	(2,289)
Non-current assets and liabilities		4,307	--
Other cash flows from operating activities		**7,795**	**44,897**
Interest paid		(84,211)	(57,428)
Income from equity investments in group companies	**Notes 18 and 19**	100,749	100,749
Finance income		822	1,576
Income tax recovered (paid)		(9,565)	--
Cash flows from operating activities		**47,968**	**184,483**
Cash flows from investing activities			
Payments on investments (-)		**(90,960)**	**(264,773)**
Group companies and associates	**Note 9**	(4,713)	(41,533)
Intangible assets	**Note 5**	(1,496)	(3,929)
Property, plant and equipment	**Note 6**	(304)	(1,847)
Investment property	**Note 7**	(77,768)	(186,919)
Other financial assets	**Note 9**	--	(26,515)
Non-current assets held for sale	**Note 11**	(6,679)	(4,030)
Proceeds on disposals (+)		**335,173**	**294,502**
Property, plant and equipment	**Note 6**	--	13
Investment property	**Note 7**	146,800	22,950
Other current financial assets	**Notes 9 and 19**	1,783	6,851
Non-current assets held for sale	**Note 11**	186,590	257,840
Business Combination	**Note 23**	--	6,848
Cash flows from investing activities		**244,213**	**29,729**
Cash flows from financing activities			
Proceeds from/(payments for) equity instruments		**(121,527)**	**(101,657)**
Dividends paid	**Note 3**	(101,549)	(101,567)
Acquisition of own equity instruments	**Note 13**	(22,430)	(2,912)
Disposal of own equity instruments		2,452	2,822
Proceeds from/(payments for) financial liability instruments		**(99,323)**	**6,595**
Issue			
Bank borrowings	**Note 15**	--	75,000
Bonds and similar marketable securities	**Note 15**	570,000	239,500
Non-current accruals	**Note 9**	7,072	--
Other debts (-)		(3,895)	10,151
Redemption of			
Debts to group companies and associates		(7,500)	--
Bank borrowings (-)	**Note 15**	(125,000)	(318,056)
Bonds and other marketable securities (-)	**Note 15**	(540,000)	--
Cash flows from financing activities		**(220,850)**	**(95,062)**
Net increase/decrease in cash and cash equivalents		**71,331**	**119,150**
Cash or cash equivalents at beginning of year		152,386	33,236
Cash or cash equivalents at end of year		223,717	152,386

The accompanying Notes 1 to 24 and Appendices I, II and III are an integral part of the of the statement of cash flows at 31 December 2020.

1. Company activity

Inmobiliaria Colonial SOCIMI, S.A. ("the Company") 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 Company's Annual General Meeting resolved to adopt the SOCIMI Tax Regime. On 30 June 2017, the Company submitted a request to the tax authorities to be included in the REIT Tax Regime, applicable as of 1 January 2017.

The 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 Company.

The Company 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.

In 2007, the merger by absorption of Inmobiliaria Colonial, SOCIMI, S.A. (formerly Grupo Inmocaral, S.A.) with Inmobiliaria Colonial, S.A. (absorbed company) was undertaken. In 2008, Inmobiliaria Colonial, SOCIMI, S.A. (absorbing company) merged with the companies Subirats-Coslada Logística, S.L.U., Diagonal Les Punxes 2002, S.L.U., Dehesa de Valme, S.L., Urbaplan 2001, S.A.U., Entrenúcleos Desarrollo Inmobiliario, S.L., Inversiones Tres Cantos, S.L. and Inversiones Notenth, S.L. (absorbed companies).

In 2010 the land and development activity branch was spun off and contributed to the subsidiary Asentia Project, S.L., hereinafter "Asentia", which included the shares of the subsidiary Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U., hereinafter "DUE", to which a project located in Seville was contributed. The non-cash contribution to the subsidiary Abix Service, S.L.U., hereinafter "Abix", of the Llacuna real estate project, located in Barcelona, was also made. These operations were carried out within the framework of the refinancing agreement signed on 19 February 2010 between the Company and the financial institutions.

The above-mentioned merger, spin-off and non-cash contribution transactions were subject to the tax regime provided for in Chapter VIII of Title VII of the Corporate Income Tax Act. All relevant information on these corporate transactions, as required by law, is detailed in the financial statements for the corresponding years.

In 2014, a global transfer was undertaken of the assets and liabilities of Abix, previously a wholly-owned company, to Inmobiliaria Colonial, SOCIMI, S.A. This involved the transfer *en bloc* via universal succession of the totality of Abix's equity to the Company, with the resulting termination of the investee, carried out in conformity with Article 87.1 of Law 3/2009 on Structural Modifications to Trading Companies.

On 2 July 2018, the Company carried out the merger by absorption of Axiare Patrimonio SOCIMI, S.A., under the special scheme provided in Chapter VII of Title VII of the LIS of 1 August 2018. On 17 April 2019, the Company carried out the merger by absorption of the companies Axiare Properties, S.L.U., Axiare Investigación, Desarrollo e Innovación, S.L.U., Chamaleon (CEDRO), S.L.U., Venusaur, S.L.U., Colonial Invest, S.L.U., Hofinac Real Estate, S.L.U., Fincas y Representaciones, S.A.U., Colonial Arturo Soria, S.L.U. and LE Offices Egeo, S.A.U. Pursuant to the special scheme set out in Chapter VII of Title VII of the LIS of 3 June 2019.

On 9 August 2019, the Company carried out the merger by absorption of Danieltown Spain, S.L.U., Moorage Inversiones 2014, S.L.U., Almacenes Generales Internacionales, S.A.U., Soller, S.A.U. and Axiare Investments, S.L.U. Pursuant to the special scheme set out in Chapter VII of Title VII of the LIS of 16 September 2019.

On 3 September 2019, the Company carried out the merger by absorption with Torre Marenostrum, S.L.U., whose main activity was the acquisition and development of urban real estate for lease. Pursuant to the special scheme set out in Chapter VII of Title VII of the LIS of 7 October 2019.

The main activity of the absorbed companies was the acquisition and development of urban real estate for lease, and the holding of equity interests in other listed real estate investment companies. The mergers were carried out with the aim of optimising the Company's resources, improving the cost structure in its activity and acting in the market as a single entity.

Inmobiliaria Colonial, SOCIMI, S.A. 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. (hereinafter, SFL).

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 Company 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 Company retains the rating obtained from Moody's "Baa2" with a stable outlook.

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 Company is the head of a group of subsidiaries and is obliged under current legislation to prepare consolidated financial statements separately. The consolidated financial statements for 2019 were approved at the General Shareholders’ Meeting of Inmobiliaria Colonial SOCIMI, S.A. of 30 June 2020, and they were subsequently filed at the Madrid Mercantile Registry.

2. Basis of presentation of the financial statements

a) Regulatory financial reporting framework applicable to the Company

These financial statements have been authorised for issue by the directors in accordance with the regulatory financial reporting framework applicable to the Company, as set out in:

a) The Spanish Code of Commerce and other commercial and corporate legislation.

b) The Spanish Chart of Accounts approved by Royal Decree 1514/2007 together with Royal Decrees 1159/2010 and 602/2016 amending certain aspects of the Chart of Accounts and its sectoral adaptations and, in particular, the sectoral adaptation of the chart of accounts for real estate companies approved by the order of 28 December 1994, as well as the provisions approved by the National Securities Market Commission.

c) The mandatory rules approved by the Institute of Accounting and Auditing in the implementation of the chart of accounts and its supplementary rules, the Securities Market Law and other regulations issued by the National Securities Market Commission.

d) All other applicable Spanish accounting legislation.

b) True and fair view

The accompanying financial statements were prepared from the Company's accounting records and are presented in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein and, accordingly, give a true and fair view of the Company's equity, financial position, results and cash flows for the year. These financial statements were prepared by the Company's directors for approval by the shareholders at the annual general meeting and are expected to be approved without any modification.

The financial statements for 2019 were approved by the shareholders at the annual general meeting of the Company held on 30 June 2020.

c) Non-mandatory accounting principles applied

No non-mandatory accounting policies have been applied. Consequently, the directors formally prepared these financial statements by taking into account all the mandatory accounting principles and rules with a significant effect thereon. All mandatory accounting principles were applied.

d) Critical issues regarding the measurement and estimation of uncertainty

In preparing the accompanying financial statements, estimates were made by the Company's directors in order to measure certain assets, liabilities, income, expenses and obligations reported herein. These estimates and criteria relate to the following:

- Impairment losses or, conversely, reversals of impairment losses recognised in prior years on goodwill, on properties for own use and investment property as a result of the lower or higher value obtained from property valuations performed by independent experts with respect to the carrying amount of these assets (Notes 5, 6 and 7).

  The market value of own-use property and investment property has been obtained from the valuations carried out periodically by independent experts. These valuations were performed at 31 December 2020 and 2019 in accordance with the methods described in Notes 4-b and 4-c.

- The useful life of the property for own use and of the investment property (Notes 4-b and 4-c).

- The classification, measurement and impairment of certain financial assets, including derivative financial instruments (Notes 4-e, 9 and 10).

- The valuation of the non-current assets held for sale (Note 4-f and 11).

- Estimation of the appropriate provisions for bad debts (Note 4-g).

- Measurement of deferred tax liabilities recognised on the balance sheet (Notes 4-m and 17).

- Estimate of current provisions arising from various risks inherent to the Company's business.

Although these estimates were made on the basis of the best information available at year-end 2020, future events may make it necessary to change these estimates (upwards or downwards) in subsequent reporting periods. Any changes in accounting estimates are recognised prospectively, with recognition of the effects of the change of estimate in profit and loss.

e) Comparison of information

Reclassification of comparative amounts from the previous year

The amount of the lease incentives maturing in more than one year recorded under "Other current receivables" for the year ended 31 December 2019 has been reclassified in these financial statements to "Other non-current financial assets" in order to make them comparable with those of the current year and to allow for their comparison.

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

f) Aggregation of items

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

g) Correction of errors

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

h) Functional currency

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

i) Covid-19 health crisis

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

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

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

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

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

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

Updating of the market value of investment property.

The Company periodically compares the carrying amount of its investment properties with the market value. This market 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, so that at the end of each half year, the necessary provisions are made for impairment of investment property when the market value is lower than the carrying amount.

Note 4-c discloses the sensitivity of valuations to a change of one quarter of a point in rates of return.

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

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

Rental income

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

Rebates represented 5.3% of revenue in 2020, of which 4,718 thousand euros was recognised, in this year, in the income statement, and the remainder is pending inclusion in the coming years.

Deferrals granted amounted to 6,611 thousand euros, of which 1,015 thousand had already been collected at 31 December 2020.

3. <u>Distribution of result</u>

In light of the resulting loss in the income statement for the year ended on 31 December 2020, the result will be distributed to accumulated losses.

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

Thousands of euros	2015	2016	2017	2018	2019
Dividends distributed	47,833	62,749	77,619	101,567	101,549

4. Accounting policies and measurement bases

The main accounting policies and measurement bases used by the Company to prepare the financial statements, in accordance with those set out in the chart of accounts, are as follows:

a) Intangible assets

As a general rule, intangible assets are initially measured at their acquisition or production cost. They are then measured at cost less the corresponding accumulated amortisation and, where applicable, less any impairment losses. These assets are amortised over their useful life. When the useful life of these assets cannot be estimated reliably, they are amortised over a maximum period of 10-years.

Goodwill -

Goodwill arises from the differences between the cost of the business combination and the net amount of the assets acquired and liabilities assumed.

The Company allocates the goodwill resulting from the business combination to each of the cash generating units (CGU) expected to benefit from the synergies of the combination and determines the useful life of the goodwill separately for each CGU. After initial recognition, goodwill is measured at cost, less any amortisation and accumulated impairment losses. Goodwill is subsequently carried at the acquisition price less any accumulated amortisation and any accumulated impairment losses.

The Company amortizes goodwill on a straight-line basis at a rate of 10% per year.

In addition, at least annually, cash-generating units to which goodwill has been allocated shall be tested for impairment.

Goodwill impairment losses are not reversed in subsequent periods.

Computer software -

Computer software in the balance sheet reflects mainly the costs of acquiring and implementing an integrated computer system and subsequent extensions or improvements to this system, which are amortized on a straight-line basis at a rate of 25% per year.

b) Property, plant and equipment

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

Historical cost includes expenses directly attributable to the acquisition of the properties. Possible impairment losses on properties are recorded in accordance with the same valuation assumptions as those described in Note 4-c.

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

The Company depreciates its property, plant and equipment for own use and other items using the straight-line method, and distributes assets' costs throughout the estimated useful life, as follows:

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

Impairment of plant, property and equipment -

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

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

c) Investment property

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

Investment property is recognised at cost of acquisition plus any gains allocated as a result of the mergers described in Note 1, less any related accumulated depreciation and impairment losses.

The costs of expansion, modernisation or improvement leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of assets are capitalised as an increase in the cost of the related assets, while upkeep and maintenance costs are expensed in profit and loss in the year incurred.

For projects in progress, only execution costs and finance costs are capitalised, provided that such expenses have been incurred before the asset is put into operation and that the duration of the work exceeds one year.

The Company includes any finance cost related to generic financing directly attributable to the acquisition within the cost of investment property that requires a period of more than one year to be in operating condition. The amount of interest to be capitalised corresponding to general non-trade financing is determined by applying a weighted average interest rate to the investment in progress, discounting the specifically financed portion, within the limit of the finance cost accrued in profit and loss.

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

The Company depreciates its investment property using the straight-line method, and distributes assets' costs throughout the estimated useful life, as follows:

	Years of estimated useful life
Properties:	
Buildings	50
Facilities	10 to 15
Other property, plant and equipment	4 to 10

The Company periodically compares the carrying amount of the various investment property items with the market value obtained through independent expert appraisals for each item, and the appropriate provisions are made for impairment of investment property when the market value of an item is lower than its carrying amount. Market value is determined half-yearly, that is, on 30 June and 31 December of each year, using as reference values the valuations made by independent third-party experts (Jones Lang LaSalle and CB Richard Ellis Valuation in Spain for both 2020 and 2019) in accordance with the appraisal and valuation standards published by the Royal Institute of Chartered Surveyors of (RICS) of Great Britain, and with the international valuation standards (IVS) published by the International Valuation Standards Committee (IVSC). Accordingly, at the close of each period, the market 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 Company.

The *discounted cash flow* (hereinafter, “DCF”) method was primarily used to determine the market value of the Company’s investment property in 2020 and 2019.

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

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

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

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

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

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

The most relevant key inputs of this method for the purposes of sensitivity analysis are the determination of net income and the rate of return, especially as it is a 10-year discounted cash flow model. The other variables considered, although they are taken into account for the determination of fair value, are not considered to be key and, therefore, no quantitative information is included, nor is their sensitivity measured.

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

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

	Gross	
Exit yields (%) – Offices	31 December 2020	31 December 2019
Barcelona – Prime Yield		
Leased out	4.37	4.35
Total portfolio	4.36	4.37
Madrid – Prime Yield		
Leased out	4.24	4.27
Total portfolio	4.27	4.30

Assumptions made at 31 December 2020					
Rent increases (%) – Offices	Year 1	Year 2	Year 3	Year 4	Year 5 and thereafter
Barcelona –					
Leased out	(1.75)	1.00	3.50	4.50	2.75
Total portfolio	(1.75)	1.00	3.50	4.50	2.75
Madrid –					
Leased out	(2.00)	0.75	4.00	5.00	3.00
Total portfolio	(2.00)	0.75	4.00	5.00	3.00

Assumptions made at 31 December 2019					
Rent increases (%) – Offices	Year 1	Year 2	Year 3	Year 4	Year 5 and thereafter
Barcelona –					
Leased out	3.00	3.00	3.00	3.00	2.25
Total portfolio	3.00	3.00	3.00	3.00	2.25
Madrid –					
Leased out	3.00	3.00	3.00	3.00	2.50
Total portfolio	3.00	3.00	3.00	3.00	2.50

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

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

A change of one-quarter of one point in rates of return would have the following impact on the valuations used by the Company to determine the value of its property, plant and equipment and investment property on the balance sheet:

Sensitivity of valuations to a change of one quarter of a point in rates of return	Thousands of euros		
	Measurement	Decrease of one quarter of a point	Increase of one quarter of a point
December 2020	4,481,369	227,976	(202,344)
December 2019	5,035,239	252,547	(223,871)

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.

