Inmobiliaria Colonial, SOCIMI, S.A.

Audit Report
Annual Accounts as at 31 December 2021
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 2021, 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 2021, 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 2021 Inmobiliaria Colonial, SOCIMI, S.A. recognises a balance under Non-current investments in group companies amounting to Euro 2,668,885 thousand, as detailed in Note 10 to the accompanying annual accounts. These investments are significant with respect to the Company's annual accounts as they account for approximately 42% 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 analysis 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 checked 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 checked if 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
	In addition, for equity instruments in group companies that do not have real estate assets, we have checked their recoverable amount based on the business plan prepared by the Company's management, contrasting the discount rate used with our internal experts. Lastly, we assessed whether the disclosures of information included in Notes 4.e) and 10 to the notes 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 3,332,707 thousand at 31 December 2021, representing 53%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.	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.

Key audit matter	How our audit addressed the key audit matter
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 and balance sheet.	We verified if the valuations were performed in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors (RICS) of Great Britain and in accordance with the International Valuation Standards (IVS) published by the International Standards Valuation Committee. In this regard, we held meetings with the valuers and our internal experts, verifying for a sample of those valuations the reasonableness of the variables used, such as the discount rate employed and the rental increase considered as well as other variables considered necessary in order to complete the valuations such as the final return, the term of the rental contracts and type and age of the buildings, their location and occupancy rate. Similarly, for a sample of assets, we verified through the sales and purchase deeds, the technical specifications used by the independent experts when determining the fair value of those assets. Lastly, we verified the relevant disclosures included in Notes 4.c) and 7 to the notes 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 2021 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 and the Annual Report on Directors' Remuneration, 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 2021 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit and control commission 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 directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

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

The audit and control commission for the annual accounts 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 entity's audit and control commission for the annual accounts 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 entity's audit and control commission for the annual accounts 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 entity's audit and control commission for the annual accounts, 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

European single electronic format

We have examined the digital file of the European single electronic format (ESEF) of Inmobiliaria Colonial, SOCIMI, S.A. for the 2021 financial year that comprises an XHTML file of the annual accounts for the financial year, which will form part of the annual financial report.

The directors of Inmobiliaria Colonial, SOCIMI, S.A. are responsible for presenting the annual financial report for 2021 financial year in accordance with the formatting requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation). In this regard, the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration have been incorporated by reference in the management report.

Our responsibility is to examine the digital file prepared by the Company's directors, in accordance with legislation governing the audit practice in Spain. This legislation requires that we plan and execute our audit procedures in order to verify whether the content of the annual accounts included in the aforementioned file completely agrees with that of the annual accounts that we have audited, and whether the format of these accounts has been affected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital file examined completely agrees with the audited annual accounts, and these are presented, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Report to the audit and control commission

The opinion expressed in this report is consistent with the content of our additional report to the audit and control commission for the annual accounts of the Company dated 28 February 2022.

Appointment period

The General Ordinary Shareholders' Meeting held on 30 June 2020 appointed us as auditors for a period of one year, for the year ended 31 December 2021.

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 for services other than the audit of the accounts are disclosed in note 22 to the annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Original in Spanish signed by
Mireia Oranias Casajoanes (20973)

28 February 2022

Inmobiliaria Colonial, SOCIMI, S.A.

Financial Statements
for the Year Ended on
31 December 2021
Management Report, together with the
Auditors' Report

Inmobiliaria Colonial, SOCIMI, S.A.

Balance Sheet
31 December 2021 and 2020

(expressed in thousands of euros)

Assets	Note	31 December 2021	31 December 2020
Intangible assets	**Note 5**	**55,427**	**64,929**
Goodwill		53,050	61,770
Intellectual property		236	1,170
Computer software		2,141	1,989
Property, plant and equipment	**Note 6**	**21,328**	**21,654**
Land and buildings		17,961	18,018
Plant and other items of property, plant and equipment		4,110	4,647
Impairment of property, plant and equipment		(743)	(1,011)
investment property	**Note 7**	**3,332,707**	**3,293,395**
Land		1,812,765	1,758,334
Buildings and installations		1,096,985	1,077,848
Real estate investments in progress and advances		504,272	558,142
Impairment of investment property		(81,315)	(100,929)
Non-current investments in Group companies and associates		**2,692,883**	**2,327,139**
Equity instruments in group companies	**Note 10-a**	2,693,396	2,326,217
Loans to group companies	**Note 10-b**	23,998	22,226
Impairment of financial investments in Group companies	**Note 10-a**	(24,511)	(21,304)
Non-current financial investments		**45,796**	**40,212**
Res.	**Note 12**	10,651	--
Other financial assets	**Note 11-a and 11-b**	35,145	40,212
Total non-current assets		**6,148,141**	**5,747,329**
Non-current assets held for sale	**Note 13**	**--**	**19,277**
Trade and other receivables		**11,396**	**20,410**
Trade receivables from sales and services		822	2,623
Trade receivables from Group companies and associates	**Note 20**	121	5,880
Other receivables	**Note 11-a**	9,387	9,236
Advances to suppliers		185	170
Employees		3	6
Other accounts receivable from public authorities	**Note 17**	878	2,495
Current investments in Group companies	**Note 19**	**33,227**	**24,873**
Loans to group companies		33,227	24,873
Current financial investments	**Note 11-b**	**9**	**9**
Equity instruments		9	9
Current prepayments and accrued income		**127**	**121**
Cash and cash equivalents	**Note 16**	**93,000**	**223,717**
Total current assets		**137,759**	**288,407**
Total assets		**6,285,900**	**6,035,736**

Notes 1 to 24 and Appendix I described in the notes to the consolidated financial statements form an integral part of the balance sheet 31 December 2021.

Inmobiliaria Colonial, SOCIMI, S.A.

Balance Sheet
31 December 2021 and 2020

(expressed in thousands of euros)

Equity and Liabilities	Note	31 December 2021	31 December 2020
Shareholders' equity		**3,071,954**	**2,906,960**
Share capital	**Note 14-a**	**1,349,039**	**1,270,287**
Registered capital		1,349,039	1,270,287
Issue premium	**Note 14-b**	**1,584,453**	**1,491,280**
Reserves	**Note 14-c**	**192,733**	**193,831**
Legal and statutory reserves		54,766	54,766
Other reserves		137,967	139,065
(Own shares and equity holdings)	**Note 14-d**	**(66,657)**	**(24,440)**
Results for previous years	**Note 3**	**(27,010)**	**--**
Income for the financial year	**Note 3**	**38,726**	**(27,010)**
Other equity instruments		**670**	**3,012**
Adjustments due to change in value	**Note 14-f**	**10,651**	**(19,318)**
Hedging transactions		10,651	(19,318)
Total equity	**Note 14**	**3,082,605**	**2,887,642**
Non-current provisions	**Note 15**	**33**	**72**
Long term employee benefit obligations		33	45
Other provisions		--	27
Non-current payables		**2,896,252**	**2,904,871**
Debt instruments and other held-for-trading liabilities	**Note 16**	2,794,818	2,785,682
Bank borrowings	**Note 16**	72,539	71,317
Res.	**Note 12**	--	19,318
Other financial liabilities	**Note 17**	28,895	28,554
Deferred tax liabilities and other payables to public authorities-	**Note 18**	**85,379**	**86,428**
Non-current accruals	**Note 10**	**28,287**	**28,287**
Total non-current liabilities		**3,009,951**	**3,019,658**
Current provisions	**Note 15**	**2,701**	**3,226**
Current payables		**151,101**	**84,533**
Debt instruments and other held-for-trading liabilities	**Note16**	151,666	85,077
Bank borrowings	**Note16**	(561)	(544)
Other financial liabilities		(4)	--
Current payables to Group companies	**Note 20**	**140**	**194**
Trade and other payables		**39,402**	**40,448**
Suppliers		28,091	29,580
Miscellaneous payables		6,409	4,892
Other accounts payable to public authorities	**Note 18**	4,902	5,976
Current accruals		--	**35**
Total current liabilities		**193,344**	**128,436**
Total equity and liabilities		**6,285,900**	**6,035,736**

Notes 1 to 24 and Appendix I described in the notes to the consolidated financial statements form an integral part of the balance sheet 31 December 2021.