The income earned in 2020 and 2019 from the lease of investment properties amounted to 158,076 thousand euros and 153,193 thousand euros, respectively and is recognised under “Revenue” in the profit and loss account (Note 18-a).

The gains or losses arising from the sale or retirement of an asset are determined as the difference between its sale price and its carrying amount and are recognised under "Impairment and gains/(losses) on disposals of property, plant and equipment - Impairment and losses" in the profit and loss account.

d) Leases

Finance lease -

Leases are classified as finance leases whenever their terms imply that substantially all the risks and rewards incidental to ownership of the leased asset have been transferred to the lessee Other leases are classified as operating leases. At 31 December 2020 and 2019, all of the Group’s leases qualified as operating leases.

Operating lease -

Income and expense of operating leases are taken to the profit and loss account in the year they accrue.

The acquisition cost of the leased assets is presented in the balance sheet based on the nature of the asset, increased by the directly recognised agreement costs which are recognised over the term of the lease by applying the same method used to recognise income from leases.

Any collection or payment that might be made when arranging an operating lease will be treated as a prepaid lease collection or payment, which will be allocated to profit or loss over the lease term in accordance with the time pattern in which the benefits of the leased asset are provided or received.

e) Financial instruments

Financial assets -

Initial measurement -

Financial assets are initially measured at the fair value of the consideration given plus directly attributable transaction costs.

For equity investments in Group companies that give control over the subsidiary, the fees paid to legal advisers or other professionals involved in the acquisition are recognised directly in profit or loss.

Classification -

The financial assets held by the Company are classified into the following categories:

- Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.

- Held-to-maturity investments: debt securities with fixed or determinable payments traded in an active market which the Company intends and is able to hold to maturity.

- Equity investments in group companies, associates and jointly controlled entities: Group companies are deemed to be those related to the Company as a result of a control relationship and associates are companies over which the Company exercises significant influence. In addition, the category of joint control includes companies over which joint control is exercised with one or more partners by virtue of an agreement.

- Available-for-sale financial assets: these include debt securities and equity instruments of other companies that are not classified in any of the preceding categories.

Subsequent measurement -

Loans and receivables and held-to-maturity investments are measured at amortised cost.

Investments in Group companies, associates and jointly controlled entities are measured at cost less any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. In estimating impairment on these investments, the investee's equity is taken into consideration, corrected for any unrealised gains at the measurement date, unless better evidence of the recoverable amount of the investment is available. The valuation adjustment and any reversals thereof are recognised in the income statement for the period in which they occur.

Available-for-sale financial assets are measured at fair value, with any fair value changes recognised in equity until the asset is derecognised or determined to be impaired (permanently), at which time the cumulative gain or loss recognised in equity is recognised in the income statement. In this regard, there is a presumption that there is impairment (permanent) if there has been a fall of more than 40% in the value of the asset or if there has been a prolonged decline in value over a period of one and a half years without a recovery in value.

Unless there is better evidence of the amount recoverable from the investees, the EPRA Triple Net Asset Value (EPRA NNNAV) is used.

The Company tests its financial assets not measured at fair value for impairment at least at each balance sheet date. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount, in which case it is recorded in profit and loss.

The Company calculates any impairment losses on trade and other receivables based on an individual assessment of the debtor's solvency.

The Company derecognises a financial asset when the rights to cash flows from the asset expire or have been transferred, and substantially all the risks and rewards of ownership of the financial asset have been transferred.

However, the Company does not derecognise financial assets, and recognises a financial liability for an amount equal to the consideration received, in transfers of financial assets in which it retains substantially all the risks and rewards of ownership.

Financial liabilities -

Financial liabilities include loans and payables by the Company that have arisen from the purchase of goods or services in the normal course of the Company's business and those which, while not having commercial substance, cannot be classed as derivative financial instruments.

Debts and payables are initially measured at the fair value of the consideration received, adjusted for directly attributable transaction costs. These liabilities are subsequently carried at amortised cost.

Derivative financial liability instruments are measured at fair value, using the same criteria as those for financial assets held for trading described in the previous section.

The Company derecognises financial liabilities when the obligations that generated them have been extinguished. When the Company exchanges debt instruments with a third party for which the conditions are substantially different, it derecognises the original financial liability and recognises the new financial liability. The difference between the carrying amount of the original liability and the payment received, including any attributable transaction costs, is recognised in profit and loss of the year.

In exchanges of debt instruments that do not have substantially different terms, the original financial liability is not derecognised by recording the amount of fees paid as an adjustment to its carrying amount. The amortised cost of the financial liability is determined by applying the effective interest rate, which is the rate that equals the carrying amount of the financial liability at the date of modification with the cash flows payable under the new conditions.

The Company considers the terms and conditions of financial liabilities to differ substantially whenever the present value of the discounted cash flows, under the new terms and conditions, including any fees and commissions paid, net of any fees and commissions received and using the original effective interest rate in discounting, differs by at least 10% from the discounted present value of the cash flows still remaining from the original financial liability.

Own equity instruments (Note 13) -

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

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

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

Derivative financial instruments (Note 10) -

The Company uses financial derivatives to manage its exposure to variations in interest rates. All derivative financial instruments, whether or not they are designated as hedging instruments, are carried at fair value, market value in the case of listed securities, or using option valuation methods or discounted cash flow analysis for non-listed securities. The following measurement base was used to recognise each of the following:

- Derivative financial instruments that meet the criteria for hedge accounting are initially recognised at fair value plus, where appropriate, any transaction costs that are directly attributable to arranging them or less, where appropriate, any transaction costs that are directly attributable to their issue. However, transaction costs are subsequently recognised in profit or loss, to the extent that they do not form part of the actual change in the hedge.

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

Hedge accounting is discontinued when a hedging instrument expires or is sold or exercised, or when the hedge no longer qualifies for hedge accounting. Accumulated gains or losses on hedging instruments recognised in equity remain under this heading until the transaction is performed. At that time, any cumulative gain or loss recognised in the Company's equity is transferred to profit and loss for the year.

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

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

- Prospective tests measure the instrument's expected effectiveness on the basis of forward interest rates as published by Bloomberg at the measurement date. This is adjusted monthly from the inception of the hedge on the basis of the historical interest rates already established.

The method used to determine the effectiveness of hedging instruments consists of calculating the statistical correlation between the benchmark interest rates at each measurement date for the derivative and the related hedged liability. This applies to the hedged percentage of the derivative on its liabilities.

A hedging instrument is considered effective if this statistical correlation is between 0.80 and 1.25.

The Company's directors estimated the credit risk for the derivative portfolio. No significant effect arose as a result at 31 December 2020 and 2019.

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

f) Non-current assets and disposable groups held for sale

Non-current assets held for sale are measured at the lower of cost or fair value less costs to sell.

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

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

g) Receivables

Trade receivables are measured at their recoverable amount, i.e. net, where applicable, of the allowances recognised to cover past-due balances where circumstances reasonably warrant their consideration as doubtful debts. At 31 December 2020 and 2019, all receivable balances with risk of default were provisioned.

h) Statement of cash flows (indirect method)

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

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to insignificant risk of changes in value.

- Operating activities: the principal ordinary revenue-producing activities and other activities that are not investing or financing activities.

- Investing activities: the acquisition and disposal of non-current assets and other investments not included in cash and cash equivalents.

- Financing activities: non-operating activities that result in changes in the size and composition of equity and liabilities.

i) Cash and cash equivalents

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

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

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

j) Current/non-current

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

The Company's core business is property, for which the normal cycle of operations is considered to correspond to the calendar year. Therefore, assets and liabilities maturing in one year or less are classified as current, and those maturing at over one year as non-current, except for accounts receivable arising from the recognition of income linked to incentives or grace periods (Notes 4-n and 12), which are straight-line items over the term of the lease and are considered to be current assets.

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

k) Provisions and contingent liabilities

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

- Provisions: creditor balances covering present obligations arising from past events with respect to which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, which is uncertain as to its amount and/or timing;

- Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Company.

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

Provisions are stated at the present value of the best estimate of the amount required to settle the obligation or transfer it, taking into account the information available regarding the event and its consequences. Adjustments arising from the discounting of provisions are recognised as a finance expenses when accrued.

The reimbursement from third parties required to settle the obligation is recognised as a separate asset, provided that there are no doubts that the reimbursement will be received, unless there is a legal relationship whereby a portion of the risk has been externalised, transferring liability from the Company. In this situation, the reimbursement will be taken into account for the purpose of estimating the amount of the related provision that should be recognised.

l) *Employee benefits*

Termination benefits -

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

Pension obligations (Note 18) -

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

Share-based payments (Note 20) -

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

In the case of transactions settled with equity instruments, both the services rendered and the increase in equity are measured at the fair value of the equity instruments granted, by reference to the grant date. If, on the other hand, they are settled in cash, the goods and services received and the corresponding liability are recognised at the fair value of the goods and services received as of the date on which the recognition requirements are met.

m) *Corporate income tax (Note 17)*

Income tax expense is the sum of the income or expense for current tax and the income or expense for deferred tax.

Current tax is the amount of taxes payable by the Company as a result of income tax settlements for a period. Deductions and other tax relief, excluding withholdings and payments on account, and tax loss carryforwards applied in the current reporting period are accounted for as a reduction in current tax.

Deferred tax expense or income relates to the recognition and settlement of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable arising from differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss carryforwards and unused tax credits. These amounts are measured at the tax rates expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, unless the differences arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income. Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised in equity.

In accordance with current legislation, when measuring deferred tax liabilities the Company reflects the tax consequences that would arise from the manner in which the carrying amount of its assets is expected to be recovered or settled. In this regard, for deferred tax liabilities that arise from investment properties, there is a refutable presumption that their carrying amount will be recovered through their sale. The effective rate used was calculating by applying a 25% tax rate, reduced by the 25% on the compensation of negative tax bases according to the limits on compensation in force at 31 December 2020, resulting in 18.75%.

The balance sheet includes the tax credits whose recovery is considered probable within a reasonable period of time, either due to the performance of the real estate market itself or to the taxable income generated by the results of the operations managed by the Company's management.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that they will be recovered through future taxable profits.

REIT (SOCIMI) regime -

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

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

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

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

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

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

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

The term will be calculated:

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

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

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

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

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

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

n) Income and expense

General criterion -

Income and expense are recorded on an accruals basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of any discounts and taxes.

Revenue from sales is recognised when the significant risks and rewards of ownership of the asset sold have been transferred to the buyer, but the current management of the asset is not maintained and effective control is not retained.

Property leases -

Leases are classified as finance leases whenever their terms imply that substantially all the risks and rewards incidental to ownership of the leased asset have been transferred to the lessee Other leases are classified as operating leases. At 31 December 2020 and 2019, all of the Company's leases qualified as operating leases (Note 4-d).

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

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

Specific lease terms and conditions: lease incentives -

Lease agreements include certain specific conditions linked to incentives or rent-free periods offered by the Group to its customers (Note 4-j). The Group recognises the aggregate cost of incentives it has granted as a reduction in rental income of the lease agreement on a straight-line basis. The effects of the rent-free periods are recognised during the minimum term of the lease agreement. Rent-free periods of more than one year are recognised in the balance sheet as non-current.

The indemnity payments made by lessees to cancel their lease agreements prior to their minimum termination date are also recognised as income in profit and loss on the date on which they are claimable.

Interest and dividends received -

Interest received on financial assets is recognised using the effective interest method, while dividends are recognised when the shareholder's right to receive payment has been established. In any event, interest and dividends on financial assets accruing after the date of acquisition are recognised as revenue in the income statement.

In accordance with the consultation of BOICAC 79, which relates to the accounting of certain income (dividends, income from loans to related companies, etc.) for companies whose corporate purpose is to hold financial investments, the Company records the income from dividends from investments in companies it controls as an increase in revenue in profit and loss (Note 19).

o) Related-party transactions (Note 19)

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

p) Costs passed on to lessees

The bulk of repair and maintenance expenses incurred by the Company in connection with the operation of its investment properties is passed on to the respective lessees. The Company does not consider as income the costs passed on to the lessees of its investment property, which are presented as a reduction of the corresponding costs in profit and loss. The amount for these items in 2020 and 2019 was 30,549 thousand euros and 29,359 thousand euros, respectively.

Direct operating expenses associated with investment properties which net of passed on expenses in 2020 and 2019, included under "Operating profit" in profit and loss, amounted to 9,476 thousand and 15,472 thousand euros, respectively. Expenses incurred in connection with investment properties that did not generate rental income were not material.

q) Business combinations

Business combinations arising from the acquisition of all the assets of a company or of a party constituting one or more businesses are recorded in accordance with the method of acquisition.

In the case of business combinations originated as a consequence of the acquisition of shares or participations in the capital of a company, the Company recognises the investment in accordance with the provisions for investments in the equity of group, jointly-controlled entities and associates (Note 23).

5. Intangible assets

The movement in this item of the balance sheet and the most significant information affecting this item, were as follows:

	Thousands of euros			
	Goodwill	Intellectual property	Computer software	**Total**
Balance at 31 December 2018	**160,347**	**1,451**	**1,389**	**163,187**
Acquisition cost	***176,529***	***1,962***	***4,477***	***182,968***
Accumulated depreciation and amortisation	***(16,182)***	***(511)***	***(3,088)***	***(19,781)***
Additions	--	2,542	1,387	**3,929**
Business combinations (Note 23)	-	132	--	**132**
Depreciation charge	(17,653)	(1,786)	(840)	**(20,279)**
Disposals	--	(336)	(1)	**(335)**
Write-offs	--	336	1	**335**
Balance at 31 December 2019	**142,694**	**2,339**	**1,936**	**146,969**
Acquisition cost	***176,529***	***4,300***	***5,863***	***186,692***
Accumulated depreciation and amortisation	***(33,835)***	***(1,961)***	***(3,927)***	***(39,723)***
Additions	--	399	1,097	**1,496**
Depreciation charge	(17,653)	(1,568)	(1,044)	**(20,265)**
Disposals	--	(2,007)	--	**(2,007)**
Write-offs	--	2,007	--	**2,007**
Impairment (Note 18-d)	(63,271)	--	--	**(63,271)**
Balance at 31 December 2020	**61,770**	**1,170**	**1,989**	**64,929**
Acquisition cost	***113,258***	***2,692***	***6,960***	***122,910***
Accumulated depreciation and amortisation	***(51,488)***	***(1,522)***	***(4,971)***	***(57,981)***

In 2018, as a result of the business combination with Axiare Patrimonio SOCIMI, S.A. described in Note 1, the Company recognised goodwill amounting to 176,529 thousand euros.

Impairment

At 31 December 2020, the Company carried out an impairment test on the CGU, resulting in an impairment amounting to 63,271 thousand euros (Note 18-d), which has been recognised in the income statement.

At the end of 2020 and 2019, the Company had fully amortised intangible assets still in use amounting to 2,872 thousand and 2,978 thousand euros, respectively.