Inmobiliaria Colonial, SOCIMI, S.A.

Income statement
31 December 2021 and 2020

(expressed in thousands of euros)

	Note	2021	2020
CONTINUING OPERATIONS			
Net turnover amount	**Note 19-a**	**219,712**	**259,382**
Sales		139,287	158,067
Provision of services		587	566
Financial revenue from the holding companies	**Note 19-a**	79,838	100,749
Work carried out by the company for property, plant and equipment		**463**	--
Other operating income		**317**	**129**
Non-core and other current operating income		317	129
Personnel expenses	**Note 19-b**	**(12,137)**	**(14,421)**
Wages, salaries and similar expenses		(11,579)	(10,310)
Employee benefits expense		(558)	(4,111)
Other operating expenses		**(31,169)**	**(21,207)**
External services		(27,159)	(14,485)
Taxes other than income tax		(7,308)	(6,813)
Losses on, impairment of and changes in allowances for trade receivables	**Note 19-c**	3,427	182
Other current operating expenses		(129)	(91)
Amortisation and depreciation	**Notes 5, 6 y 7**	**(68,812)**	**(82,310)**
Impairment and gains on disposal of fixed assets		**12,211**	**(72,466)**
Impairment and losses	**Note 19-d**	7,575	(129,594)
Gains/(losses) on disposals and other	**Note 19-e**	4,636	57,128
Profit/(loss) from operations		**120,585**	**69,107**
Finance income	**Note 19-f**	**471**	**1,116**
From investments in equity instruments		471	1,116
Group companies and associates		467	460
Third parties		4	656
Finance costs	**Note 19-f**	**(89,149)**	**(85,036)**
On debts to third parties		(89,149)	(85,036)
Change in fair value of financial instruments	**Note 19-f**	**8,719**	**(632)**
Trading portfolio and other		8,719	(632)
Impairment and gains/(losses) on disposal of financial instruments	**Notes 10 y 19-f**	**(3,207)**	**(8,164)**
Impairment and losses		(3,207)	(8,164)
Net finance income/(expense)		**(83,166)**	**(92,716)**
Profit/(Loss) before tax		**37,419**	**(23,609)**
Income taxes	**Note 18**	**1,307**	**(3,401)**
Profit for the year from continuing operations	**Note 3**	**38,726**	**(27,010)**

The accompanying Notes 1 to 24 and Appendix I are an integral part of the income statement at 31 December 2021

Inmobiliaria Colonial, SOCIMI, S.A.

Statement of changes in equity
for the years ended
31 December 2021 and 2020
a) Statement of recognised income and expense

(expressed in thousands of euros)

	Note	2021	2020
Profit for the year		**38,726**	**(27,010)**
Income and expense recognised directly in equity		--	--
Cash flow hedges	**Note 14**	21,250	(39,640)
Total income and expense recognised directly in equity		**21,250**	**(39,640)**
Amounts transferred to income statement			
Cash flow hedges	**Note 14**	8,719	1,531
Total amounts transferred to income statement		**8,719**	**1,531**
Total recognised income and expense		**68,695**	**(65,119)**

Notes 1 to 24 and Appendix I described in the notes to the consolidated financial statements form an integral part of the statement of changes in equity as at 31 December 2021.

Inmobiliaria Colonial, SOCIMI, S.A.

Statement of changes in equity
for the years ended
31 December 2021 and 2020
B) Statement of total changes in equity

(expressed in thousands of euros)

	Registered Capital	Issue premium	Reserves	Own shares and equity holdings	Other contributions from partners	Income for the financial year	Adjustments due to change in value	Total
Balance at 31 December 2019	**1,270,287**	**1,513,749**	**186,822**	**(6,179)**	**2,951**	**87,867**	**18,791**	**3,074,288**
I. Total recognised income and expense	--	--	--	--	--	(27,010)	(38,109)	**(65,119)**
II. Transactions with shareholders:	**--**	**(22,469)**	**8,787**	**(22,430)**	**--**	**(87,867)**	**--**	**(123,979)**
Transactions with own shares and equity holdings (net)	--	--	--	(22,430)	--	--	--	**(22,430)**
Distribution of profit (dividends)	--	(22,469)	8,787	--	--	(87,867)	--	**(101,549)**
III. Other changes in equity	**--**	**--**	**(1,778)**	**4,169**	**61**	**--**	**--**	**2,452**
Accrual long-term remuneration plan 2020	--	--	--	--	3,012	--	--	**3,012**
Delivery 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**

Notes 1 to 24 and Appendix I described in the notes to the consolidated financial statements form an integral part of the statement of changes in equity as at 31 December 2021.

Inmobiliaria Colonial, SOCIMI, S.A.

Statement of changes in equity
for the years ended
31 December 2021 and 2020
B) Statement of total changes in equity

(expressed in thousands of euros)

	Registered Capital	Issue premium	Reserves	Own shares and equity holdings	Other contributions from partners	Income for the financial year	Adjustments due to change in value	Total
Balance at 31 December 2020	**1,270,287**	**1,491,280**	**193,831**	**(24,440)**	**3,012**	**(27,010)**	**(19,318)**	**2,887,642**
I. Total recognised income and expense	**--**	**--**	**--**	**--**	**--**	**38,726**	**29,969**	**68,695**
II. Transactions with shareholders:	**78,752**	**93,173**	**(28,233)**	**(44,351)**	**--**	**27,010**	**--**	**126,351**
Capital increases	78,752	204,260	(1,223)	--	--	--	--	**281,789**
Transactions with own shares and equity holdings (net)	--	--	--	(44,351)	--	--	--	**(44,351)**
Distribution of profit (dividends)	--	(111,087)	(27,010)	--	--	27,010	--	**(111,087)**
III. Other changes in equity	**--**	**--**	**125**	**2,134**	**(2,342)**	**--**	**--**	**(83)**
Accrual long-term remuneration plan 2021	--	--	--	--	670	--	--	**670**
Delivery long-term remuneration plan 2020	--	--	125	2,134	(3,012)	--	--	**(753)**
Balance at 31 December 2021	**1,349,039**	**1,584,453**	**165,723**	**(66,657)**	**670**	**38,726**	**10,651**	**3,082,605**

Notes 1 to 24 and Appendix I described in the notes to the consolidated financial statements form an integral part of the statement of changes in equity as at 31 December 2021.

Inmobiliaria Colonial, SOCIMI, S.A.

Cash flow s
for the years ended
31 December 2021 and 2020

(expressed in thousands of euros)

	Note	2021	2020
Cash flows from operating activities			
Pre-tax profit for the year		**37,419**	**(23,609)**
Adjustments of profit/(loss)		**56,502**	**146,561**
Amortisation and depreciation	**Notes 5, 6 y 7**	68,812	82,310
Impairment loss allowances	**Note 18**	(7,575)	129,594
Changes in provisions	**Notes 15 and 19**	(3,427)	(182)
Proceeds from disposals of fixed assets	**Notes 5, 6 y 7**	(4,636)	(57,128)
Impairment and gains/(losses) on disposal of financial instruments	**Notes 9 and 19**	3,207	8,164
Finance income	**Note 19**	(471)	(1,116)
Income from holdings in Group companies	**Note 19 and 20**	(79,838)	(100,749)
Finance costs	**Note 19**	89,149	85,036
Change in fair value of financial instruments	**Notes 9 and 19**	(8,719)	632
Changes in working capital		**(566)**	**(82,779)**
Trade and other receivables		4,419	15,908
Other current assets		(6)	(24,191)
Trade and other payables		(5,227)	(70,248)
Other current liabilities		248	(8,555)
Other non-current assets and liabilities		--	4,307
Other cash flows from operating activities		**(11,144)**	**7,795**
Interest paid		(92,079)	(84,211)
Income from holdings in Group companies	**Notes 19 and 20**	79,838	100,749
Finance income		4	822
Profit tax collected (payments)		1,093	(9,565)
Cash flows from operating activities		**82,211**	**47,968**
Cash flows from investing activities			
Payments for investments (-)		**(229,363)**	**(90,960)**
Group companies and associates	**Note 9**	(85,472)	(4,713)
Intangible assets	**Note 5**	(1,320)	(1,496)
Property, plant and equipment	**Note 6**	(128)	(304)
investment property	**Note 7**	(142,257)	(77,768)
Other financial assets	**Note 9**	--	--
Non-current assets held for sale	**Note 13**	(186)	(6,679)
Proceeds from sale of investments (+)		**90,664**	**335,173**
investment property	**Note 7**	27,200	146,800
Other current financial assets	**Notes 9 and 20**	5,067	1,783
Non-current assets held for sale	**Note 13**	58,397	186,590

Inmobiliaria Colonial, SOCIMI, S.A.