6. Property, plant and equipment

The movement in this item of the balance sheet and the most significant information affecting this item, were as follows:

	Thousands of euros		
	Land and buildings	Other property, plant and equipment	Total
Balance at 31 December 2018	**14,833**	**3,950**	**18,783**
Acquisition cost	***19,680***	***7,136***	***26,816***
Accumulated amortisation	***(1,549)***	***(3,186)***	***(4,735)***
Accumulated impairment	***(3,298)***	**--**	***(3,298)***
Additions	--	1,847	**1,847**
Business combinations (Note 23)	--	5	**5**
Depreciation charge	(57)	(656)	**(713)**
Disposals (Note 18-e)	--	(133)	**(133)**
Write-offs (Note 18-e)	--	35	**35**
Application of impairment (Note 18-d)	1,208	--	**1,208**
Balance at 31 December 2019	**15,984**	**5,048**	**21,032**
Acquisition cost	***19,680***	***8,855***	***28,535***
Accumulated amortisation	***(1,606)***	***(3,807)***	***(5,413)***
Accumulated impairment	***(2,090)***	**--**	***(2,090)***
Additions	--	304	**304**
Depreciation charge	(56)	(703)	**(759)**
Disposals (Note 18-e)	--	(306)	**(306)**
Write-offs (Note 18-e)	--	304	**304**
Application of impairment (Note 18-d)	1,079	--	**1,079**
Balance at 31 December 2020	**17,007**	**4,647**	**21,654**
Acquisition cost	***19,680***	***8,853***	***28,533***
Accumulated depreciation and amortisation	***(1,662)***	***(4,206)***	***(5,868)***
Accumulated impairment	***(1,011)***	**--**	***(1,011)***

The Company has two floors of the building located at Avenida Diagonal, 532 in the city of Barcelona and one floor of the building located at Paseo de la Castellana, 52 in the city of Madrid for its own use.

Based on the valuations of the Company's assets carried out y an independent expert at 31 December 2020 and 2019 (Note 4-b), it became apparent that an impairment of 1,079 thousand euros (31 December 2019: 1,208 thousand euros) in the value of property for own use had to be reversed, which was recognised under "Impairment and gains/(losses) on disposals of property, plant and equipment - Impairment and losses" in profit and loss (Note 18-d).

Additionally, the Company derecognised certain assets included under "Property, plant and equipment", the carrying amount of which was 2 thousand euros (31 December 2019: 85 thousand euros), which were recognised under "Impairment and gains/(losses) on disposals of property, plant and equipment - Impairment and losses" in profit and loss (Note 18-e).

In 2019 the Company recognised the disposal of certain assets included under "Property, plant and equipment", which were sold for their carrying amount, which amounted to 13 thousand euros at the time of sale.

At the end of 2020 and 2019, the Company had fully depreciated property, plant and equipment amounting to 2,519 thousand and 2,656 thousand euros, respectively.

The Company has no property, plant and equipment outside Spain, nor are there any purchase commitments.

Company policy is to arrange insurance policies to cover any risks to which its property, plant and equipment may be exposed. At 31 December 2020 and 2019, these were fully insured.

7. Investment property

The movement in this item of the balance sheet and the most significant information affecting this item, were as follows:

	Thousands of euros			
	Land	Constructions and installations	Investment property under development	**Total**
Balance at 31 December 2018	**1,585,585**	**1,001,758**	**154,793**	**2,742,136**
Acquisition cost	***1,654,032***	***1,387,504***	***155,642***	***3,197,178***
Accumulated depreciation and amortisation	**--**	***(385,746)***	***(849)***	***(386,595)***
Accumulated impairment	***(68,447)***	**--**	**--**	***(68,447)***
Additions	70,186	79,504	37,229	**186,919**
Business combinations (Note 23)	282,977	430,731	256,022	**969,730**
Depreciation charge	--	(59,476)	--	**(59,476)**
Disposals (Note 18-e)	(202)	(2,088)	(39,017)	**(41,307)**
Write-offs (Note 18-e)	--	514	--	**514**
Write-offs due to impairment (Note 18-e)	22,908	--	--	**22,908**
Transfers (Note 11)	(161,282)	(292,391)	114,854	**(338,819)**
Transfers of depreciation (Note 11)	--	29,953	(11,661)	**18,292**
Transfers of impairment (Note 11)	569	--	--	**569**
Application of impairment (Note 18-d)	15,068	--	--	**15,068**
Impairment (Note 18-d)	(36,165)	--	--	**(36,165)**
Balance at 31 December 2019	**1,779,644**	**1,188,505**	**512,220**	**3,480,369**
Acquisition cost	***1,845,711***	***1,603,260***	***524,730***	***3,973,701***
Accumulated depreciation and amortisation	**--**	***(414,755)***	***(12,510)***	***(427,265)***
Accumulated impairment	***(66,067)***	**--**	**--**	***(66,067)***
Additions	3,634	36,009	38,125	77,768
Depreciation charge	--	(61,286)	--	(61,286)
Disposals (Note 18-e)	(71,952)	(83,738)	--	(155,690)
Write-offs (Note 18-e)	--	17,843	--	17,843
Disposals (Note 18-d and e)	18,471	--	--	18,471
Transfers (Note 11)	(19,059)	(23,767)	9,100	(33,726)
Transfers of depreciation (Note 11 and 18-d)	--	4,282	(1,303)	2,979
Transfers of impairment (Note 11)	12,944	--	--	12,944
Application of impairment (Note 18-d)	5,236	--	--	5,236
Impairment (Note 18-d)	(71,513)	--	--	(71,513)
Balance at 31 December 2020	**1,657,405**	**1,077,848**	**558,142**	**3,293,395**
Acquisition cost	***1,758,334***	***1,531,764***	***571,955***	***3,862,053***
Accumulated depreciation and amortisation	**--**	***(453,916)***	***(13,813)***	***(467,729)***
Accumulated impairment	***(100,929)***	**--**	**--**	***(100,929)***

Movements in 2020 -

In the year 2020 the Company exercised the purchase option for the acquisition of a floor of a property located in Madrid, of which the Company already owned another floor, for an amount of 5,000 thousand euros, for which it exercised one of the purchase options for an amount of 500 thousand euros. At 31 December 2020 the Company held a purchase option for the acquisition of a third floor in the same building in Madrid for an amount of 500 thousand euros.

In 2020, the Company capitalised 4,570 thousand euros of finance costs (Note 18) associated with various investment and refurbishment projects in its properties (Note 18-f).

Total sales in 2020 amounted to 146,800 thousand euros (Note 18-e). The main transactions were the sale of two properties in Barcelona, two properties in Madrid and a hotel in Almeria.

In 2020, an asset was reclassified from "Investment property" to "Assets held for sale" in the balance sheet, for a total of 17,803 thousand euros (Note 11).

Movements in 2019 -

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

The remaining additions in 2019 related to investments in property assets, both under development and in operation, amounting to 77,051 thousand euros.

The Company capitalised no finance costs in 2019.

Total sales in 2019 amounted to 22,950 thousand euros (Note 18-e). The main transactions were sale of premises in Madrid, premises in Tenerife and land in Barcelona.

In 2019, 19 properties were reclassified from "Investment property" to "Assets held for sale" in the balance sheet, for a total of 319,958 thousand euros (Note 11).

Impairment -

Based on the valuations of the Company's assets by independent experts at 31 December 2020, it became apparent that it was necessary to recognise a impairment loss on investment property amounting to 66,277 thousand euros (21,097 thousand euros at 31 December 2019). These results were recorded in "Impairment and gains/(losses) on disposals of property, plant and equipment - Impairment and losses" of profit and loss (Note 18-d).

Other information -

The total surface area per location (above and under-ground) of investment property and projects in operation and under development at 31 December 2020 and 2019 is as follows:

Location	Total surface area (m2)					
	Investment property in operation		Investment property under development		Total	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Barcelona	365,412	407,916	24,578	6,373	389,990	414,289
Madrid	592,013	654,130	210,391	166,557	802,404	820,687
Rest of Spain	63,150	100,007	23,557	24,741	86,707	124,748
	1,020,575	1,162,053	258,526	197,671	1,279,101	1,359,724

At 31 December 2020, the Company had properties included under "Investment property" in the balance sheet delivered as security for mortgage loans (see Note 15-c) with a carrying amount of 125,857 thousand euros (31 December 2019: 132,739 thousand euros).

At the end of 2020 and 2019, the Company had fully amortised investment properties still in use amounting to 205,621 thousand and 195,106 thousand euros, respectively.

The Company has no property, plant and equipment outside Spain, nor are there any purchase commitments.

Company policy is to arrange insurance policies to cover any risks to which its investment property may be exposed. At 31 December 2020 and 2019, these were fully insured.

8. Operating leases as lessor

At the end of 2020 and 2019, the Company had agreed the following non-cancellable minimum lease payments with the lessees, based on the leases in force, without taking into account the charging of expenses, future increases in the CPI or other lease payment revisions.

Minimum operating lease payments	Thousands of euros	
	Nominal Value	
	31 December 2020	31 December 2019
Less than one year	133,907	140,255
Between one and five years	212,982	264,305
More than five years	39,708	45,478
Total	**386,597**	**450,038**

9. Non-current investments in group companies and associates and non-current investments

a) Non-current equity instruments in group companies

The breakdown by subsidiary at 31 December 2020 and 2019 is as follows:

	Thousands of euros					
	31 December 2018	Additions	Business combinations (Note 23)	**31 December 2019**	Additions	**31 December 2020**
Cost:						
Société Foncière Lyonnaise, S.A.	**2,260,013**	--	--	**2,260,013**	--	**2,260,013**
Torre Marenostrum, S.L.	**24,790**	28,525	(53,315)	--	--	--
Colonial Tramit, S.L.U.	**23**	--	--	**23**	--	**23**
Colonial Invest, S.L.U.	**13**	--	(13)	--	--	--
Danieltown Spain, S.L.U.	**30,038**	--	(30,038)	--	--	--
Moorage Inversiones 2014, S.L.U.	**49,355**	--	(49,355)	--	--	--
Hofinac Real Estate, S.L.U.	**202,000**	--	(202,000)	--	--	--
Fincas y Representaciones, S.A.U.	**46,681**	--	(46,681)	--	--	--
Inmocol Torre Europa, S.A.	**10,080**	2,000	--	**12,080**	--	**12,080**
Colonial Arturo Soria, S.L.U.	**20,624**	--	(20,624)	--	--	--
Almacenes Generales Internacionales, S.A.U.	**101,304**	--	(101,304)	--	--	--
Soller, S.A.U.	**79,016**	--	(79,016)	--	--	--
Peñalvento, S.L.U.	**20,755**	--	-	**20,755**	--	**20,755**
Axiare Investments, S.L.U.	**18,067**	--	(18,067)	--	--	--
Axiare Properties, S.L.U.	**2**	--	(2)	--	--	--
Axiare I+D+i, S.L.U.	**149**	--	(149)	--	--	--
Venusaur, S.L.U.	**63,001**	--	(63,001)	--	--	--
Chameleon (Cedro), S.L.U.	**24,056**	--	(24,056)	--	--	--
LE Offices Egeo, S.A.U.	**51,222**	--	(51,222)	--	--	--
Utopicus Innovación Cultural, S.L.	**7,634**	20,999	--	**28,633**	--	**28,633**
Wittywood, S.L.	--	--	--	--	4,647	**4,647**
Inmocol One, S.A.U.	--	--	--	--	60	**60**
Inmocol Two, S.L.U.	--	--	--	--	3	**3**
Inmocol Three, S.L.U.	--	--	--	--	3	**3**
	--	--	--	--		
Total cost	**3,008,823**	**51,524**	**(738,843)**	**2,321,504**	**4,713**	**2,326,217**
Impairment:						
Colonial Tramit, S.L.U.	**(10)**	(3)	--	**(13)**	(4)	**(17)**
Colonial Invest, S.L.U.	**(9)**	--	9	--	--	--
Axiare Investments, S.L.U.	**(3,197)**	--	3,197	--	--	--
Axiare Properties, S.L.U.	**(2)**	--	2	--	--	--
Axiare I+D+i, S.L.U.	**(149)**	--	149	--	--	--
Utopicus Innovación Cultural, S.L.	**(5,994)**	(7,133)	--	**(13,127)**	(8,154)	**(21,281)**
Inmocol One, S.A.U.	--	--	--	--	(2)	**(2)**
Inmocol Two, S.L.U.	--	--	--	--	(2)	**(2)**
Inmocol Three, S.L.U.	--	--	--	--	(2)	**(2)**
Total impairment	**(9,361)**	**(7,136)**	**3,357**	**(13,140)**	**(8,164)**	**(21,304)**
Net total	**2,999,462**	**44,388**	**(735,486)**	**2,308,364**	**(3,451)**	**2,304,913**

*The information relating to Group companies at 31 December 2020 and 2019 is detailed in Appendix I to these notes to the financial statements.

Movements in 2020 -

On 2 July 2020, the Company acquired 50% of the share capital of the Spanish company Wittywood, S.L. ("Wittywood"), owner of an office building under construction located in Barcelona. The acquisition cost amounted to 4,647 thousand euros.

On 29 July 2020, the Company set up and subscribed to all shares of the company Inmocol One, S.A.U. amounting to 60 thousand euros, and to shares of Inmocol Two, S.L.U. and Inmocol Three, S.L.U., amounting to 3 thousand euros each.

Movements in 2019 -

On 20 February 2019, the subsidiary Utopicus Innovación Cultural, S.L. increased capital by offsetting the loan signed on 8 October 2018 with the Company through the issue of 4,547 shares of 1 euro par value each, plus a share premium of 4,995 thousand euros. The capital increase was fully subscribed by the Company for an amount of 4,999 thousand euros. As a result of the transaction, the Company now holds 89.48% of the capital of Utopicus.

On 30 April 2019, the Company acquired 45% of the share capital of Torre Marenostrum, S.L. (Torre), owner of an office building located in Barcelona. Prior to this acquisition, the Company held 55% of Torre's shares and with this operation it became the sole shareholder of Torre. The acquisition cost amounted to 28,525 thousand euros.

On 29 July 2019, the subsidiary Utopicus Innovación Cultural, S.L. carried out two capital increases, (i) the first by offsetting the loan signed on 29 July 2019 through the issue of 8,986 shares of 1 euro par value each plus a share premium of 4,991 thousand euros and (ii) a second capital increase through the issue of 19,770 shares of 1 euro par value each plus a share premium of 10,980 thousand euros. Both capital increases were fully subscribed by the Company for 5,000 thousand euros and 11,000 thousand euros, respectively. As a result of these operations, the Company acquired 96.81% of the share capital.

Impairment -

In 2020 and 2019, no impairment losses were recognised for the financial interest in SFL since the fair value of this interest, determined on the basis of SFL's EPRA *Triple Net Asset Value* (EPRA NNNAV) at the end of those years, amounted to 98.83 and 95.88 euros per share, respectively, which was higher than the acquisition cost of the interest (see Note 4-e).

The closing price of SFL shares in 2020 and 2019 was 64.60 and 73.80 euros per share, respectively.

Other information -

On 3 October 2018, the Company signed a purchase agreement, subject to conditions precedent, for 100% of the shares in Peñalvento. The contract provides for the sale to be completed between May 2022 and February 2023, provided that the conditions precedent laid down in the contract have been met. At 31 December 2020, the Company had received 28,287 thousand euros on account of the price of the shares, which are recognised under "Non-current accruals" in the balance sheet, of which 7,073 thousand euros were received in 2020.

b) Non-current loans to group companies and associates

The balance of "Loans to Group companies" in the balance sheet comprises a loan granted to Peñalvento, S.L.U. amounting to 22,226 thousand euros (31 December 2019: 21,766 thousand euros).

Loans granted to group companies bear a market interest rate.

c) Other non-current financial assets -

The detail of the balances recorded under "Other financial assets" in the balance sheet is as follows:

	Thousands of euros	
	31 December 2020	31 December 2019
Deposits and guarantees	26,277	27,979
Lease incentives	13,935	10,282
Total other receivables	**40,212**	**46,221**

This item includes the non-current deposits and guarantees relating mainly to deposits made in accordance with current legislation at official agencies, i.e. deposits received from lessees. The amount at 31 December 2020 was 26,277 thousand euros (31 December 2019: 27,979 thousand euros).