Cash flow s
for the years ended
31 December 2021 and 2020

(expressed in thousands of euros)

	Note	2021	2020
Cash flows from financing activities			
Proceeds from and payments for equity instruments		**(154,402)**	**(121,527)**
Distribution of dividends	**Note 3**	(111,087)	(101,549)
Acquisition of own equity instruments	**Note 14**	(44,351)	(22,430)
Remuneration from other equity instruments		2,259	2,452
Expenses associated with capital increases	**Note 10**	(1,223)	--
Proceeds from and payments for financial liability instruments		**80,173**	**(99,323)**
Issue			
Bonds and similar marketable securities	**Note 16**	765,000	570,000
Long term accruals	**Note 9**	--	7,072
Debts to Group companies and associates		--	(3,895)
Debt repayment of			
Debts to Group companies and associates (-)		(2,527)	(7,500)
Bank borrowings (-)	**Note 16**	--	(125,000)
Debt instruments and other held-for-trading liabilities (-)	**Note 16**	(682,300)	(540,000)
Cash flows from financing activities		**(74,229)**	**(220,850)**
Net increase/decrease in cash and cash equivalents		**(130,717)**	**71,331**
Cash and cash equivalents at beginning of year		223,717	152,386
Cash and cash equivalents at end of the financial year		93,000	223,717

Notes 1 to 24 and Appendix I described in the notes to the consolidated financial statements form an integral part of the statement of cash flows 31 December 2021.

1. Company's description

Inmobiliaria Colonial, SOCIMI, S.A. (hereinafter, "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 general shareholders's meeting of the Company resolved to adopt the REIT tax regime. On 30 June 2017, the Parent submitted a request to the tax authorities to be included in the REIT tax regime, applicable as of 1 January 2017.

The Company's corporate 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 in the Parent's articles of association;

- 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 Company 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 individuals or legal entities 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, Inmobiliaria Colonial, S.A. (formerly Grupo Inmocaral, S.A.) was merged by absorption into Inmobiliaria Colonial S.A. (absorbed company) In 2008 Inmobiliaria Colonial, SOCIMI, S.A. (absorbing company) merged with Subirats-Coslada Logística, S.L.U., Diagonal Les Poxes 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 spin-off and contribution to the subsidiary Asentia Project, S.L., hereinafter "Asentia", of the land and development business, was performed, including shares in the subsidiary Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U., hereinafter "DUE", to which a project in Seville was transferred. In addition, the non-monetary contribution of the Llacuna property development in Barcelona to the subsidiary Abix Service, S.L.U., hereinafter “Abix”, was carried out. These transactions took place under the scope of the “Framework Refinancing Agreement” signed between the Company and the banks on 19 February 2010.

The aforementioned mergers, spin-offs and non-monetary contributions availed themselves of the tax regime provided for in Title VIII, Chapter VII, of the Spanish Corporate Income Tax Law. In accordance with legal requirements, all relevant information regarding these corporate transactions is detailed in the financial statements for the years concerned.

In 2014, the assets and liabilities of Abix, a wholly-owned company until this date, were transferred en bloc to Inmobiliaria Colonial, SOCIMI, S.A. The aforementioned transaction entailed the transfer en bloc by universal succession of all of Abix's assets and liabilities to the Company, and the subsequent dissolution of the investee, all in accordance with article 87.1 of Law 3/2009, of 3 April, on structural changes to trading companies.

On 2 July 2018, the Company carried out the takeover merger with Axiare Patrimonio SOCIMI, S.A. under the special regime provided for in Chapter VII of Title VII of the Spanish Corporate Enterprises Act on 1 August 2018. On 17 April 2019, the Company carried out the takeover merger 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. Acceptance of the special regime provided for in Chapter VII of Title VII of the Spanish Corporate Enterprises Act on 03 June 2019.

On 9 August 2019, the Company carried out the takeover merger of the companies 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. Acceptance of the special regime provided for in Chapter VII of Title VII of the Spanish Corporate Enterprises Act on 16 September 2019.

On 3 September 2019, the Company carried out the takeover merger with Torre Marenostrum, S.L.U., whose main activity was the acquisition and development of urban property for lease. Acceptance of the special regime provided for in Chapter VII of Title VII of the Spanish Corporate Enterprises Act on 07 October 2019.

The main activity of the taken over companies was the acquisition and development of urban property for leasing, as well as the holding of shares in the capital of other listed property investment companies. The mergers were carried out with the aim of optimising the Company's resources, improving the cost structure in the development of 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 it is the parent 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 2021, the Company maintains the credit rating obtained from Standard & Poor’s Rating Credit Market Services Europe Limited, as a “BBB” long-term credit rating and as an “A-2” short-term credit rating, both with a stable outlook. In addition, the Parent obtained a "Baa2" credit rating with a positive outlook from Moody’s.

In view of the business activity carried on by the Company, 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 Company does apply a proactive environmental policy in relation to urban development, construction, 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 2020 consolidated financial statements were approved by the General Shareholders' Meeting of Inmobiliaria Colonial, SOCIMI,

S.A. held on 30 June 2021 and registered with the Mercantile Registry of Madrid.

2. Basis of presentation of the financial statements

a) Financial reporting regulatory framework applicable to the Company

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

- The Spanish Commercial Code and other company law.

- The Spanish National Chart of Accounts approved by Royal Decree 1514/2007, along with Royal Decrees 1159/2010 and 602/2016, amending certain aspects of the Chart of Accounts and its sectorial adaptations and, in particular, the Sectorial Adaptation of the National Chart of Accounts of Property Companies approved by the Order of 28 December 1994, and the provisions approved by the Spanish National Securities Market Commission (CNMV). And together with Royal Decree 1/2021, of 12 January, which amends the conceptual framework and in particular section 6 point 2 relating to the valuation rules and specifically to the definition of fair value and the 9th registration and valuation rules relating to financial instruments.

- Mandatory standards approved by the Institute of Accounting and Auditing for the implementation of the National Chart of Accounts and its supplementary regulations, the Securities Market Law and other regulations issued by the CNMV.

- All other applicable Spanish accounting law.

b) Changes in accounting policies as a consequence of Royal Decree 1/2021

On 30 January 2021, Royal Decree 1/2021, of 12 January, was published in the Official State Gazette, amending the General Accounting Plan approved by Royal Decree 1514/2007, of 16 November; the General Accounting Plan for Small and Medium-sized Companies approved by Royal Decree 1515/2007, of 16 November; the Standards for the Preparation of Consolidated Financial Statements approved by Royal Decree 1159/2010, of 17 September; and the Standards for the Adaptation of the General Accounting Plan for Non-Profit Entities approved by Royal Decree 1159/2010, of 17 September; the Rules for the Preparation of Consolidated Financial Statements approved by Royal Decree 1159/2010, of 17 September; and the Rules for the Adaptation of the General Accounting Plan to Non-Profit Entities approved by Royal Decree 1491/2011, of 24 October. Likewise, as a consequence of Royal Decree 1/2021, on 13 February 2021, a resolution of the Spanish Accounting and Auditing Institute (ICAC) was published in the Official State Gazette (hereinafter the "Resolution"), which lays down rules for the recording, valuation and preparation of financial statements for the recognition of income from the delivery of goods and services (hereinafter the "Resolution").

The content of the aforementioned Royal Decree and Resolution must be applied in the financial statements for financial years beginning on or after 1 January 2021. The changes mainly affect the Company's financial instruments.