10. Derivative financial instruments

The derivative financial instruments held by the Company at 31 December 2020 and 2019 are presented below:

31 December 2020

				Thousands of euros	
Financial instrument	Counterparty	Interest rate	Maturity	Nominal	Fair value - Liabilities
Swap interest rate	Natwest	0.09%	2032	350,000	(6,734)
Swap interest rate	Credit Agricole	0.10%	2032	40,000	(782)
Swap interest rate	Natwest	0.09%	2032	110,000	(2,217)
Swap interest rate	Natwest	0.35%	2033	50,000	(1,586)
Swap interest rate	Natwest	0.35%	2033	150,000	(4,796)
Swap interest rate	Barclays	0.35%	2033	100,000	(3,203)
Total				**800,000**	**(19,318)**

31 December 2019

				Thousands of euros		
Financial instrument	Counterparty	Interest rate	Maturity	Nominal	Fair value - Assets	Fair value - Liabilities
Swap interest rate	Deutsche Bank	0.43%	2023	57,000	--	(1,793)
Swap interest rate	Credit Agricole	0.10%	2032	40,000	1,622	--
Swap interest rate	Natwest	0.09%	2032	110,000	4,243	--
Swap interest rate	Natwest	0.04%	2032	350,000	13,818	--
Total				**557,000**	**19,683**	**(1,793)**

At 31 December 2020 and 2019, the impact on the income statement of accounting for derivative financial instruments amounted to 632 thousand and 1,625 thousand euros in finance costs, respectively (Note 18 F), and is recognised in "Changes in fair value of financial instruments - trading portfolio and other".

The fair value of the derivatives was calculated by discounting estimated future cash flows based on forward interest and exchange rates and on assigned volatility at each calculation date.

A change of one-quarter of one point in yields has the following impact on the valuations used by the Company to determine the value of its derivatives:

Sensitivity of valuations to a change of one quarter of a point in rates of return	Thousands of euros		
	Fair value	Decrease of one quarter of a point	Increase of one quarter of a point
31 December 2020	(19,318)	(26,315)	15,276
31 December 2019	19,683	12,780	(12,780)

11. Non-current assets held for sale

The changes in this heading of the balance sheet were as follows:

	Thousands of euros	
	31 December 2020	31 December 2019
Beginning balance	**133,004**	**26,091**
Additions	6,679	4,030
Disposals	(139,684)	(217,075)
Impairment (Note 18-d)	(1,125)	319,958
Transfers	20,403	--
Ending balance	**19,277**	**133,004**

Movements in 2020 –

Of the total properties held for sale, the Company disposed of a rural property "La Constancia" and the purchase options signed during 2019 on four logistics assets were executed, for a total sale amount of 186,590 thousand euros.

On 16 December, the Company reclassified to this balance sheet heading a property located in Tarragona, for which it signed a private sale contract. The transfer must take place in the month of February 2021 provided that all the conditions set out in the contract are met (Note 24).

Movements in 2019 -

Of the total transferred property, the Company disposed of a hotel in Madrid and 11 logistics assets for a total sale amount of 271,910 thousand euros. Payment of 13,750 thousand euros was deferred until 30 March 2020 and was recorded under "Trade receivables for sales and services" in the balance sheet. As at 31 December 2020 the deferred amount had been collected in full.

Of the rest of the transferred properties, two purchase options were signed on 7 August 2019, for seven logistic properties, amounting to 18,259 thousand euros, which were registered under the heading of advances of customers of the balance sheet and for whose amount guarantees were constituted in favour of the option holder. The execution date of these options was 31 March and 31 December 2020 at the latest.

The execution of the options resulted in the application of their amount as part of the price, and the guarantees given to the option holder have been recovered.

On 31 July 2019, the Company signed a private sales contract for the "La Constancia" country estate located in Navalagamella Madrid and received 400 thousand euros as an option premium. The transfer had to take place before 30 April 2020 provided that all the conditions set out in the contract had been met.

Impairment -

Based on the valuations of the Company's assets by independent experts at 31 December 2020, it became apparent that it was necessary to recognise a impairment loss on non-current assets held for sale in the amount of 1,125 thousand euros. This movement was recorded in "Impairment and gains/(losses) on disposals of property, plant and equipment - Impairment and losses" of profit and loss (Note 18-d).

12. Current financial investments and other receivables

a) Current financial investments

The detail of the balances recorded under "Current financial investments" in the balance sheet is as follows:

	Thousands of euros	
	31 December 2020	31 December 2019
Cost:		
Current equity instruments	9	9
Other current financial assets	--	81
Total current financial investments	**9**	**90**

b) Other receivables

The detail of the balances recorded under "Other receivables" in the balance sheet is as follows:

	Thousands of euros	
	31 December 2020	31 December 2019
Cost:		
Nozar, S.A.	85,473	85,473
Lease incentives (Note 4-n)	7,315	5,697
Other	4,718	5,050
Total cost	**97,506**	**96,220**
Impairment:		
Nozar, S.A.	(85,473)	(85,473)
Other	(2,797)	--
Total impairment	**(88,270)**	**(85,473)**
Total other receivables	**9,236**	**10,747**

At 31 December 2020 and 2019, "Other receivables" includes mainly the amounts owed by Nozar, S.A. as a result of the termination of the purchase contracts entered into in July 2007 owing to failure to comply with the conditions precedent. Nozar, S.A. is currently in insolvency proceedings. Consequently, at 31 December 2020 and 2019, the accompanying balance sheet includes the impairment loss for the entire amount of the company's trade receivables.

Lease incentives -

In 2020, 2,600 thousand euros were transferred to "Non-current assets held for sale" (Note 11).

13. Equity

a) Share capital

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

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

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

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

At 31 December 2020 and 2019, Aguila Ltd. and Blackrock Inc. had formally obtained financial instruments tied to the Company's shares that, in the event the instruments are exercised, could give rise to an additional interest in the share capital of Colonial.

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 Company and on one or more occasions and for a maximum period of 5 years, bonds convertible into new shares of the Company or other similar securities that may give the right, directly or indirectly, to subscribe the Company'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 Company's Annual General Meeting resolved to authorise the Board of Directors, in accordance with Article 297.1 b) of the Spanish Limited Liability 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 and distributed dividends charged to the share premium in the amount of 22,469 thousand euros (64,690 thousand euros in 2019).

c) Reserves

Legal reserve -

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

At 31 December 2020, taking into account the allocation to the legal reserve included in the distribution of the Company's profit for 2019, approved by the shareholders at the Annual General Meeting on 30 June 2020 in the amount of 8,787 thousand euros, the legal reserve amounted to 54,767 thousand euros although it had not yet been fully funded at the date of authorisation for issue of these financial statements (31 December 2019: 45,980 thousand euros).

Other reserves –

The shareholders at the Annual General Meeting held on 14 June 2019 approved, among other resolutions, the distribution of a dividend of 4,200 thousand euros with a charge to reserves as part of the distribution of profit for 2018.

The income generated from the delivery of treasury shares to the beneficiaries of the long-term incentives plan (Note 20-d), calculated as the difference between the carrying amount of the shares delivered and the amount of the obligation assumed by the Company, which amounted to a loss of 1,778 thousand euros in 2020 (1,131 thousand euros in 2019) was also recognised in the Company's reserves.

As a result of the merger transactions carried out in 2019, the Company recorded negative merger reserves of 27,469 thousand euros (Note 23).

At 31 December 2020 and 2019 the Company had voluntary reserves amounting to 169,441 thousand euros classified as restricted.

d) *Treasury shares*

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

	31 December 2020		31 December 2019	
	No. of shares	Thousands of euros	No. of shares	Thousands of euros
Beginning balance	**349,366**	**4,301**	**543,260**	**3,748**
Buyback plan 2019	--	--	300,000	3,375
Buyback plan 2020	3,000,000	21,042	--	--
Delivery of incentives plan shares (Note 20-d)	(395,116)	(4,169)	(493,894)	(2,822)
Other purchases	176,860	1,372	--	--
Ending balance	**3,131,110**	**22,545**	**349,366**	**4,301**

Share buyback plan of the Company -

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

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

Deliveries of Company shares deriving from the long-term incentives plan (Note 20-d) -

Every year, the Company 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.

e) *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 Company's own shares under liquidity contracts and their acquisition cost were as follows:

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

Liquidity contract dated 11 July 2017 -

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

f) *Value change adjustments – Hedging operations*

The changes in this heading of the balance sheet were as follows:

	Thousands of euros	
	31 December 2020	31 December 2019
Beginning balance	**18,791**	**(492)**
Changes in the fair value of hedges in the year	(39,640)	18,698
Business combinations (Note 23)	--	(1,530)
Transfer to profit and loss	1,531	2,115
Ending balance	**(19,318)**	**18,791**

In 2019, as a result of the business combinations described in Note 23, the Company incorporated the derivative financial instruments of the absorbed companies Venusaur, S.L.U. and Torre Marenostrum, S.L. "Changes in the fair value of hedges during the year" includes the impact of changes in the value of these instruments from the date on which control is taken.

In 2019 the Company cancelled the derivative financial instruments from the absorbed company Torre Marenostrum, S.L., which resulted in a transfer to profit and loss of 2,115 thousand euros.

In 2020 the Company cancelled the derivative financial instruments from the absorbed company Venusaur, S.L.U., which resulted in a transfer to profit and loss of 633 thousand euros.

In 2020, the Company took out three new financial instruments for a nominal value of 300,000 thousand euros.

In 2019 the Company cancelled the derivative financial instruments from the absorbed company Venusaur, S.L.U. and Torre Marenostrum, S.L., which resulted in a transfer to profit and loss of 2,115 thousand euros.

14. Provisions and contingencies

The detail of current and non-current provisions in the balance sheet, and the main movements in 2020 were as follows:

	Thousands of euros			
	Current	Non-Current		
	Provision for contingencies and expenses	Provisions with personnel	Provision for contingencies and expenses	Total non-current
Balance at 31 December 2019	**6,465**	**58**	**27**	**85**
Reversal (Note 18-c)	(3,239)	--	--	--
Applications	--	(13)	--	(13)
Balance at 31 December 2020	**3,226**	**45**	**27**	**72**

Provisions for contingencies and expenses - Current

Current provisions relate to an estimate of various risks inherent to the Company's business.

15. Bank borrowings and debentures and other marketable securities

The breakdown by type of debt and maturity is as follows:

31 December 2020

	Thousands of euros							
	Current	Non-current						
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Older than 5 years	Total non-current	Total
Bank borrowings:								
Mortgage loans	--	--	75,700	--	--	--	75,700	75,700
Fees and interest	697	--	--	--	--	--	--	697
Arrangement costs	(1,241)	(1,241)	(1,230)	(1,031)	(881)	--	(4,383)	(5,624)
Total bank borrowings	**(544)**	**(1,241)**	**74,470**	**(1,031)**	**(881)**	--	**71,317**	**70,773**
Bonds and other marketable securities:								
Issues of bonds	--	--	306,200	493,300	500,000	1,500,000	2,799,500	2,799,500
Issue of promissory notes	70,000	--	--	--	--	--	--	70,000
Fees and interest	18,363	--	--	--	--	--	--	18,363
Arrangement costs	(3,286)	(3,287)	(3,119)	(2,860)	(2,133)	(2,419)	(13,818)	(17,104)
Total bonds and other marketable securities	**85,077**	**(3,287)**	**303,081**	**490,440**	**497,867**	**1,497,581**	**2,785,682**	**2,870,759**
Total	**84,533**	**(4,528)**	**377,551**	**489,409**	**496,986**	**1,497,581**	**2,856,999**	**2,941,532**

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:								
Mortgage loans	--	--	--	75,700	--	--	75,700	75,700
Other loans	--	--	--	--	125,000	--	125,000	125,000
Fees and interest	356	--	--	--	--	--	--	356
Arrangement costs	(1,229)	(1,225)	(862)	(723)	(44)	--	(2,854)	(4,083)
						--		
Total bank borrowings	**(873)**	**(1,225)**	**(862)**	**74,977**	**124,956**	--	**197,846**	**196,973**
Bonds and other marketable securities:								
Issues of bonds	--	--	--	500,000	600,000	1,500,000	2,600,000	2,600,000
Issue of promissory notes	239,500	--	--	--	--	--	--	239,500
Fees and interest	20,203	--	--	--	--	--	--	20,203
Arrangement costs	(3,103)	(3,095)	(3,095)	(2,822)	(2,542)	(2,377)	(13,931)	(17,034)
Total bonds and other marketable securities	**256,600**	**(3,095)**	**(3,095)**	**497,178**	**597,458**	**1,497,623**	**2,586,069**	**2,842,669**
Total	**255,727**	**(4,320)**	**(3,957)**	**572,155**	**722,414**	**1,497,623**	**2,783,915**	**3,039,642**

a) Issues of standard bonds by the Company

The detail of the issues of standard bonds made by the Company is as follows:

				Thousands of euros		
Issue	Duration	Maturity	Fixed coupon payable annually	Issue amount	31 December 2020	31 December 2019
05/06/2015	8 years	05/06/2023	2.73%	500,000	306,200	500,000
28/10/2016	8 years	28/10/2024	1.45%	600,000	493,300	600,000
10/11/2016	10 years	10/11/2026	1.88%	50,000	50,000	50,000
28/11/2017	8 years	28/11/2025	1.68%	500,000	500,000	500,000
28/11/2017	12 years	28/11/2029	2.50%	300,000	300,000	300,000
17/04/2018	8 years	17/04/2026	2.00%	650,000	650,000	650,000
16/10/2020	8 years	14/10/2028	1.35%	500,000	500,000	--
Total issues of bonds					**2,799,500**	**2,600,000**

European Medium Term Note Programme -

On 5 October 2016, the Company registered an EMTN (European Medium Term Note) programme on the Irish Stock Exchange amounting to 3,000,000 thousand euros, extendable to 5,000,000 thousand euros, with a validity of 12 months. On 19 December 2019 the CNMV approved the renewal and extension of the programme.

Issuance and buyback of bonds by the Company -

On 16 October 2020, the Company arranged an issue of bonds, listed and admitted to trading on the Spanish market, for an amount of 500,000 thousand euros. The issue is structured for 8 years with a coupon of 1.35% and matures in October 2028. At the same time, the Company bought back 193,800 thousand euros of bonds maturing in 2023 and 106,700 thousand euros of bonds maturing in 2024 (Liability Management) bearing an annual coupon of 2.73% and 1.45%, respectively. The cost of the buybacks amounted to 21,031 thousand euros (Note 18-f).

The other bonds have been admitted for trading in the Main Securities Market of the Irish Stock Exchange.

As of 31 December 2020 and 2019, the fair value of the bonds issued by the Company is 2,987,681 and 2,784,774 thousand euros, respectively.

Compliance with financial ratios -

The standard bonds 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 balance sheet on each of the dates will have to be at least equal to the unsecured financial debt. At 31 December 2020 and 2019, the aforementioned ratios have been met.

b) *Issue of promissory notes by the Company*

On 13 December 2018, the Company registered a European Commercial Papers (ECP) programme with the Irish Stock Exchange for a maximum amount of 500,000 thousand euros. On 12 December 2019, the program was renewed.