The main differences between the accounting and classification criteria used in 2020 and those applied in 2021 that have affected the Company are as follows:

- Financial instruments are now classified according to our management or business model for managing financial assets and the contractual terms of the cash flows from them.

  a) The classification of the financial assets are covered under the following key categories:

     - **Amortised cost**: The previous portfolios of "Loans and receivables" and "Held-to-maturity investments" have foreseeably been integrated into this category to the extent that they are held for the purpose of receiving the cash flows arising from the performance of the contract, and the contractual terms of the financial assets give rise, at specific dates, to cash flows that are solely collections of principal and interest on the principal amount outstanding.

       This category also includes trade receivables and non-trade receivables.

     - **Cost: This category covers the following financial assets:**

       - Investments in group companies, jointly controlled entities and associates;

- Those financial assets where a reliable estimate of fair value cannot be obtained (equity instruments or hybrid financial assets or other assets that were initially classified in the fair value through equity portfolio).

b) The classification of the financial liabilities are covered under the following key categories

- **Amortised cost:** All financial liabilities have been included in this category except those to be measured at fair value through profit or loss. It therefore includes the above portfolios of "Loans and payables" which include participating loans that have the characteristics of an ordinary or common loan, including those whose interest was set below market, and "Accounts payable" for both trade and non-trade transactions.

- **Fair value through profit or loss:** This category groups together the previous portfolios of "Other financial liabilities at fair value through profit or loss".

c) The classification of Derivatives and hedging activities:

In application of Transitory Provision 3 of RD 1/2021, the Company has opted to apply the new criteria for hedge accounting approved in RD 1/2021. The Company describes its hedging policy in note 4-f to these financial statements.

- **Continuation of hedging transactions:**

For those contracts in force at 1 January 2021 and which met the requirements for hedge accounting in accordance with the previous wording of PGC 2007 and which also meet the requirements set out in RD 1/2021, after taking into account any new rebalancing of the hedging relationship at 1 January 2021, the Company has considered these contracts as a continuation of the hedging relationships already existing at the transition date (see note 12 composition at 31 December 2020).

On the date of initial application of RD 1/2021, 1 January 2021, the Company has opted for the application of the 2nd Transitory Provision to include comparative information without restating it. The Company has therefore applied the new categories of financial instruments in accordance with RD 1/2021 and has maintained the classification, for comparative purposes, of the categories of financial instruments in accordance with the classifications in NRV 9 of RD 1514/2007, of 16 November, approving the General Accounting Plan. Consequently, the main effects of this reclassification are as follows:

Financial Assets	Note	**Thousands of Euros**		
Categories of the PGC RD 1514/2007		**Investments held to maturity**	**Loans and receivables**	**Loans to group companies**
Categories of the PGC RD 1/2021			**Financial assets at amortised cost (Note 11-a)**	**Financial assets at cost (Note 11-b)**
Reclassifications Non-Current Financial Assets				
Final balance at 31 December 2020-RD 1514/2007		**--**	**40,212**	**22.226**
Loans and receivables to financial assets at cost	(i)	--	(26,277)	26,277
Loans to group companies financial assets at amortised cost	(ii)	--	22,226	(22,226)
Starting balance 1 January 2021 - RD 1/2021		**--**	**36,161**	**26,277**
Current financial assets				
Final balance at 31 December 2020-RD 1514/2007		**9**	**17,915**	**24,873**
Loans and receivables to financial assets at cost	(i)	--	24,873	(24,873)
Equity instruments to financial assets at cost	(iii)	(9)	--	9
Starting balance 1 January 2021 - RD 1/2021		**--**	**42,788**	**9**

i. *Reclassification from Loans and receivables to Financial assets at cost*

Bonds and deposits previously reported as Loans and Receivables are now classified at cost. The Company intends to hold the assets for as long as the obligations giving rise to them are maintained.

In relation to reclassifications of previous financial assets, there has been no difference between the previous carrying amount and the revised carrying amount of the financial assets as at 1 January 2021 that should be recognised in reserves at the start.

ii. *Reclassification from Loans and advances to group companies held to maturity to Financial assets at amortised cost*

Current loans to Group companies and associates that were previously presented as held-to-maturity are now classified at amortised cost. The Company intends to hold the assets to maturity to collect the contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal outstanding.

iii. *Reclassification of Equity instruments to Financial assets at cost*

The shares that the Company recorded as equity instruments are now classified at cost because no reliable estimate of their fair value is available.

Financial Liabilities	Note	**Thousands of Euros**			
Categories of the PGC RD 1514/2007		**Debt instruments and other held-for-trading liabilities**	**Bank borrowings**	**Other financial liabilities**	**Other payables**
Categories of the PGC RD 1/2021			**Financial liabilities at amortised cost (Note 16)**	**Financial liability at fair value through changes in profit or loss:**	
Reclassifications Non-Current Financial Assets					
Final balance at 31 December 2020-RD 1514/2007		**2,785,682**	**71,317**	**28,554**	**--**
Bonds and other marketable securities to financial liabilities at amortised cost	(i)	(2,785,682)	2,785,682	--	--
Debts with credit institutions to financial liabilities at amortised cost	(i)	--	--	--	--
Other accounts payable to financial liabilities to RV with changes in P&L	(ii)	--	--	--	--
Other financial liabilities to financial liabilities to RV with changes in P&L	(iii)	--	--	--	--
Starting balance 1 January 2021 - RD 1/2021		**--**	**2,856,999**	**28,554**	**--**
Current financial assets					
Final balance at 31 December 2020-RD 1514/2007		**85,077**	**(544)**	**--**	**34,472**
Bonds and other marketable securities to financial liabilities at amortised cost	(i)	(85,077)	85,077	--	--
Debts with credit institutions to financial liabilities at amortised cost	(i)	--	--	--	--
Other accounts payable to financial liabilities to RV with changes in P&L	(ii)	--	34,472	--	(34,472)
Other financial liabilities to financial liabilities to RV with changes in P&L	(iii)	--	--	--	--
Starting balance 1 January 2021 - RD 1/2021		**--**	**119,005**	**--**	**--**

i. *Reclassification from Bonds and other marketable securities and Amounts owed to entities to Financial liabilities at amortised cost*

The Company presented the Bonds and other marketable securities and Amounts owed to entities at amortised cost. The Company intends to hold the liabilities to maturity and pay the contractual cash flows and these cash flows consist solely of payments of the nominal and coupon interest on the principal outstanding.

ii. *Reclassification from Trade and other payables to Financial liabilities at amortised cost*

Trade and other trade payables are classified at amortised cost. The Company intends to hold the liabilities until their due date and the cash flows consist solely of payments for goods and services purchased.

iii. Reclassification from Other accounts payable to Financial liabilities at fair value through profit or loss

The Company presented the guarantees received for lease contracts under the heading "Other financial liabilities" are classified as fair value through profit or loss. The Company intends to hold the liabilities until the end of the lease and the cash flows consist of the repayment of the deposit received.

c) True and fair view

The accompanying financial statements were prepared on the basis of the accounting records kept by the Company, and are presented in accordance with the applicable financial reporting regulatory framework and, in particular, with the accounting policies and measurement bases contained therein, to present a true and fair view of the Company's equity, financial position, income, and cash flows for the year then ended. These financial statements, which have been authorised for issue by the Company's directors, shall be submitted for approval at the General Shareholders' Meeting, and they are expected to be approved without any changes.

The 2020 financial statements were approved by the shareholders at the General Shareholders' Meeting held on 30 June 2021.

d) Non-mandatory accounting policies applied

No non-mandatory accounting policies have been applied. Accordingly, the directors have authorised these financial statements for issue on the basis of all mandatory accounting policies and standards that have a material effect on such statements. All mandatory accounting policies have been applied.

e) Critical aspects of measurement and estimate of uncertainty

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

- Impairment losses or reversals of impairment losses recognised in previous years from goodwill, on property for own use and investment property as a result of lower or higher property appraisals carried out by independent experts vis-à-vis the carrying amount recognised for these assets (Notes 5, 6 and 7).

  The market value of the property for own use and of the investment property was obtained from the appraisals periodically made by independent experts. These appraisals were prepared at 31 December 2021 and 2020, applying the methods described in Notes 4-b and 4-c.

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

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

- Measurement of non-current assets held for sale (Notes 4-f and 13).

- Estimation of the appropriate provisions for default of accounts receivable (Note 4-e).

- Measurement of deferred tax liabilities recognised in the balance sheet (Notes 4-l and 18).

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

- The valuation of the share-based payment obligations assumed (notes 4-k and 21).

Although these estimates were made on the basis of the best available information at year-end 2021, events that take place in the future might make it necessary to modify these amounts (upwards or downwards) in coming years, which would mean prospectively recognising the effects of said changes in the corresponding income statement.

f) Comparative information

The information included in these notes to the financial statements for 2021 is presented, for comparison purposes, with the information relating to 2020.

g) Grouping of items

Certain items in the balance sheet, 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.

h) Correction of errors

No significant errors have been found in the preparation of the accompanying financial statements that would require a restatement of the amounts included in the 2020 financial statements.

i) Functional currency

These financial statements are presented in euros as this is the currency of the main economic area in which the Company operates.

j) Financial Situation

At 31 December 2021 the Company has a positive net worth of €3,082,605 thousand, however, it has a negative working capital of €55,585 thousand, although the Company has sufficient undrawn financing facilities to cover this amount, and the Company's directors have therefore considered preparing these financial statements on a going concern basis (note 15-c).

k) Covid-19 health crisis

In 2021, the Company maintained the measures taken in 2020 to strengthen the Company's position in a complex scenario to mitigate the impact of the pandemic on its business and results as far as possible.

The collection rate has been very satisfactory during the year (around 100%), outstanding amounts receivable have been reviewed on a case-by-case basis, recording the appropriate provision for impairment where necessary.

The property sales activity, which had slowed down during the initial phase of the healthcare crisis, made a notable recovery during the second half of 2021, with significant new contracts being closed.

The health crisis has had little impact on the valuation of assets as at 31 December 2021. Offices have shown some resilience to the pandemic, while commercial uses have been more affected by the pandemic context.

a) Climate change

l) Climate change

Climate change brings with it profound changes in the economy, making it necessary to be increasingly attentive to its impacts on the financial and non-financial performance of companies. The major issues associated with these changes have led to very ambitious objectives involving radical transformations, within the framework of the European green pact, the Glasgow agreement (COP26), and even the Paris agreement (COP21).

The purpose of this note is to present the impacts of these changes on the Company's activity and performance, as well as the main accounting impacts on the accounts.

Effects of climate-related changes on the Company's financial position

The property sector accounts for a significant share of greenhouse gas emissions in Spain. For this reason, the Company has put a strategy in place to ensure that the risks and impacts of climate change and the measures to address them are monitored.

The main effects on the financial statements linked to weather-related changes have been considered. These impacts are not exact figures, as it is very difficult to dissociate the impacts from other factors that have influenced the performance of the period. On this basis, the major impacts on the financial data are as follows:

- A positive impact on the valuation of the Company's properties that have been recognised as environmentally friendly (as evidenced by the certifications obtained).

- An increase in the investment and operating costs of property to anticipate regulatory developments and increase customer loyalty. These include, for example, the installation of LED technology in lighting systems, the selection and implementation of more efficient air-conditioning systems and the digitisation of buildings to optimise energy consumption.

- Various expenses, such as the costs of environmental certification of properties, costs linked to the publication of ESG data, and elements of remuneration of certain employees or directors linked to the achievement of ESG objectives.

Other potential impacts on the accounts

Other potential impacts of climate change, which do not have an impact on the financial statements, are as follows:

- Risks associated with financial instruments: at the closing date of these financial statements, the company had only 2.5% of its outstanding financial liabilities indexed to ESG indicators, the interest rates of which could vary depending on the performance of these indicators. There was no effect on the Company's financing.

  At this point, it should be noted that the Company initiated a process of converting its bond issues into green bonds in 2022.

- Fees and taxes related to environmental regulation: the investments made by the Company have enabled it to be in line with the regulations in force regarding climate change. As a result, the Company has not received any sanctions for non-compliance with these regulations. The Company has also implemented a monitoring system to anticipate regulatory developments in this area and to take the necessary actions to ensure compliance. As at 31 December 2021, no provision has been recorded for penalties for non-compliance with current environmental regulations.

- The depreciation of assets or the re-estimation of the useful lives and residual values of fixed assets: the Company's assets are mainly recorded at the lower of acquisition cost less depreciation or market value, and therefore the Company's financial statements do not include any relevant impact arising from these standards.

3. Distribution of profit

The distribution of the 2021 profit proposed by the Board of Directors of the Company for approval at the General Shareholders' Meeting is as follows:

	Thousands of Euros
Profit for the year of the Company	**38,726**
To the legal reserve	3,873
To dividends	34,853
Total	**38,726**

Likewise, the proposal to apply the 2020 profit approved by the shareholders' meeting held on 30 June 2021 was approved without any changes and consisted of its full transfer to the profit/(loss) heading of the balance sheet.

The Company's Board of Directors will submit for approval at the Annual General Meeting a proposed distribution of dividends of 0.24 euros per share, which would give rise to a total maximum dividend of €129,508 thousand based on the current number of issued shares. The definitive amount of the dividend, as well as the nature of the reserves to be distributed, will be determined prior to its distribution based on the treasury shares held by the Company (Note 14).

In the past 5 years, the Company distributed the following amounts:

Thousands of Euros	2016	2017	2018	2019	2020
Dividends distributed	62,749	77,619	101,567	101,549	111,087

4. Recognition and measurement bases

The main recognition and measurement bases used by the Company to prepare its financial statements, in accordance with the National Chart of Accounts, were as follows:

b) 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. They are amortised over a maximum of ten years when their useful life cannot be reliably estimated.

Goodwill -

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

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

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

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

Impairment losses recognised in goodwill are not reversed in subsequent periods.

Computer software-

The "Computer software" heading of the balance sheet mainly includes the cost of acquiring and implementing an integrated IT system, in addition to subsequent extensions or upgrades of such system. The cost is amortised on a straight-line basis at a rate of 25% per year.

c) Property, plant and equipment

Properties for own use, including 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. Potential impairment losses on impaired properties

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

The Company depreciates its property, plant and equipment for own use and other items of property, plant and equipment using the straight-line method at annual rates based on the years of estimated useful life, as follows:

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

Impairment of property, plant 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.

d) investment property

"Investment property" in the balance sheet reflects the values of the land, buildings and other constructions held to earn rent or for capital appreciation upon disposals due to future increases in their respective market prices.

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

For developments in progress, the only costs capitalised are execution and borrowing costs, provided such expenses were accrued before the asset was ready for use and the construction work lasted over one year.

The Company includes in the cost of investment property that requires a period of more than one year to be ready for use, the financial expenses related to generic financing, which are directly attributable to the acquisition. The amount of interest to be capitalised for generic non-commercial financing is determined by applying a weighted average interest rate to the investment in progress, net of the portion specifically financed, subject to the limit of the financial expenses accrued in the profit and loss account.

Investment property in progress is transferred to investment property in operation when the assets are ready for use. The classification of an investment property to the investment property in progress heading takes place only when the refurbishment project exceeds one year in length.

The Company depreciates its investment property by the straight-line method at annual rates based on the years of estimated useful life, as follows:

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

The Company periodically compares the carrying amount of its investment property with the market value based on valuations made by independent experts for each one of them. The appropriate impairment losses are recognised on investment property when the market value of an item is lower than the carrying amount. The market value is determined half-yearly, i.e. at 30 June and 31 December of each year, taking as reference values the valuations performed by independent third-party experts (Jones Lang LaSalle and CB Richard Ellis Valuation in Spain for 2021 and 2020), carried out in accordance with the valuation and appraisal standards published by the Royal Institute of Chartered Surveyors (RICS) of Great Britain, and in accordance with the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC), so that at the end of each period the market value reflects the market conditions of the elements of the investment property at that date. The valuation reports prepared by independent experts contain only the standard warnings and/or disclaimers concerning the scope of the findings of the appraisals carried out, referring basically to the comprehensiveness and accuracy of the information provided by the Company.

The Discounted Cash Flow (hereinafter, “DCF”) method was primarily used to determine the market value of the Company's investment property in 2021 and 2020.

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 expiry of lease arrangements, etc.