As at 31 December 2020, the Company had issued commercial paper under the ECP in the amount of 70,000 thousand euros (239,500 thousand euros as at 31 December 2019).

c) *Syndicated financing*

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

		Thousands of euros			
		31 December 2020		31 December 2019	
Thousands of euros	Maturity	Limit	Nominal Drawn	Limit	Nominal Drawn
Credit policy	March 2022	--	--	375,000	--
Credit policy	December 2023	--	--	500,000	--
Credit policy	November 2025	500,000	--	--	--
Credit policy	November 2025 (*)	500,000	--	--	--
Total syndicated financing		**1,000,000**	**--**	**875,000**	**--**

(*) Extensible to November 2027

On 10 November 2020, the Company signed a new credit facility for 1,000,000 thousand euros to replace two credit facilities (RCF) for an amount of EUR 875,000 thousand euros which were fully available to the Company. The new facilities has two maturities of 500,000 thousand euros at 5 and 5 +1+1 years each. This line has the status of sustainable as its margin is tied to the rating obtained by the GRESB Sustainability Agency.

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

At 31 December 2020 and 2019 the loans comply with the financial ratios to which they are subject.

d) Mortgage loans

The detail of the loans secured by mortgages on certain of the Company's assets are shown in the following table:

	Thousands of euros			
	31 December 2020		31 December 2019	
	Mortgage debt	Asset market value	Mortgage debt	Asset market value
Investment property (Note 7)	75,700	162,600	75,700	163,500
Total mortgage loans	**75,700**	**162,600**	**75,700**	**163,500**

In the first half of 2019, the Company settled 205,782 thousand euros of mortgage debt resulting from the business combination with Axiare.

Following these settlements, only a bilateral loan in the amount of 75,700 thousand euros. It is a loan at a rate tied to the Euribor plus an additional margin. The loan is sustainable because its margin will vary according to the rating the Company obtains in ESG (environmental, social and corporate governance) from the sustainability agency GRESB.

At 31 December 2020 and 2019 the loan complies with the financial ratios to which it is subject.

e) Other loans

In December 2020, the Company repaid the two loans early, one for 50,000 thousand euros and the other for 75,000 thousand euros. Both loans matured in 2024.

At 31 December 2019 both loans complied with the financial ratios to which they were subject.

f) Other guarantees delivered

At 31 December 2020, the Company had provided guarantees to official bodies, customers and suppliers in the amount of 6,508 thousand euros (31 December 2019: 55,271 thousand euros).

In 2020, various bank guarantees were released, totalling 48,762 thousand euros, mainly formed by 30,300 thousand euros as a guarantee delivered for the acquisition of a property in Barcelona in 2019 (Note 7) and 18,259 thousand euros for the recovery of the guarantees delivered in favour of the option holder for the two purchase options on seven logistics properties (Note 11).

Of the remaining amount**,** the main guarantee granted is 4,803 thousand euros, corresponding to commitments acquired by the company Asentia. In this regard, the Company and the aforementioned company have signed an agreement whereby, if any of the guarantees are executed, Asentia must compensate the Company for any loss incurred within a maximum period of 15 days.

g) Interest

The average interest rate of the Company in 2020 was 2.21% (2.04% in 2019) or 2.31% incorporating the accrual of commissions (2.14% in 2019). The average interest rate of the Company's debt in effect at 31 December 2020 (spot) is 1.82% (1.80% at 31 December 2019).

The amount of accrued interest pending payment recorded in the balance sheet amounts to:

Issue	Thousands of euros	
	31 December 2020	31 December 2019
Bonds and other marketable securities	18,363	20,203
Bank borrowings	697	356
Total	**19,060**	**20,559**

h) *Debt arrangement costs*

In 2020 and 2019, the Company recognised 3,704 thousand and 3,042 thousand euros in profit and loss (Note 18-f), respectively, relating to costs amortised during the year.

i) *Cash and cash equivalents*

At 31 December 2020 and 2019, said heading includes cash and cash equivalents amounting to 223,717 and 152,386 thousand euros, respectively, 1,777 thousand euros of which are restricted or were pledged.

16. Other non-current financial liabilities

At 31 December 2020 and 2019, it includes 28,554 thousand and 30,916 thousand euros, respectively, relating to deposits received from lessees.

17. Tax matters

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

On 30 June 2017, the Company opted for the SOCIMI tax regime (Note 1). The adoption of this tax regime resulted in the break up of the tax group in force at 31 December 2016 with effect from 1 January 2017.

The detail of balances with public administrations at 31 December 2020 and 2019 is as follows:

	Thousands of euros			
	Receivable balance		Payable balance	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Tax	--	--	5,646	4,468
Value-added tax	975	12	--	--
Current tax	1,520	832	--	--
Other deferred taxes	--	--	187	187
Social Security tax payable	--	--	143	138
Total current balances	**2,495**	**844**	**5,976**	**4,793**
Deferred tax on merger (Note 1)	--	--	81,358	86,972
Other deferred taxes	--	--	5,070	5,257
Total non-current balances	**--**	**--**	**86,428**	**92,229**

The reconciliation between accounting profit and taxable income is as follows:

31 December 2020

	Thousands of euros		
	General regime	REIT regime	Total
Pre-tax profit/(loss) for year	**31,476**	**(55,085)**	**(23,609)**
Permanent differences:			
SFL dividends (Note 19)	--	(100,749)	(100,749)
Impairment of goodwill	--	63,272	63,272
Amortisation of Axiare financial goodwill (Note 5)	--	17,653	17,653
Plan contribution (Note 20)	--	246	246
Other	(104)	118	14
Temporary differences:			
Originating in prior years-			
Deferral for reinvestment	749	--	749
Non-deductible provisions	(228)	214	(14)
Non-deductible amortisation	(1,637)	(6)	(1,643)
Originating in current year-			
Portfolio impairment (Note 9)	--	8,164	8,164
Non-deductible impairment of property	--	36,884	36,884
Amortisation of SFL financial goodwill	--	(283)	(283)
Deferred write-off from asset gains	74,307	28,370	102,677
Non-deductible finance costs	602	16,786	17,388
Taxable profit (tax profit)	**105,165**	**15,584**	**120,749**

31 December 2019

	Thousands of euros		
	General regime	REIT regime	Total
Pre-tax profit/(loss) for year	**10,006**	**78,854**	**88,860**
Permanent differences:			
SFL dividends (Note 19)	--	(100,749)	(100,749)
Amortisation of Axiare financial goodwill (Note 5)	--	17,653	17,653
Plan contribution (Note 20)	--	244	244
Other non-deductible expenses	(10)	1,765	1,755
Temporary differences:			
Originating in prior years-			
Deferral for reinvestment	750	--	750
Non-deductible provisions	(4,931)	(4,915)	(9,846)
Non-deductible amortisation	(1,637)	(6)	(1,643)
Originating in current year-			
Portfolio impairment (Note 9)	--	7,136	7,136
Non-deductible impairment of property	(1,089)	11,409	10,320
Amortisation of SFL financial goodwill	--	(283)	(283)
Non-deductible provisions	(74)	11	(63)
Deferred write-off from asset gains	(4,525)	103,366	99,041
Non-deductible finance costs	(2,803)	(4,086)	(6,889)
Taxable profit (tax profit)	**(4,313)**	**101,399**	**106,086**

Of the accounting profit for both financial years, a distinction has been made between the part of the profit that is taxed under the general income tax regime and the part that is taxed under the SOCIMI regime.

The main differences between the accounting result and the taxable income are explained below:

General regime -

- In accordance with Law 16/2012, of 27 December, it was established that the accounting depreciation of property, plant and equipment, intangible assets and investment property for tax periods starting in 2013 and 2014 would be deductible from the tax base by up to 70 per cent of that which would have been previously deductible for tax purposes. In this regard, the Company proceeded to make the corresponding adjustments to its tax base. In 2019, in accordance with the law, the Company recovered one-tenth of the depreciation charges for 2013 and 2014 that were considered non-deductible.

- Inclusion in the tax base of differences between carrying amounts and tax values arising from corporate operations recorded in prior years (Note 1).

- Other provisions that were not tax deductible in previous years.

REIT regime -

- Exemption for dividends from subsidiaries

- Property impairment that is not tax deductible.

- Impairment of goodwill

- Impairment of financial investments considered not to be tax deductible.

- In accordance with article 16 of the Corporate Income Tax Law 27/2014 of 27 November, financial expense exceeding 30% of the profit for the year has been adjusted on a temporary basis.

- Inclusion in the tax base of differences between carrying amounts and tax values arising from corporate operations recorded in prior years (Note 1).

- Non-deductible provisions.

The reconciliation of the accounting result to the income tax expense recognised in the profit and loss account under the general tax regime is as follows:

	Thousands of euros	
	2020	2019
Pre-tax profit/(loss)	(23,609)	88,860
Permanent differences	(19,564)	(81,097)
Adjusted accounting profit/(loss)	**(43,173)**	**(7,763)**
- REIT regime	(74,545)	(2,233)
- General regime	31,372	9,996
Accounting profit/(loss) adjusted to general regime	**31,372**	**9,996**
- Unrecorded deferred assets offset in the year	(1,263)	(10,533)
Tax profit/(loss) to general regime	**30,109**	**(537)**
Tax expense at 25% rate	3,921	--
Capitalisation	(12,294)	(212)
Other adjustments	11,774	1,205
Total income expense recognised in the profit and loss account	**(3,401)**	**993**
- Current tax	3,921	--
- Deferred tax	(520)	993

The accounting profit/(loss) that is taxed under the special REIT regime will be taxed at 0% and does not generate any tax expense.

Deferred tax assets -

The detail of the balance of deferred tax assets is shown in the following table:

	Thousands of euros			
	2020 (*)		2019 (*)	
Deferred tax assets (taxable profit)	General regime base	REIT base	General regime base	REIT base
Tax loss carryforwards	5,384,133	--	5,410,424	--
Non-deductible impairment	--	53,953	--	17,069
Non-deductible portfolio impairment	3	21,293	3	13,134
Non-deductible finance costs	415,670	72,293	415,098	55,507
Non-deductible amortisation	7,762	25	9,399	31
Non-deductible provisions	66,760	1,040	66,988	4,052
Other	26	449	26	21
Total tax credits and deferred tax assets	**5,874,354**	**149,053**	**5,901,938**	**89,814**
Balance recognised in accounting (*)	-	-	-	-

(*) As described below, in determining the deferred tax liability at 31 December 2020 and 2019, the Company used the application of tax credits amounting to 27,569 thousand and 30,935 thousand euros, respectively, since they were calculated on the basis of the estimated effective tax rate of 18.75% (Note 4-m).

Deferred tax asset on tax loss carryforwards -

The Corporate Income Tax Act in force as from 1 January 2015 establishes that the tax losses of prior years may be carried forward to future years without any time limitation.

Deferred tax liabilities -

The detail of the balance of deferred tax liabilities at 31 December 2020 and 2019 is shown in the following table:

	Thousands of euros	
	2020 (*)	2019 (**)
Deferred tax liabilities	Taxable profit	Taxable profit
Deferral for pending reinvestment	17,407	18,156
Deferral on financial goodwill	3,035	2,753
Deferral on gains allocated to investment property and financial assets	520,193	547,443
Capitalised tax credits	(194,759)	(199,577)
Total	**345,876**	**368,775**
Deferred tax liabilities	**86,615**	**92,416**

(*) Of the deferred tax liabilities, 86,428 thousand euros are recorded under "Non-current deferred tax liabilities" and 187 thousand euros are recorded under "Other taxes payable" under current liabilities.
(**) Of the deferred tax liabilities, 92,229 thousand euros are recorded under "Non-current deferred tax liabilities" and 187 thousand euros are recorded under "Other taxes payable" under current liabilities.

Deferral on gains allocated to investment property and financial assets -

Deferrals on gains allocated to investment property and financial assets includes, as described in Note 4-m, the amount of deferred taxes associated with the Company's real estate investments from the transactions described in Note 1, which would be accrued if said assets are transmitted, using the effective rate that would apply taking into account the applicable regulations and the existence of unregistered tax credits. In this regard, the deferred taxes associated with the Company's investment property were recorded at an effective rate of 18.75% (tax rate of 25% with a limit of 25% on use of tax loss carryforwards).

Unused deductions –

The deductions pending application due to insufficient taxable income are as follows:

	Thousands of euros	
	2020	2019
Tax credits through deductions of dividends pending	--	7,408
Tax credits from deductions on donations	--	--
Tax credits from deductions on pending training	--	3
Tax credits from deductions on pending reinvestment	8,233	11,311
Total unused deductions	**8,233**	**18,777**
Balance recognised in accounting	--	--

The nature and amount of the unused tax credit for reinvestment due to insufficient taxable profit in prior years and the last years for offset are set out below:

	Thousands of euros	
Year incurred	Amount	Last year for use
2007	5,603	2022
2008	1,185	2023
2009	434	2024
2010	713	2025
2011	39	2026
2012	123	2027
2013	112	2028
2014	24	2029
	8,233	

Tax years pending verification and inspection actions -

The Company has the last four years open for review for all applicable taxes. In 2017, the Company made complementary settlements of the corporation tax for 2014 to 2015, which were outside the statute of limitations for these years.

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

Adherence to the code of good tax practices –

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

Disclosure requirements arising from REIT status, Law 11/2009 -

a) Reserves from years prior to the application of the tax regime established in this Law.

	Thousands of euros
Legal and statutory reserves	39,099
Other reserves:	
Restricted reserve	169,439
Total reserves at 31 December 2020	**208,538**

b) Reserves from years in which the tax regime established in this Law has been applied, differentiating the part that comes from income subject to the tax rate of zero percent, or 19 percent, from those that, as the case may be, have been taxed at the general tax rate.

	Thousands of euros		
	General regime	REIT regime	**Total**
Reserves from 2017:			
To legal reserve	--	3,250	**3,250**
Gain/(loss) on treasury shares and capital increase costs	--	(466)	**(466)**
Reserves from 2018:			
To legal reserve	--	3,631	**3,631**
Gain/(loss) on treasury shares and capital increase costs	--	(662)	**(662)**
Reserves from 2019:			
To legal reserve	--	8,787	8,787
Gain/(loss) on treasury shares and capital increase costs	--	(1,131)	**(1,131)**
Merger reserves	--	(27,469)	**(27,469)**
Reserves from 2020:			
To legal reserve	--	--	--
Gain/(loss) on treasury shares and capital increase costs	--	(1,778)	**(1,778)**
Merger reserves	--	--	--
Total	--	(15,838)	**(15,838)**

c) Dividends distributed against the profits of each year in which the tax regime established in this Law has been applied, differentiating the part that comes from income subject to the tax rate of zero percent, or 19 percent, from those that, as the case may be, have been taxed at the general tax rate.

	Thousands of euros		
	General regime	REIT regime	**Total**
2017 dividend	--	29,247	**29,247**
2018 dividend	--	32,677	**32,677**
2019 dividend	--	79,080	**79,080**
Total	--	**141,004**	**141,004**

d) In the case of distribution of dividends from reserves, designation of the year from which the reserve was applied and whether the dividends were taxed at zero percent, 19 percent or at the general rate.

	Thousands of euros		
	General regime	REIT regime	**Total**
2017 dividend	34,186	2,860	**37,046**
2018 dividend	--	4,200	**4,200**
2019 dividend	--	--	--
Total	**34,138**	**7,060**	**41,246**

e) Date of the agreement to distribute the dividends referred to in (c) and (d) above.

Dividend for the year	Dividend distribution resolution date
2017	24 May 2018
2018	14 June 2019
2019	30 June 2020

f) Date of acquisition of property intended for rental and of holdings in the capital of entities referred to in Article 2.1 of this Law.