With regard to 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 forecast market conditions at the end of each cash flow period, but also to the rental conditions which 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 valuers 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 year. Buildings with unlet floor space were valued on the basis of future estimated rental income, less a period for the marketing thereof.

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

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 are set out in the tables below:

	Gross	
Exit yields (%) - Offices	31 December 2021	31 December 2020
Barcelona – Prime Yield		
Leased out	4.23	4.37
Total portfolio	4.23	4.36
Madrid – Prime Yield		
Leased out	4.12	4.24
Total portfolio	4.33	4.27

	Assumptions made at 31 December 2021				
Rent increases (%) - Offices	Year 1	Year 2	Year 3	Year 4	Year 5 and thereafter
Barcelona –					
Leased out	(0.75)	2.00	4.00	2.75	2.75
Total portfolio	(0.75)	2.00	4.00	2.75	2.75
Madrid –					
Leased out	(0.75)	2.50	3.50	3.00	3.00
Total portfolio	(0.75)	2.50	3.50	3.00	3.00

	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

Developments in progress were valued using the dynamic residual method, which was deemed the best approach. 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.

Changes of one-quarter of one point in yields would have the following impact on the valuations used by the Company to determine the value of its assets recognised under "Property, plant and equipment" and "Investment property" in the balance sheet:

Sensitivity of valuations to a change of one quarter of a point in yields	Thousands of Euros		
	Valuation	Decrease of one quarter of a point	Increase of one quarter of a point
December 2021	4,724,498	248,027	(221,043)
December 2020	4,481,369	227,976	(202,344)

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 rental income earned in 2021 and 2020 from the lease of these investment property amounted to approximately €139,287 thousand and €158,067 thousand, respectively, and is recognised under "Revenue" in the income statement (Note 19-a).

Gains or losses arising on the disposal or derecognition of an asset are determined as the difference between the sale price and its carrying amount, and are recognised under "Impairment and gains/(losses) on disposal of fixed assets" in the income statement.

e) Leases

Finance 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. All other leases are classified as operating leases. At 31 December 2021 and 2020, all of the Company's leases qualified as operating leases.

Operating leases-

Income and expenses deriving from operating leases are recognised in the income statement in the year in which they accrue.

The acquisition cost of the leased assets is presented in the balance sheet in accordance with the nature of the asset, plus the costs directly attributable to the lease, which are expensed over the term of the lease on the same basis as lease income.

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 the income statement over the lease term as the benefits of the leased asset are received or given.

f) Financial instruments

Financial assets-

Financial assets at amortised cost -

This category includes financial assets, including those admitted to trading on an organised market, in which the Company holds the investment for the purpose of receiving cash flows from the performance of the contract, and the contractual terms of the financial asset give rise, at specified dates, to cash flows that are solely collections of principal and interest on the principal amount outstanding.

Contractual cash flows that are solely collections of principal and interest on the principal amount outstanding are inherent in an arrangement that is in the nature of an ordinary or common loan, notwithstanding that the transaction is arranged at a zero or below-market interest rate.

This category includes trade receivables and non-trade receivables:

a) Trade receivables: are those financial assets arising from the sale of goods and the rendering of services in connection with the company's business operations with deferred payment; and

b) Non-trade receivables: are those financial assets, other than equity instruments and derivatives, that are not of commercial origin and whose proceeds are of a fixed or determinable amount, arising from loans or credit operations granted by the company.

Initial measurement

Financial assets classified in this category are initially measured at fair value, which, unless there is evidence to the contrary, is the transaction price, which is the fair value of the consideration given, plus directly attributable transaction costs.

However, trade receivables maturing within one year that do not have an explicit contractual interest rate, as well as receivables from personnel, dividends receivable and payments due on equity instruments, the amount of which is expected to be received in the short term, are measured at nominal value to the extent that the effect of not discounting cash flows is deemed not to be material.

Subsequent measurement

Financial assets included in this category are measured at their amortised cost. Accrued interest shall be recognised in the profit and loss statement using the effective interest method.

However, loans and advances falling due in less than one year which, in accordance with the provisions of the previous paragraph, are initially valued at their nominal value, continue to be valued at that amount, unless they are impaired.

When the contractual cash flows of a financial asset change because of the issuer's financial difficulties, the company assesses whether an impairment loss should be recognised.

Impairment

Impairment write-downs are made at least at the balance sheet date and whenever there is objective evidence that a financial asset, or a group of financial assets with similar risk characteristics measured collectively, is impaired as a result of one or more events that occurred after initial recognition and that result in a reduction or delay in estimated future cash flows, which may be caused by the debtor's insolvency.

In general, the impairment loss on these financial assets is the difference between their carrying amount and the present value of future cash flows, including, where applicable, those arising from the real and personal guarantees, estimated to be generated, discounted at the effective interest rate calculated at the time of initial recognition. For floating rate financial assets, the effective interest rate at the reporting date is used in accordance with the contractual terms.

Impairment losses, and reversals of impairment losses when the amount of the impairment decreases due to a subsequent event, are recognised as an expense or income, respectively, in the income statement. The reversal of impairment is limited to the carrying amount of the asset that would have been recognised at the date of reversal had no impairment loss been recognised.

Financial assets at cost -

In any case, they are included in the measurement category:

a) Equity investments in Group companies, associates and jointly controlled entities.

(b) other investments in equity instruments whose fair value cannot be determined by reference to a quoted price in an active market for an identical instrument, or cannot be reliably estimated, and derivatives underlying such investments.

c) hybrid financial assets whose fair value cannot be reliably estimated, unless they qualify for recognition at amortised cost.

d) contributions made as a result of a joint account agreement and similar agreements.

e) participating loans where the interest is contingent either because a fixed or variable interest rate is agreed upon the achievement of a milestone in the borrowing undertaking (e.g. the achievement of profits) or because it is calculated solely by reference to the performance of the borrowing undertaking's business.

f) any other financial asset that is initially classified in the fair value through profit or loss portfolio when it is not possible to obtain a reliable estimate of its fair value.

Initial measurement

Investments included in this category are initially measured at cost, which is the fair value of the consideration given plus directly attributable transaction costs, the latter not being included in the cost of investments in group companies.

However, in cases where an investment exists prior to its classification as a group company, jointly controlled entity or associate, the cost of that investment is taken to be the carrying amount that the investment should have had immediately before the company's classification as a group company, jointly controlled entity or associate.

The initial valuation includes the amount of any pre-emptive subscription rights and similar rights acquired.

Subsequent measurement

Equity instruments included in this category are measured at cost less any accumulated impairment losses.

When these assets are to be assigned a value due to derecognition or otherwise, the weighted average cost method is applied for homogeneous groups, where homogeneous groups are defined as securities with equal rights.

In the case of the sale of pre-emptive subscription rights and similar rights or the segregation of such rights for exercise, the amount of the cost of the rights decreases the carrying amount of the respective assets.

Contributions made as a result of a joint venture and similar arrangements shall be valued at cost, increased or decreased by the profit or loss, respectively, accruing to the undertaking as a non-managing venturer, less any accumulated impairment losses.

The same criteria is applied to loans where the interest is contingent either because a fixed or variable interest rate is agreed upon the achievement of a milestone in the borrowing undertaking (e.g. the achievement of profits) or because it is calculated solely by reference to the performance of the borrowing undertaking's business. If irrevocable fixed interest is agreed in addition to contingent interest, the latter is accounted for as finance income on an accruals basis. Transaction costs are taken to the profit and loss account on a straight-line basis over the life of the participating loan.

Impairment

At least at the end of each reporting period, any necessary value adjustments are made whenever there is objective evidence that the carrying amount of an investment will not be recoverable. The amount of the valuation adjustment is the difference between its carrying amount and the recoverable amount, the latter being the higher of its fair value less costs to sell and the present value of future cash flows arising from the investment, which in the case of equity instruments is calculated either by estimating those expected to be received as a result of the distribution of dividends by the investee and the disposal or derecognition of the investment in the investee, or by estimating its share of the cash flows expected to be generated by the investee from its ordinary activities and from the disposal or derecognition of the investment.

Unless better evidence of the recoverable value of the investee companies is available, the EPRA Net Tangible Asset (EPRA NTA) is used.