Property	**City**	**Acquisition date**	**Maintenance start date**
Pedralbes Centre	Barcelona	29-Dec-92	1-Jan-17
Avda. Diagonal, 530	Barcelona	29-Dec-92	1-Jan-17
Sant Antoni Mª Claret, 436	Barcelona	29-Dec-92	1-Jan-17
Amigó, 11-17	Barcelona	28-Dec-94	1-Jan-17
Avda. Diagonal, 682	Barcelona	30-Dec-97	1-Jan-17
Pº de la Castellana, 52	Madrid	28-Jul-98	1-Jan-17
Vía Augusta, 21-23	Barcelona	26-Oct-98	1-Jan-17
Francisco Silvela, 42	Madrid	25-Oct-04	1-Jan-17
Alfons XII	Madrid	28-Mar-00	1-Jan-17
Ramírez de Arellano, 37	Madrid	30-Nov-99	1-Jan-17
Sant Cugat - Sant Joan	Sant Cugat del Vallès	24-Dec-99	1-Jan-17
Les Glòries - Diagonal	Barcelona	9-Jun-00	1-Jan-17
Jose Ortega Y Gasset, 100	Madrid	5-Jul-00	1-Jan-17
Pg. dels Til·lers, 2-6	Barcelona	15-Sept-00	1-Jan-17
Poeta Joan Maragall	Madrid	18-Apr-01	1-Jan-17
Avda. Diagonal, 409	Barcelona	9-Oct-01	1-Jan-17
Recoletos, 37-41	Madrid	21-Oct-05	1-Jan-17
Pº de la Castellana, 43	Madrid	21-Oct-05	1-Jan-17
Miguel Ángel, 11	Madrid	21-Oct-05	1-Jan-17
José Abascal, 56	Madrid	21-Oct-05	1-Jan-17
López Hoyos, 35	Madrid	21-Oct-05	1-Jan-17
Martinez Villergas, 49	Madrid	24-Mar-06	1-Jan-17
Párraco Ramón Glez Guedes, 15	Las Palmas de Gran Canaria	17-Jun-02	1-Jan-17
Príncipe de Vergara, 112-114	Madrid	14-Jul-15	1-Jan-17
Génova, 17	Madrid	28-Jul-15	1-Jan-17
Santa Engracia	Madrid	17-Dec-15	1-Jan-17
José Abascal, 45	Madrid	21-Jun-16	1-Jan-17
Travessera de Gràcia, 47-49	Barcelona	28-Dec-16	1-Jan-17
Avda. Diagonal, 609	Barcelona	29-Dec-92	1-Jan-17
Torre Bcn	Barcelona	31-Oct-01	1-Jan-17
Travessera de Gràcia, 11	Barcelona	28-Dec-94	1-Jan-17
Illacuna	Barcelona	6-May-14	1-Jan-17
Ricard Roca, 1	Palma de Mallorca	29-Dec-92	1-Jan-17
Diagonal, 197	Barcelona	4-Dec-14	4-Dec-14
Park Cugat	Sant Cugat	16-Mar-17	16-Mar-17
Virto	Alcobendas	28-Jul-14	28-Jul-14
Manuel de Falla, 7	Madrid	24-May-16	24-May-16
Ribera de Loira, 28	Madrid	4-Dec-14	4-Dec-14
Tucumán	Madrid	30-Mar-15	30-Mar-15
Velázquez, 80 bis	Madrid	22-May-15	22-May-15
Ramírez de Arellano, 15	Madrid	21-Jul-15	21-Jul-15
Alcalá, 506	Madrid	23-Sept-15	23-Sept-15

Property	City	Acquisition date	Maintenance start date
Las Mercedes Open Park	Madrid	23-Sept-15	23-Sept-15
Don Ramón de la Cruz, 82	Madrid	8-Oct-15	1-May-16
Josefa Valcárcel, 24	Madrid	26-Jan-16	26-Jan-16
Sagasta, 31-33	Madrid	17-Nov-16	17-Nov-16
J.I. Luca de Tena, 7	Madrid	23-Dec-16	23-Dec-16
Miguel Ángel, 23	Madrid	16-Jan-17	16-Jan-17
Puerto de Somport, 8	Madrid	20-Jan-17	2-Jan-16
Sagasta, 27	Madrid	4-Apr-17	4-Apr-17
Josefa Valcárcel, 40 bis	Madrid	16-Nov-17	30-Sept-18
Les Gavarres	Tarragona	4-Dec-14	4-Dec-14
Viapark	Vicar (Almería)	14-Apr-16	14-Apr-16
Torre Marenostrum	Barcelona	30-Apr-19	1-Jan-19
Serrano, 73	Madrid	30-Jun-16	1-Jan-17
Santa Hortensia	Madrid	30-Jun-16	1-Jan-17
Arturo Soria, 336	Madrid	27-Sept-17	22-Sept-15
Egeo-Parteon	Madrid	16-Jan-18	1-Jan-15
Castellana, 163	Madrid	29-Dec-16	1-Jan-17
Cedro	Alcobendas	31-Jan-17	3-Oct-14
Almagro, 9	Madrid	2-Dec-16	1-Oct-18
Lagasca	Madrid	2-Dec-16	1-Oct-18
Estébanez Calderón, 3-5	Madrid	25-May-15	1-Jan-17
Parc Glorias	Barcelona	25-May-16	1-Jan-17
Autovia de Toledo	Madrid	20-Dec-17	1-Jan-18
Local Alicante	Alicante	20-Dec-17	1-Jan-18
Méndez Álvaro R-RTC-1	Madrid	20-Dec-17	1-Jan-18
Puerto de Somport, 10-18	Madrid	6-Jul-18	1-Jan-18
Recoletos, 27	Madrid	25-Jul-19	25-Jul-19
Méndez Álvaro Residencial	Madrid	20-Dec-17	1-Jan-18
Sancho de Ávila	Barcelona	31-Oct-19	31-Oct-19

Financial investment	Acquisition date	Maintenance start date
Société Foncière Lyonnaise, S.A.	9-Jun-04	1-Jan-17
Peñalvento, S.L.U.	31-May-18	31-May-18
Inmocol One, S.A.U.	29-Jul-20	29-Jul-20
Inmocol Two, S.L.U.	29-Jul-20	29-Jul-20
Inmocol Three, S.L.U.	29-Jul-20	29-Jul-20

g) Identification of the asset that counts within the 80 percent referred to in Article 3.1 of this Law.

All the properties in the above list count towards the 80% as well as the indicated ownership interests.

The consolidated balance sheet of the Colonial Group company complies with the minimum 80% investment requirement.

h) Reserves arising from the years in which the special tax regime established in this Law was applicable that were set aside in the tax period, other than for distribution or to offset losses, identifying the year from which these reserves arise.

Not applicable.

18. Income and expense

a) Revenue -

Revenue from the Company's ordinary activities is concentrated mainly in Barcelona, Madrid and Paris. The detail of revenue, by business, is as follows:

Activities	Thousands of euros	
	2020	2019
Building leases	158,067	153,193
Service provision	566	579
Income from equity investments in group companies (Note 4-n)	100,749	100,749
Total	**259,382**	**254,521**

Geographical markets	Thousands of euros	
	2020	2019
Barcelona	50,249	51,158
Madrid	106,701	96,879
Paris (*)	100,749	100,749
Other	1,683	5,735
Total	**259,382**	**254,521**

(*) The full amount relates to financial income from dividends from SFL (Note 19).

Revenue for 2020 and 2019 includes the effect of the rental incentives over the minimum term of the contract (Note 4-n), which increased revenue by 4,810 thousand and 5,293 thousand euros, respectively.

b) Staff costs -

The breakdown of “Staff costs” in the profit and loss account is as follows:

	Thousands of euros	
	2020	2019
Wages and salaries	10,310	9,927
Social Security expenses borne by the company	1,444	1,362
Other welfare expenses	3,567	3,641
Contributions to defined benefit pension plans	246	244
Internal reallocation	(1,146)	(1,043)
Total	**14,421**	**14,131**

At 31 December 2020 and 2019, "Other welfare expenses" includes 3,072 thousand and 2,978 thousand euros, respectively, relating to the amount accrued during the year under the long-term remuneration plan described in Note 20-d.

c) *Losses, impairment and change in trade provisions -*

The detail of "Losses, impairment and change in trade provisions" in the profit and loss account is as follows:

	Thousands of euros	
	2020	2019
Provisions for insolvencies	3,057	297
Reversal of provisions for insolvencies	--	(531)
Reversal of provisions for contingencies and expenses (Note 14)	(3,239)	(7,552)
Provisioning of other trade balances	--	11
Total impairment/amounts used	**(182)**	**(7,775)**

d) *Impairment of property assets*

The changes in the impairment losses on property assets under the various headings in the balance sheet are as follows:

	Thousands of euros				
	Intangible assets (Note 5)	Property, plant and equipment (Note 6)	Investment property (Note 7)	Non-current assets held for sale (Note 11)	Total
Balance at 31 December 2018	**--**	**(3,298)**	**(68,447)**	**(6,601)**	**(78,346)**
Provision	--	--	(36,165)	--	(36,165)
Reversal	--	1,208	15,068	--	16,276
Disposals	--	--	22,908	7,170	30,078
Transfers	--	--	569	(569)	--
Balance at 31 December 2019	**--**	**(2,090)**	**(66,067)**	**--**	**(68,157)**
Provision	(63,271)	--	(71,513)	(1,125)	(135,909)
Reversal	--	1,079	5,236	--	6,315
Disposals	--	--	18,471	--	18,471
Transfers	--	--	12,944	(12,944)	--
Balance at 31 December 2020	**(63,271)**	**(1,011)**	**(100,929)**	**(14,069)**	**(179,280)**

The reconciliation with the profit and loss account is as follows:

	Thousands of euros	
	2020	2019
Goodwill charge	(63,271)	--
Investment property charges	(71,513)	(36,165)
Charge for assets held for sale	(1,125)	--
Amounts used for property, plant and equipment	6,315	16,276
Total impairment/amounts used	**(129,594)**	**(19,889)**

e) *Gains/(losses) on disposals and other*

"Impairment and gains/(losses) on disposals of property, plant and equipment - Gains/(losses) on disposals and other" of the profit and loss account breaks down as follows:

	Thousands of euros	
	2020	2019
Gains/(losses) on disposals:		
Investment property	21,069	2,693
Non-current assets held for sale	36,078	45,482
Total gains/(losses) on asset disposals	**57,147**	**48,175**
Other (disposal due to replacement):		
Property, plant and equipment (Note 6)	(2)	(85)
Investment property (Note 7)	(17)	--
Total other (replacement disposals)	**(19)**	**(85)**
Total	**57,128**	**48,090**

The gains/(losses) on the disposal of the Company's assets were as follows:

	Thousands of euros	
	2020	2019
Selling price (Notes 7 and 11)	333,390	294,860
Net asset value (Notes 7 and 11)	(265,149)	(234,960)
Indirect and other costs	(11,094)	(11,725)
Net result from asset sales	**57,147**	**48,175**

f) *Income and financial expenses*

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

	Thousands of euros	
	2020	2019
Financial income and other	656	1,448
Financial income from group companies and associates (Note 19)	460	453
Total financial Income	**1,116**	**1,901**
Interest on debts and debentures	(60,706)	(59,028)
Arrangement costs of deferred debts (Note 15-h)	(3,704)	(3,042)
Interest on derivatives	(194)	(528)
Expenses associated with repurchase of debentures	(21,031)	--
Expenses associated with loan cancellation	(3,581)	(4,492)
Other financial costs	(390)	(281)
Capitalised financial costs (Note 7)	4,570	--
Total Financial Expenses	**(85,036)**	**(67,371)**
Change in derivative instruments (Note 10)	(632)	(1,625)
Change in fair value of derivative instruments	**(632)**	**(1,625)**
Impairment of equity investment in Utopicus Innovación Cultural, S.L. (Note 9)	(8,154)	(7,133)
Impairment of equity investment in Colonial Tramit, S.L.U. (Note 9)	(4)	(3)
Impairment of equity investment in Inmocol One, S.A.U. (Note 9)	(2)	--
Impairment of equity investment in Inmocol Two, S.L.U. (Note 9)	(2)	--
Impairment of equity investment in Inmocol Three, S.L.U. (Note 9)	(2)	--
Impairment and gains/(losses) on disposal of financial instruments	**(8,164)**	**(7,136)**
Total financial result	**(92,716)**	**(74,231)**

19. Transactions and balances with related parties

a) *Related-party transactions -*

Related-party transactions are detailed below:

2020

	Thousands of euros			
	Services provided	Dividends received	Operating expenses	Interest income
Inmocol Torre Europa, S.A.	221	--	--	--
Peñalvento, S.L.U.	62	--	--	460
Wittywood, S.L.	10	--	--	--
Utopicus Innovación Cultural, S.L.	6,874	--	--	--
Société Foncière Lyonnaise, S.A.	--	100,749	--	--
Total	**7,167**	**100,749**	**--**	**460**

2019

	Thousands of euros			
	Services provided	Dividends received	Operating expenses	Interest income
Colonial Tramit, S.L.U.	2	--	--	--
Inmocol Torre Europa, S.A.	222	--	--	--
Peñalvento, S.L.U.	65	--	--	453
Utopicus Innovación Cultural, S.L.	2,281	--	(5)	--
Société Foncière Lyonnaise, S.A.	--	100,749	--	--
Total	**2,570**	**100,749**	**(5)**	**453**

b) Balances with related parties -

The amount of balances with related parties in the balance sheet is as follows:

2020

	Thousands of euros				
	Current accounts receivable	Non-current loans granted	Current loans granted	Deposits received	Current accounts payable
Colonial Tramit, S.L.U.	2	--	17,873	--	--
Inmocol Torre Europa, S.A.	22	--	--	--	--
Peñalvento, S.L.U.	5,827	22,226	--	--	(6)
Wittywood, S.L.	2	--	--	--	--
Inmocol One, S.A.U.	1	--	--	--	(59)
Inmocol Two, S.L.U.	--	--	--	--	(1)
Inmocol Three, S.L.U.	--	--	--	--	(2)
Utopicus Innovación Cultural, S.L.	26	--	7,000	(1,046)	(126)
Total	**5,880**	**22,226**	**24,873**	**(1,046)**	**(194)**

2019

	Thousands of euros					
	Current accounts receivable	Non-current loans granted	Current loans granted	Deposits received	Non-current payables with Group companies	Current accounts payable
Colonial Tramit, S.L.U.	3	--	--	--	--	--
Inmocol Torre Europa, S.A.	--	--	--	--	(7,500)	--
Peñalvento, S.L.U.	2,741	21,766	30	--	--	(3)
Utopicus Innovación Cultural, S.L.	--	--	7	(1,045)	--	(99)
Total	**2,744**	**21,766**	**37**	**(1,045)**	**(7,500)**	**(102)**

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

a) Composition of the Board of Directors of the Company

At 31 December 2020, the Board of Directors of the Company consists of 8 males and 3 females, while at December 31 2019, it was made up of 10 males and 3 female.

At 31 December 2020, the composition of the Board is as follows:

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

On 30 June 2020, Carlos Fernández-Lerga and Javier Iglesias de Ussel tendered their resignations as directors of the Company 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 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 Company.

Pursuant to Article 229 of the Spanish Limited Liability Companies Law, the directors have reported that neither they nor any parties related thereto have any direct or indirect conflict with the interests of the Company at year-end 2020.

b) Remuneration of the Board of Directors

The remuneration to the members of the Board of Directors of the Company classified by item was:

	Thousands of euros	
	2020	2019
Remuneration accrued by executive directors (*):	**2,535**	**2,520**
Allowances:	**962**	**619**
Fixed remuneration:	**863**	**864**
Director remuneration.	575	580
Additional compensation of members of the audit and control committee	125	123
Additional compensation of members of the appointments and remuneration committee	163	161
Total	**4,360**	**4,003**
Amount of compensation earned by executive directors (*):	**2,535**	**2,520**

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

At year-end 2020 and 2019, the Company has taken out civil liability insurance that covers all the directors, members of senior management and employees of the Company in the amount of 357 and 270 thousand euros, respectively. The aforementioned amount includes, for both years, the civil liability insurance premium paid for damages caused by acts or omissions.

The 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.

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

At 31 December 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 2020 and 2019, there have been no terminations, modifications or early terminations of contracts outside ordinary business activities between the Company and the members of the Board of Directors or any person acting on their behalf.

c) Compensation to senior management

The Company's senior management is made up of senior executives and other persons who, reporting to the CEO, are responsible for management of the Company, in accordance with the definition given in the code of good governance of listed companies. At 31 December 2020 and 2019, senior management of the Company consisted of two men and two women.

The monetary remuneration received by senior management during 2020 amounts to 1,253 thousand euros. Additionally, they received 1,072 thousand euros corresponding to the long-term incentive plan (1,177 and 1,657 thousand euros, respectively, during 2019).

The Board of Directors held on 27 July 2016 approved awarding a member of senior management a defined contribution scheme that covers retirement contingencies and, where appropriate, disability and death. At 31 December 2020 and 2019, the Company recognised an annual contribution of 63 thousand and 62 thousand euros under "Staff costs" in the profit and loss accounts for both years.

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

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

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

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

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

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

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

During 2020 and 2019, under the "Staff costs" heading of the profit and loss account, 3,072 and 2,978 thousand euros (Note 18-b), respectively, has been recorded to cover said incentive plan.

On 24 April 2020, the Company settled the outstanding obligations corresponding to the fulfilment of the plan, once the Board of Directors determined the number of shares to be delivered to the plan beneficiaries according to the degree of compliance with the indicators for 2019, which stood at 395,116 shares (Note 13-d). On 24 April 2020, the shares were delivered to their beneficiaries. Of these, 175,814 shares were delivered to the members of the Board of Directors and 219,302 shares to members of senior management, at a market value at the time of delivery of 1,364 and 1,702 thousand euros, respectively.

On 30 April 2019, the Company settled the outstanding obligations corresponding to the fulfilment of the plan, once the Board of Directors determined the number of shares to be delivered to the plan beneficiaries according to the degree of compliance with the indicators for 2018, which stood at 493,894 shares (Note 13-d). On 30 April 2019, the shares were delivered to their beneficiaries. Of these, 219,767 shares were delivered to the members of the Board of Directors and 274,127 shares to members of senior management, at a market value at the time of delivery of 2,109 and 1,657 thousand euros, respectively.

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

On 29 June 2017, the Annual General Meeting approved extending the duration of the application of the share delivery plan approved by the annual general meeting dated 21 January 2014 for 2019 and 2020 under the same terms and conditions.

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

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

21. Other information

a) Staff

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

	Headcount at 31 December				Average headcount			
	2020		2019		2020		2019	
Professional category	Men	Women	Men	Women	Men	Women	Men	Women
General and area managers	5	4	5	4	5	4	5	4
Qualified technicians and middle managers	15	8	14	6	16	8	15	6
Office clerks	25	46	25	48	24	47	20	48
Total	**45**	**58**	**44**	**58**	**45**	**59**	**40**	**58**

At 31 December 2020 and 2019, the Company employed one woman with a disability of 33% or more.

b) Audit fees

The fees accrued for account auditing services for the Company's financial years provided by the main auditor (PricewaterhouseCoopers Auditores, S.L.) have amounted to the following:

Description	Thousands of euros	
	2020	2019
Audit services	270	320
Other verification services	101	141
Total audit and related services	**371**	**461**
Other services	45	20
Total professional services	**45**	**20**

The fees for other verification services include 101 thousand euros corresponding to services provided to the Company for limited revisions, issuance of comfort letters and reports of agreed procedures on ratios linked to financing contracts and a report of agreed procedures on the net asset value (141 thousand euros in 2019). In addition, the Company's auditor provided services to subsidiaries using agreed procedures on ratios linked to financing contracts in the amount of 2 thousand euros as of 31 December 2019.

Fees for other professional services in the amount of 45 thousand euros relate to for the performance of market studies and ESG indicators contained in the Integrated Annual Report (20 thousand euros at 31 December 2019).

c) Capital management: Policy and objectives

As mentioned in Note 1, the Company is the parent company of Colonial Group.

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

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

On 5 October 2016, the Company registered an EMTN (European Medium Term Note) programme on the Irish Stock Exchange amounting to 3,000,000 thousand euros, extendable to 5,000,000 thousand euros, with a validity of 12 months. On 27 November 2018, the CNMV approved the registration of the Company's fixed income base prospectus in the official registers.

On 23 December 2018, the Company arranged the issue of a Euro Commercial Paper programme to issue promissory notes up to a maximum of 300,000 thousand euros, extendable to 500,000 thousand euros, with a term of 12 months. As of 31 December 2020, the Company had issued commercial paper in the amount of 70,000 thousand euros (239,500 thousand euros as of 31 December 2019).

The various bond issues launched in recent years have enabled the Company to finance its corporate transactions and real estate asset acquisitions carried out during these years, to reduce the finance costs of its borrowings, and to extend and diversify the maturity dates thereof. The Company's financing is granted entirely over the long term and structured in such a manner that it allows the performance of the underlying business plan.

Financial risk management policy -

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

- Interest-rate risk: The risk management policy has the objective of limiting and controlling the impact of variations in interest rates on the result and cash flows, maintaining the level of indebtedness and the overall cost of debt in line with the Company's credit rating.

  To achieve this objective, interest rate hedging instruments are contracted, if necessary, to cover possible financial cost fluctuations. The Company's policy is to contract instruments that comply with the provisions of the accounting regulations to be considered as efficient accounting coverage, and thus record its market value variations directly in the Company's profit and loss account. At 31 December 2020, the percentage of total debt covered or at a fixed rate over total debt, stands at 95% in Spain and 96% in France (87% and 90%, respectively, at 31 December 2019).

- Liquidity risk: In order to manage liquidity risk and meet the diverse needs for funds, based on the annual treasury budget, the Company monitors the treasury forecasts monthly.

  The Company considers the following mitigating factors for liquidity risk management: (i) the generation of recurring cash in the businesses on which the Company bases its activity; (ii) the ability to renegotiate and obtain new financing facilities based on long-term business plans and (iii) the quality of the Company's assets.

  Occasionally there may be excess cash making it possible to have undrawn credit facilities or highly-liquid deposits with no risk. At 31 December 2020 and 2019, the Company had sufficient financing facilities to meet its short-term maturities. The Company does not arrange high-risk financial products as a method of investing cash surpluses.

- Counterparty risks: the Company mitigates this risk by using top-tier financial institutions.

- Credit risk: The Company periodically analyses the exposure of its accounts receivable to the risk of default, carrying out a follow-up of the credit settlement and, where appropriate, of the record of credit impairments for which it is estimated that there is a risk of default.

The Company holds a majority interest in the share capital of several companies (Note 9-a). The accompanying financial statements refer to the Company individually and, accordingly, do not reflect the changes that would occur in the various assets components if the aforementioned subsidiaries were consolidated. The Company prepares consolidated financial statements based on International Financial Reporting Standards (IFRS). According to the consolidated financial statements prepared, the equity attributable to the Company's shareholders at 31 December 2020 amounted to 5,400,548 thousand euros, the consolidated profit attributable to them amounted to 2,387 thousand euros and the assets and revenue amounted to 12,354,976 thousand and 341,669 thousand euros, respectively.

22. <u>Average period of payment to suppliers</u>

The information required by the second final provision of Law 31/2014, of 3 December, amending the Spanish Limited Liability Companies Law for the improvement of corporate governance, and modifying the third additional provision of Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, establishing measures to combat late payments in trade operations, all in accordance with the provisions of the resolution of 29 January 2016 of the Institute of Accounting and Audit of Accounts (ICAC) on the information to be incorporated in the notes to the financial statements in relation to the average period of payment to suppliers in trade operations.

	2020	2019
	Days	Days
Average period of payment to suppliers	31	23
Ratio of transactions paid	21	22
Ratio of outstanding transactions	29	41
	Amount (Thousands of euros)	Amount (Thousands of euros)
Total payments made	162,639	189,386
Total outstanding payments	9,819	6,579

The data included in the previous table on payments to suppliers refer to those that by their nature are accounts payable for debts with suppliers of goods and services, so that data related to "Trade payables" and "Other accounts payable" are included from the balance sheet.

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

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

23. Business combinations

a) *Merger carried out on 14 March 2019*

On 17 April 2019, there was registered in the Mercantile Registry of Madrid the merger deed executed on 14 March 2019 between Inmobiliaria Colonial, SOCIMI, S.A. and Axiare Properties, S.L.U., Axiare Investigación, Desarrollo e Innovación S.L.U., Chamaleon (CEDRO) S.L.U., Venusaur, S.L.U., Colonial Invest, S.L.U., Hofinac Real Estate, S.L.U., Fincas y Representaciones, S.A.U., Colonial Arturo Soria, S.L.U. and LE Offices Egeo, S.A.U. (absorbed companies). A summary of the assets and liabilities of included in the merger, as shown in the balance sheet at 1 January 2019, is shown in Appendix II.

At 31 December 2018, the absorbed companies' revenue and profit from operations amounted to 23,641 thousand and 8,321 thousand euros, respectively.

As a result of the merger between the Company and the absorbed companies, and in accordance with the rules for the preparation of consolidated financial statements, the positive difference of the merger resulting from the difference between the acquisition cost of the absorbed company and its equity has been allocated to the various asset and liability headings as follows:

	Thousands of euros
Carrying amount of the equity investment prior to the merger:	407,588
Equity of absorbed companies	(290,948)
Positive merger difference	**116,640**
Difference allocated to:	
Merger reserves	2,959
Deferred tax liabilities	18,224
Recognised gains	**137,823**

b) Merger carried out on 3 July 2019

On 9 August 2019 the merger deed granted on 3 July 2019 by Inmobiliaria Colonial, SOCIMI, S.A. (absorbing company) and Danieltown Spain, S.L.U., Moorage Inversiones 2014, S.L.U., Almacenes Generales Internacionales, S.A.U., Soller, S.L.U. y Axiare Investments, S.L.U. (absorbed companies) was registered in the Madrid Mercantile Registry. A summary of the assets and liabilities of included in the merger, as shown in the balance sheet of the absorbed companies at 1 January 2019, is shown in Appendix II.

At 31 December 2018, the absorbed companies' revenue and profit from operations amounted to 16,089 thousand and 9,448 thousand euros, respectively.

As a result of the merger between the Company and the absorbed companies, and in accordance with the rules for the preparation of consolidated financial statements, the positive difference of the merger resulting from the difference between the acquisition cost of the absorbed company and its equity has been allocated to the various asset and liability headings as follows:

	Thousands of euros
Carrying amount of the equity investment prior to the merger:	274,583
Equity of absorbed companies	(99,569)
Positive merger difference	**175,014**
Difference allocated to:	
Merger reserves	(3,232)
Deferred tax liabilities	35,100
Recognised gains	**206,882**

Merger carried out on 3 September 2019

On 23 September 2019 the merger deed granted on 3 September 2019 by Inmobiliaria Colonial, SOCIMI, S.A. (absorbing company) and Torre Marenostrum, S.L.U. (absorbed company) was registered in the Madrid Mercantile Registry. The following is a summary of the assets and liabilities of included in the merger, as shown in the balance sheet at 1 January 2019:

ASSETS	**1 January 2019**
Non-current assets:	
Investment property	47,777
Non-current financial investments	850
Deferred tax assets	588
Total non-current assets	**49,215**
Current assets:	
Trade and other receivables	21
Cash and cash equivalents	626
Total current assets	**647**
TOTAL ASSETS	**49,862**

EQUITY AND LIABILITIES	1 January 2019
Equity:	
Shareholders' equity-	16,676
Value change adjustments-	(987)
Total equity	**15,689**
Non-current liabilities:	
Non-current payables-	31,349
Total non-current liabilities	**31,349**
Current liabilities:	
Payables with group companies	2,303
Trade and other payables	521
Total current liabilities	**2,824**
TOTAL EQUITY AND LIABILITIES	**49,862**

At 31 December 2018, the absorbed company's revenue and profit from operations amounted to 5,300 thousand and 1,868 thousand euros, respectively.

As a result of the merger between the Company and the absorbed companies, and in accordance with the rules for the preparation of consolidated financial statements, the positive difference of the merger resulting from the difference between the acquisition cost of the absorbed company and its equity has been allocated to the various asset and liability headings as follows:

	Thousands of euros
Carrying amount of the equity investment prior to the merger:	53,315
Equity of absorbed company	(16,676)
Positive merger difference	**36,639**
Difference allocated to:	
Merger reserves	(27,166)
Deferred tax liabilities	2,186
Recognised gains	**11,659**

The fair value of the net assets in the property portfolio of the absorbed companies was estimated using valuations made by independent experts of the property assets acquired as of 31 December 2018.

24. Events after the reporting date

On 16 February 2021, a purchase option was exercised to acquire the third floor of a building in Madrid (Note 7) for 5,000 thousand euros.

On 17 February 2021, the Company disposed of a logistics asset located in Tarragona for a sale price of 19.5 million euros. (Note 24).

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

There were no significant events after the reporting date other than those described in the preceding paragraphs.

APPENDIX I- INVESTMENTS IN GROUP COMPANIES

2020	Address	Capital	Reserves, share premium and interim dividend	Result	Dividend (Note 19)	% shareholding	Cost (Note 9)
		Thousands of euros					Thousands of euros
Colonial Tramit, S.L.U.	Avda. Diagonal 532, Barcelona (Spain)	3	7	(4)	--	100.00%	23
Inmocol Torre Europa, S.A. (*)	Avda. Diagonal 532, Barcelona (Spain)	20,000	1,763	(93)	--	50.00%	12,080
Peñalvento, S.L.U.	Pº de la Castellana 52, Madrid (Spain)	2,400	106	(67)	--	100.00%	20,755
Wittywood, S.L.	Avda. Diagonal 532, Barcelona (Spain)	6	4,533	(20)	--	50.00%	4,647
Inmocol One, S.A.U.	Pº de la Castellana 52, Madrid (Spain)	60	--	(2)	--	100.00%	60
Inmocol Two, S.L.U.	Pº de la Castellana 52, Madrid (Spain)	3	--	(2)	--	100.00%	3
Inmocol Three, S.L.U.	Pº de la Castellana 52, Madrid (Spain)	3	--	(2)	--	100.00%	3
Utopicus Innovación Cultural, S.L.	c/ Principe vergara 112, Madrid (Spain)	41	15,976	(8,434)	--	96.81%	28,633
Société Foncière Lyonnaise, S.A. (**)	42, rue Washington, Paris (France)	93,058	4,266,589	286,879	100,749	81.71%	2,260,013

* Company audited by PricewaterhouseCoopers

** Company co-audited by PricewaterhouseCoopers and Deloitte & Associés

APPENDIX II - BALANCE SHEETS AT 1 JANUARY 2019 OF COMPANIES MERGED ON 14 MARCH 2019

Thousands of euros	Balance at 1 January 2019									
ASSETS	Colonial Invest	Hofinac	Finresa	Arturo Soria	Egeo	Axiare Properties	Axiare I+D+i	Venusaur	Chamaleon	**Total**
Intangible assets	--	-	132	--	--	--	--	--	--	**132**
Property, plant and equipment	--	-	5	--	--	--	--	--	--	**5**
Investment property	--	148,812	5,902	25,139	63,982	--	--	145,351	32,258	**421,444**
Non-current investments in group companies	--	17,017	--	--	--	--	--	--	--	**17,017**
Non-current financial investments	--	1,921	193	277	505	--	--	767	386	**4,049**
Total non-current assets	**--**	**167,750**	**6,232**	**25,416**	**64,487**	**--**	**--**	**146,118**	**32,644**	**442,647**
Trade and other receivables	--	4,621	(51)	79	2,825	--	76	502	3,102	**11,154**
Current investments in group companies	--	--	100	--	--	--	--	--	--	**100**
Cash and cash equivalents	6	--	94	789	104	1	239	4,140	25	**5,398**
Total current assets	6	4,621	143	868	2,929	1	315	4,642	3,127	**16,652**
TOTAL ASSETS	**6**	**172,371**	**6,375**	**26,284**	**67,416**	**1**	**315**	**150,760**	**35,771**	**459,299**