The recognition of impairment losses and, where applicable, their reversal are recognised as an expense or income, respectively, in the income statement. The reversal of impairment is limited to the carrying amount of the investment that would have been recognised at the date of reversal had no impairment loss been recognised.

However, if an investment in the company had been made prior to its classification as a group company, jointly controlled entity or associate and, prior to that classification, valuation adjustments had been made and recognised directly in equity in respect of that investment, those adjustments are retained after classification until the disposal or derecognition of the investment, at which time they are recognised in the income statement, or until the following events occur:

a) In the case of previous valuation adjustments for increases in value, impairment losses shall be recognised in equity against the equity item reflecting the previously made valuation adjustments up to the amount of those adjustments, and the excess, if any, shall be recognised in the income statement. The impairment loss recognised directly in equity is not reversed.

b) In the case of previous valuation adjustments due to write-downs, when the recoverable amount subsequently exceeds the carrying amount of the investments, the carrying amount of the investments is increased, up to the limit of the write-down, against the item reflecting the previous valuation adjustments and thereafter the new amount is treated as the cost of the investment. However, when there is objective evidence of impairment in the value of the investment, accumulated losses are recognised directly in equity in the profit and loss account.

Financial liabilities -

Financial liabilities shall, for valuation purposes, be included in one of the following categories:

Financial liabilities at amortised cost -

In general, this category also includes trade payables and non-trade payables:

a) Trade payables: financial liabilities arising from the purchase of goods and services in connection with the company's business operations with deferred payment; and

b) Non-trade payables: financial liabilities which, not being derivative instruments, do not have a commercial origin, but arise from loan or credit operations received by the company.

Participating loans that have the characteristics of an ordinary or common loan are also included in this category without prejudice to the agreed interest rate (zero or below market).

Initial measurement

Financial liabilities included in this category are initially measured at fair value, being the transaction price, which is the fair value of the consideration received adjusted for directly attributable transaction costs.

However, trade payables maturing in less than one year and not bearing a contractual interest rate, as well as disbursements required by third parties on holdings, the amount of which is expected to be paid in the short term, are measured at nominal value, when the effect of not discounting cash flows is not significant.

Subsequent measurement

Financial liabilities included in this category are measured at their amortised cost. Accrued interest are recognised in the profit and loss statement using the effective interest method.

However, debts maturing in less than one year that are initially valued at their nominal value continue to be valued at that amount.

Financial liabilities at fair value through the income statement -

This category includes financial liabilities that meet some of the following conditions:

a) Liabilities held for trading.

b) Those irrevocably designated from initial recognition to be carried at fair value through the income statement, because:

- An accounting inconsistency or "accounting mismatch" with other instruments at fair value through profit or loss is eliminated or significantly reduced; or

- A group of financial liabilities or financial assets and liabilities is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy and group information is also provided on a fair value basis to key management personnel.

c) non-severable hybrid financial liabilities included on an optional and irrevocable basis.

Initial and subsequent measurement

Financial liabilities included in this category are initially measured at fair value, being the transaction price, which is the fair value of the consideration received. Transaction costs directly attributable to them are recognised in the income statement for the year.

After initial recognition, financial liabilities in this category are measured at fair value in the income statement.

For convertible bonds, the fair value of the liability component is determined by applying the interest rate for similar non-convertible bonds. This amount is accounted for as a liability on an amortised cost basis until it is settled on conversion or maturity. The remainder of the income earned is allocated to the conversion option which is recognised in equity.

In the case of renegotiation of existing debt, no material modification of the financial liability is deemed to exist when the lender of the new loan is the same as the lender of the original loan and the present value of the cash flows, including net fees, does not differ by more than 10% from the present value of the outstanding cash flows of the original liability calculated under the same method.

Own equity instruments (Note 14)-

An own equity instrument represents a residual interest in the equity 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.

Treasury shares acquired by the Company during the year are recognised at the value of the consideration delivered in exchange and are deducted directly from equity. Any gains or losses on the purchase, sale, issue or cancellation of own equity instruments are recognised directly in equity and never in the income statement.

Derivative financial instruments (Note 12) -

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 valuation criterion has been applied:

- Derivative financial instruments that meet the criteria for hedge accounting are initially recognised at fair value plus, where applicable, transaction costs that are directly attributable to the contracting of the instruments or less, where applicable, transaction costs that are directly attributable to the issue of the instruments. However, transaction costs are subsequently recognised in profit or loss to the extent that they do not form part of the effective 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 the income statement.

Hedge accounting is discontinued when a hedging instrument expires or is sold or exercised, or when the hedge no longer qualifies for hedge accounting. Gains or losses on hedging instruments accumulated directly in equity remain in equity until the related transaction materialises. Once the related cash flow occurs, any gain or loss accumulated in Company equity is released to the income statement for the period.

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

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

- Prospective tests measure the 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 consists of calculating the statistical correlation between the benchmark interest rates at each measurement date for the derivative and the hedged liability. This is applicable to the hedged portion of the derivative liability.

A hedging instrument is considered effective if this statistical correlation is between 0.8 and 1.25.

The Company's directors have considered the credit risk in the measurement of the derivatives portfolios, with no significant impact seen as at 31 December 2021 and 2020.

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

g) *Non-current assets and disposal groups classified as held for sale*

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

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 a condition to be immediately sold 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 assets 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.

h) Statement of cash flows (indirect method)

The terms used in the statement of cash flows are defined as follows:

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

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

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

- Financing activities: activities that result in changes in the size and composition of equity and borrowings that are not operating activities.

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 normal operating cycle is understood to be the period of time between the acquisition of assets that form part of the Company’s various business activities and the realisation of the finished assets in the form of cash or cash equivalents.

The Company's primary business is the lease of assets and its normal business cycle is a calendar year. Therefore, assets and liabilities maturing in one year or less are classified as current assets and those maturing in over one year are classified as non-current assets, except for receivables deriving from the recognition of income associated with incentives or grace periods (Notes 4-o and 11-a), which are applied on a straight-line basis over the term of the lease agreement and are considered to be a current asset.

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

In preparing the financial statements, the Company's directors distinguish between:

- Provisions: credit balances covering present obligations deriving from past events, whose cancellation is likely to give rise to an outflow of funds, which are indeterminate with regard to their amount and/or timing of cancellation, and

- Contingent liabilities: possible obligations arising as a consequence of past events, depending on future events over which the Company does not have control.

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 assets and liabilities are not recognised.

Provisions are measured at the present value of the best possible estimate of the amount necessary to settle or transfer the obligation, taking into account the information available on the event and its consequences. Where discounting is used, any adjustments made to provisions are recognised as a finance cost on an accrual basis.

The receivable from a third party upon settlement of the obligation, when the reimbursement is certain, is recognised as an asset, except where there is a legal obligation to outsource the risk, thereby discharging the Company of this obligation. In this case, the remuneration in question will be taken into account to estimate any amount to be recognised as the provision.

l) Employee benefits

Termination benefits-

Under current legislation, the Company is required to pay severance to employees terminated under certain conditions. Severance payments that can be reasonably quantified are recorded as a 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 2021 and 2020, the Company did not record any provisions in this connection.

Pension obligations (Note 19) -

In 2021 and 2020 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 21) -

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 grant-date fair value of the equity instruments delivered. 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) Income tax expense (Note 18)

Income tax expense (income) includes the amount of current tax payable (receivable) and deferred tax liability (asset).

Current tax is the amount of income taxes payable (recoverable) as a result of the income tax settlements for a period. Tax credits and other tax benefits, excluding tax withholdings and payments on account, and tax loss carryforwards effectively utilised in the current period, reduce the current income tax expense.

Deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include the temporary differences, measured at the amount expected to be payable or recoverable, between the carrying amounts of assets and liabilities and their tax bases, as well as the carryforwards of unused tax losses and unused tax credits. These amounts are recognised by applying to the temporary difference or tax credit the tax rate that is expected to apply when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and affects neither the accounting profit (loss) nor taxable profit (tax loss). Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised with a balancing entry in equity.