Thousands of euros	Balance at 1 January 2019									
EQUITY AND LIABILITIES	Colonial Invest	Hofinac	Finresa	Arturo Soria	Egeo	Axiare Properties	Axiare I+D+i	Venusaur	Chamaleon	**Total**
Equity:										
Shareholders' equity-	4	169,849	2,911	13,511	38,257	(2)	(686)	60,895	6,209	290,948
Value change adjustments-	--	--	--	--	--	--	--	(899)	--	(899)
Total equity	**4**	**169,849**	**2,911**	**13,511**	**38,257**	**(2)**	**(686)**	**59,996**	**6,209**	**290,049**
Non-current liabilities:										
Non-current payables-	--	1,914	157	318	591	--	--	76,528	390	79,898
Payables with group companies	--	--	--	12,159	28,182	--	500	14,152	25,321	80,314
Total non-current liabilities	**--**	**1,914**	**157**	**12,477**	**28,773**	**--**	**500**	**90,680**	**25,711**	**160,212**
Current payables	--	--	--	--	--	--	--	(210)	--	(210)
Payables with group companies	--	101	2,697	11	--	2	500	--	3,523	6,834
Trade and other payables	2	507	610	285	386	1	1	294	328	2,414
Current accruals	--	--	--	--	--	--	--	--	--	--
Total current liabilities	**2**	**608**	**3,307**	**296**	**386**	**3**	**501**	**84**	**3,851**	**9,038**
TOTAL EQUITY AND LIABILITIES	**6**	**172,371**	**6,375**	**26,284**	**67,416**	**1**	**315**	**150,760**	**35,771**	**459,299**

APPENDIX III - BALANCE SHEETS AT 1 JANUARY 2019 OF COMPANIES MERGED ON 3 JULY 2019

Thousands of euros ASSETS	Balance at 1 January 2019 Danieltown	Moorage	Agisa	Soller	Investments	Total
Investment property	37,351	54,833	19,217	5,514	27,518	**144,433**
Non-current investments in group companies	--	--	17,029	3,296	--	**20,325**
Non-current financial investments	371	929	2,509	2,445	9	**6,263**
Total non-current assets	**37,722**	**55,762**	**38,755**	**11,255**	**27,527**	**171,021**
Trade and other receivables	524	430	2,053	139	341	**3,487**
Current investments in group companies	--	10	1	2	1	**14**
Cash and cash equivalents	--	50	192	--	582	**824**
Total current assets	**524**	**490**	**2,246**	**141**	**924**	**4,325**
TOTAL ASSETS	**38,246**	**56,252**	**41,001**	**11,396**	**28,451**	**175,346**

Thousands of euros EQUITY AND LIABILITIES	Balance at 1 January 2019 Danieltown	Moorage	Agisa	Soller	Investments	Total
Equity:						
Shareholders' equity-	22,367	21,692	40,990	10,587	3,933	**99,569**
Total equity	**22,367**	**21,692**	**40,990**	**10,587**	**3,933**	**99,569**
Non-current liabilities:						
Non-current payables-	1,085	1,771	3	--	--	**2,859**
Payables with group companies	13,523	13,424	--	--	24,500	**51,447**
Total non-current liabilities	**14,608**	**15,195**	**3**	**--**	**24,500**	**54,306**
Payables with group companies	660	17,736	--	631	--	**19,027**
Trade and other payables	611	1,629	8	178	18	**2,444**
Total current liabilities	**1,271**	**19,365**	**8**	**809**	**18**	**21,471**
TOTAL EQUITY AND LIABILITIES	**38,246**	**56,252**	**41,001**	**11,396**	**28,451**	**175,346**

Management report
for the year ended
31 December 2020

1. Company situation

Rental Market Situation

Barcelona

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

Madrid

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

Paris

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

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

Organisational structure and operation

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

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

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

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

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

- An investment strategy that combines core acquisitions with prime factory acquisitions and value-added components.
- A clearly industrial real estate approach to capture above-market-average value creation.

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

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

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

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

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

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

2. Business performance and results

Introduction

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

The operating profit was 185 million euros.

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

Net financial expense was 120 million euros.

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

Profit for the year

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

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

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

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

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

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

Asset value of €12,020 mn +1.2% like for like (Paris +4% like for like)

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

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

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

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

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

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

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

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

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

Recurring net income of €27.06cts/share

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

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

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

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

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

Solid like for like increase in net income

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

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

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

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

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

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

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

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

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

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

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

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

<u>Resilient operational fundamentals</u>

Solid take-up levels, capturing rental price increases-

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

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

Double-digit Release Spreads

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

Strong rental growth

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

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

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

Letting performance during the pandemic

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

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

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

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

Solid occupancy levels-

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

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

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

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

Client Portfolio and COVID-19 Negotiations-

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

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

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

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

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

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

Projects delivery with important advances

Evolution and progress in the project portfolio-

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

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

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

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

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

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

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

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

Successful delivery of projects - Castellana 163-

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

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

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

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

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

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

<u>Successful execution of the disposal program</u>

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

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

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

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

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

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

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

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

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

Divestments 2Q 2020 and 3Q 2020-

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

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

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

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

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

<u>ESG Strategy</u>

Corporate Strategy & Decarbonisation Strategy-

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

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

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

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

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

Important advances in the indexes-

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

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

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

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

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

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

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

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

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

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

Sustainable financing-

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

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

ESG Investment – Decarbonisation Laboratory-

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

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

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

A solid capital structure

A strong balance sheet-

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

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

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

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

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

Access to the debt market based on a solid rating-

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

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

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

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

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

Active balance sheet management – Liability Management

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

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

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

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

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

Analyst consensus

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

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

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 Group are the following:

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

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

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

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

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

C. Excellence in ESG

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

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

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

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

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

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

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

Liquidity and capital resources

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

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

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

3. 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 Company 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 Company, 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 Company and implementing and supervising the internal information and control systems, in order to ensure future viability. and competitiveness of the Company, 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 it is exposed based on their origin:

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

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

- Economic risks, derived from the political and macroeconomic situation in the countries where it operates, and from changes in investors' own expectations.
- Market risks, derived from transformation in the industry and the business model itself, the greater complexity to develop the investment/divestment strategy, and the fluctuation of the real estate market with an impact on the valuation of real estate assets.
- Financial risks, related to restrictions in capital markets, interest rate fluctuations, the impact of changes in tax regulations (mainly by the SOCIMI regime) and those of the counterparty of the main clients.
- Environmental risks derived from the most demanding demands in ESG, and mainly those related to the impact of climate change on the Company'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 Company, 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 global health crisis caused by Covid-19 has generated a high level of uncertainty in many areas in 2020, especially in the economic sphere, with different effects on the various sectors of the business fabric. In response to this situation, Colonial has implemented a range of measures to secure and preserve the health of its employees and assets, as well as business continuity. The main measures carried out in 2020 focused on the following:

- Protecting and supporting our employees
- Asset 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 Company's liquidity and strengthening its solvency
- Strengthening internal and external communication

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

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

4. Events after the reporting date

On 16 February 2021, a purchase option was exercised to acquire the third floor of a building in Madrid (Note 7) for 5,000 thousand euros.

On 17 February 2021, the Company disposed of a logistics asset located in Tarragona for a sale price of 19.5 million euros. (Note 24).

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

There were no significant events after the reporting date other than those described in the preceding paragraphs.

5. Outlook

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

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

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

Barcelona and Madrid

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

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

Paris

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

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

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

Future strategy

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

6. Research and development activities

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

7. Treasury shares

At 31 December 2020, the Company has 3,360,610 shares in treasury shares with a nominal value of 1,447 thousand euros and representing 0.66% of the Company's share capital.

8. Other significant information

On 10 December 2015, the Board of Directors of the Company agreed to adhere to the Code of Good Tax Practices. Said agreement was communicated to the Spanish tax agency on 8 January 2016.

9. Annual Corporate Governance Report

In accordance with the provisions of Article 538 of the Spanish Companies Law, it is hereby stated for the record that the Annual Corporate Governance Report for 2020

10. Alternative Performance Measures (European Securities and Markets Authority)

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

Alternative Performance Measure	Form of calculation	Definition/Relevance
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)	Calculated as "Operating profit" adjusted by "Depreciation and amortisation", "Variations in value of real estate investments" and "Result due to variation in value of assets and impairment".	Indicator of the Group's capacity to generate profits considering only its productive activity, eliminating depreciation allowances, the effect of indebtedness and the tax effect.
Gross Financial Debt (GFD)	Calculated as the sum of "Bank borrowings and other financial liabilities" and "Issuance of bonds and similar securities" and "Commercial paper issues", excluding "Interest" (accrued), "Arrangement costs" and "Other financial liabilities" 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] NTA (EPRA Net Tangible Assets)	It is calculated based on the Company's equity and adjusting certain items following the recommendations of the EPRA.	Standard analysis ratio in real estate and recommended by EPRA.
EPRA[1] NDV (EPRA Net Disposal Value)	Calculated by adjusting the following items in the EPRA NTA: the market value of the financial instruments, the market value of the financial debt, the taxes that would accrue on the sale of	Standard analysis ratio in real estate and recommended by EPRA.

Alternative Performance Measure	Form of calculation	Definition/Relevance
	the assets at their market value, applying the tax credits available to the Group on a going concern basis.	
Market Value excluding transaction costs or *Gross Asset Value (GAV) excluding Transfer costs*	Valuation of all assets in the Group's portfolio made by appraisers outside the Group, deducting transaction costs or transfer costs.	Standard analysis ratio in the real estate sector.
Market Value including transaction costs or *GAV including Transfer costs*	Valuation of all assets in the Group's portfolio made by appraisers outside the Group, before subtracting transaction costs or transfer costs.	Standard analysis ratio in the real estate sector.
Like-for-like Rental income	Amount of rental income for rentals included in "*Revenue*" comparable between two periods. In order to obtain this amount, income from investments or divestitures made between both periods, those from assets included in the project and renovation portfolio, as well as other atypical adjustments (for example, compensation for early termination of rental agreements) are excluded from both periods.	This makes it possible to compare, on a like-for-like basis, the change in rental income of an asset or group of assets.
Like-for-like Valuation	Amount of market valuation excluding transaction costs or market valuation including transaction costs comparable between two periods. In order to obtain it, income from rentals from investments or divestitures made between both periods is excluded from both periods.	This makes it possible to compare, on a homogeneous basis, the change in the portfolio's market valuation.
Loan to Value Group or LtV Group	Calculated as the result of dividing the Net financial debt between the Market Valuation including transaction costs of the Group's portfolio of assets.	This makes it possible to analyse the relationship between net financial debt and the valuation of assets in the Group's portfolio.

Alternative Performance Measure	Form of calculation	Definition/Relevance
Holding Company LtV or Colonial LtV	Calculated as the result of dividing the reduced gross financial debt of the amount of the *"Cash and cash equivalents"* item of the parent company and of the fully-owned Spanish subsidiaries among the sum of the Market Valuation including transaction costs of the portfolio of assets of the parent company of the Group and of the fully-owned Spanish subsidiaries and EPRA NTA of other financial interests in subsidiaries.	This makes it possible to analyse the relationship between net financial debt and the valuation of assets in the Group's parent company.

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

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

- **EPRA NAV (EPRA Net Asset Value)**

	Millions of euros	
EPRA NAV (EPRA *Net Asset Value*)	**31/12/2020**	**31/12/2019**
"EQUITY ATTRIBUTABLE TO THE PARENT COMPANY'S SHAREHOLDERS"	**5,401**	**5,559**
Includes:		
(i.a) Revaluation of investment assets	24	21
(i.b) Revaluation of assets under development	--	--
(i.c) Revaluation of other investments	41	23
(ii) Revaluation of finance leases	--	--
(iii) Stock revaluation	10	3
Excludes:		
(iv) Market value of financial instruments	19	(21)
(v.a) Deferred taxes	233	240
(v.b) Goodwill resulting from deferred assets	--	--
Includes/Excludes:		
Adjustments from (i) to (v) with respect to strategic alliance interests	--	--e
EPRA NAV	**5,728**	**5,825**

- **EPRA NNNAV (EPRA Triple Net Asset Value)**

	Millions of euros	
EPRA NNNAV (EPRA Triple Net Asset Value)	**31/12/2020**	**31/12/2019**
EPRA NAV	**5,728**	**5,825**
Includes:		
(i) Market value of financial instruments	(19)	21
(ii) Market value of debt	(281)	(258)
(iii) Deferred taxes	(234)	(240)
EPRA NNNAV	**5,194**	**5,348**

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

Market Value excluding transaction costs or GAV *excluding Transfer costs*	Millions of euros 31/12/2020	31/12/2019
Barcelona	1,333	1,534
Madrid	2,441	2,543
Paris	6,616	6,502
Leased out	**10,390**	**10,579**
Projects	**1,556**	**1,338**
Other	**74**	**279**
Total Market Value excluding transaction costs	**12,020**	**12,196**
Spain	4,562	5,039
France	7,458	7,157

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

Market Value including transaction costs or GAV *including Transfer costs*	(Millions of euros) 31/12/2020	31/12/2019
Total Market Value excluding transaction costs	**12,020**	**12,196**
Plus: transaction costs	611	611
Total Market Value including transaction costs	**12,631**	**12,807**
Spain	4,685	5,175
France	7,946	7,632

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

	(Millions of euros)				
	Offices				
	Barcelona	Madrid	Paris	Other	TOTAL
***Like-for-like* Rental Income**					
2019 Rental Income	**48**	**89**	**191**	**24**	**352**
Like for like	2	3	(1)	(7)	(3)
Projects and inclusions	(3)	2	(6)	--	(7)
Investments and divestitures	2	--	--	(8)	(6)
Other and compensation	--	9	(3)	--	6
2020 Rental Income	**49**	**103**	**181**	**9**	**342**

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

	(Millions of euros)	
***Like-for-like* Valuation**	**31/12/2020**	**31/12/2019**
Valuation at 1 January	**12,196**	**11,348**
Like for like Spain	(163)	407
Like for like France	300	588
Acquisitions and divestitures	(313)	(147)
Valuation at 31 December	**12,020**	**12,196**

▪ ***Loan to Value* Group or LtV Group**

	(Millions of euros)	
***Loan to Value* Group or LtV Group**	**31/12/2020**	**31/12/2019**
Gross financial debt	4,851	4,826
Commitments of deferrals for transactions selling real estate assets	--	17
Less: *"Cash and cash equivalents"*	(269)	(217)
(A) Net financial debt	**4,582**	**4,626**
Market Value including transaction costs	12,631	12,807
Plus: Shares in treasury shares of the Parent Company valued at EPRA NAV	38	7
(B) Market Value including transaction costs and Company treasury shares	**12,669**	**12,814**
***Loan to Value* Group (A)/(B)**	**36,2%**	**36,1%**

▪ **Holding Company LtV or Colonial LtV**

	(Millions of euros)	
Holding Company LtV or Colonial LtV Holding Company	**31/12/2020**	**31/12/2019**
Gross financial debt	4,851	3,040
Commitments of deferrals for transactions selling real estate assets	--	17
Less: "Cash and cash equivalents" of the Company and the fully-owned Spanish subsidiaries	(269)	(161)
(A) Net financial debt	4,582	**2,896**
(B) Market Value including transaction costs	**12,631**	**9,289**
***Loan to Value* Holding (A)/(B)**	**38%**	**31,2%**