In accordance with the regulations in effect, the measurement of the Company's deferred tax liabilities reflects the tax consequences that would follow 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 property, it is considered that there is a rebuttable presumption that their carrying amount will be recovered through their sale. The effective rate considered has been calculated by applying a tax rate of 25% minus the 25% offsetting of tax losses according to the limitation on offsetting in force on 31 December 2021, resulting in 18.75%.

The balance sheet includes those tax credits considered likely to be recoverable within a reasonable timeframe, either because of the performance of the property market itself, or through taxable profits generated by the activities carried out 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 Tax 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 (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 its 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 belongs to 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 REIT and the other entities referred to in Article 2.1 of this 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 on the basis of consolidated profit if the company belongs to 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 REIT and the other entities referred to in Article 2.1 of this Law.

The REIT's real estate assets must be leased for at least three years. The time during which the properties have been made available for lease, up to a maximum of one year, will be included for the purposes of this calculation.

The period 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 investments in entities 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, where applicable, 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 income tax rate for REITs was set at 0%. However, where the dividends that the REIT distributes to its shareholders holding an ownership interest exceeding or equal to 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 criteria-

Revenues and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, less discounts and tax.

Revenue from sales is recognised when the significant risks and rewards from ownership of the sold asset have been transferred to the buyer, where daily management of the asset is not exercised and effective control is not held.

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. All other leases are classified as operating leases. At 31 December 2021 and 2020, 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 income statement on a straight-line basis over the minimum term of the lease agreement.

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

Specific lease terms and conditions: lease incentives -

Lease agreements include certain specific conditions linked to incentives or rent-free periods offered by the Company to its customers. The Company recognises the aggregate cost of incentives granted as a reduction in rental income over the minimum term of the lease on a straight-line basis. The effects of the rent-free periods are recognised during the minimum term of the lease agreement. Grace periods of more than one year are reflected 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 the income statement on the date on which they are claimable.

Interest and dividends received -

Interest received on financial assets is recognised using the effective interest rate method, and dividends are recognised when the right of the shareholder to receive them is declared. Interest and dividends from financial assets accrued subsequent to acquisition are recognised as income in the income statement.

In line with that included in enquiry no. 79 of the Spanish Accounting and Audit Institute Official Gazette (BOICAC), regarding the recognition of certain income (dividends, income from loans to related parties, etc.) for companies whose corporate purpose is the holding of financial assets, the Company recognised dividend income from holdings in controlling companies as an addition to “Revenue” in the income statement (Notes 17 and 18).

o) Related party transactions (Note 20)

The Company's transactions with related parties are all carried out on an arm's length basis. Furthermore, the transfer prices applied are fully documented and supported and the Parent’s directors therefore do not consider that transfer prices pose a significant risk that could give rise to a material liability 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 assets are passed on to the respective lessees of the properties. The Company does not consider the costs incurred by lessees from their property investments as income, and they are recognised as a reduction of the corresponding costs in the income statement. In 2021 and 2020, a total of €27,934 thousand and €30,549 thousand, respectively, were invoiced in this regard.

Direct operating expenses associated with rented investment property net of costs passed on that generated lease income during 2021 and 2020, included under “Profit from operations” in the income statement, amounted to €14,979 thousand and €9,476 thousand, respectively. The expenses incurred in connection with investment property that did not generate rental income were not significant.

q) Business combinations

Business combinations arising from the acquisition of all the assets and liabilities of a company or a part of a company constituting one or more businesses are accounted for using the acquisition method.

In the case of business combinations resulting from the acquisition of shares or equity interests in a company, the Company recognises the investment in accordance with the provisions for equity investments in Group companies, jointly controlled entities and associates.

5. Intangible assets

The movement in this heading of the balance sheet, and the most significant information affecting it, was as follows:

	Thousands of Euros			
	Goodwill	Industrial property	Computer software	**Total**
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	***(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 (Note 19-e)	--	(2,007)	--	**(2,007)**
Depreciation write-offs (Note 19-e)	--	2,007	--	**2,007**
Impairment (Note 19-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	***(51,488)***	***(1,522)***	***(4,971)***	***(57,981)***
Additions	--	--	1,320	**1,320**
Depreciation charge	(8,720)	(904)	(1,158)	**(10,782)**
Disposals (Note 19-e)	--	(2,200)	--	**(2,200)**
Depreciation write-offs (Note 19-e)	--	2,170	--	**2,170**
Transfers (Note 6)	--	--	(12)	**(12)**
Depreciation transfers (Note 6)	--	--	2	**2**
Balance at 31 December 2021	**53,050**	**236**	**2,141**	**55,427**
Acquisition cost	***113,258***	***492***	***8,268***	***122,018***
Accumulated depreciation	***(60,208)***	***(256)***	***(6,127)***	***(66,591)***

Impairment

At 31 December 2020, the Company tested the CGU for impairment, resulting in an impairment loss of €63,271 thousand (Note 19-d), which was recognised in the income statement. There were no indications of impairment as at 31 December 2021.

At year-end 2021 and 2020 the Company has fully depreciated intangible assets still in use amounting to €3,672 thousand and €2,872 thousand, respectively.

6. Property, plant and equipment

The movement in this heading of the balance sheet, and the most significant information affecting it, was as follows:

	Thousands of Euros		
	Land and buildings	Other tangible fixed assets	**Total**
Balance at 31 December 2019	**15,984**	**5,048**	**21,032**
Acquisition cost	***19,680***	***8,855***	***28,535***
Accumulated depreciation	***(1,606)***	***(3,807)***	***(5,413)***
Accumulated impairment	***(2,090)***	***--***	***(2,090)***
Additions	--	304	**304**
Depreciation charge	(56)	(703)	**(759)**
Disposals (Note 19-e)	--	(306)	**(306)**
Depreciation write-offs (Note 19-e)	--	304	**304**
Impairment application (Note 19-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	***(1,662)***	***(4,206)***	***(5,868)***
Accumulated impairment	***(1,011)***	***--***	***(1,011)***
Additions	--	128	**128**
Depreciation charge	(57)	(658)	**(715)**
Disposals (Note 19-e)	--	(54)	**(54)**
Depreciation write-offs (Note 19-e)	--	37	**37**
Transfers (Note 5)	--	12	**12**
Depreciation transfers (Note 5)	--	(2)	**(2)**
Impairment (Note 19-d)	268	--	**268**
Balance at 31 December 2021	**17,218**	**4,110**	**21,328**
Acquisition cost	***19,680***	***8,939***	***28,619***
Accumulated depreciation	***(1,719)***	***(4,829)***	***(6,548)***
Accumulated impairment	***(743)***	***--***	***(743)***

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

At 31 December 2021 and 2020, the need to reverse an impairment loss reversal in the amount of €268 thousand (€1,079 thousand as at 31 December 2020) on properties for own use was evidenced by the appraisals performed by independent experts (Note 4-b). The amount was recognised under “Impairment and gains on disposal of fixed assets - Impairment and losses” in the income statement (Note 19-d).

The Company also recognised the derecognition of certain assets included under "Property, plant and equipment", with a net carrying amount of €17 thousand (€2 thousand at 31 December 2020), which were recognised under "Impairment and gains/losses on disposal of non-current assets - Gains/losses on disposals and other" in the income statement (Note 19-e).

At year-end 2021 and 2020 the Company has fully depreciated property, plant and equipment still in use amounting to €2,874 thousand and €2,519 thousand, respectively.

The Company has no property, plant and equipment outside of Spanish territory, and it has no purchase commitments.

The Company's policy is to contract insurance policies to cover any risks affecting elements of property, plant and equipment. At 31 December 2021 and 2020, these elements were fully insured.

7. investment property

The movement in this heading of the balance sheet, and the most significant information affecting it, was as follows:

	Thousands of Euros			
	Land	Buildings and installations	Assets under construction	**Total**
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	**--**	***(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 19-e)	(71,952)	(83,738)	--	(155,690)
Depreciation write-offs (Note 19-e)	--	17,843	--	17,843
Impairment write-offs (Note 19-d)	18,471	--	--	18,471
Transfer (Note 13)	(19,059)	(23,767)	9,100	(33,726)
Depreciation transfer (Notes 13 and 19-d)	--	4,282	(1,303)	2,979
Depreciation transfer (Notes 13 and 19-d)	12,944	--	--	12,944
Impairment application (Note 19-d)	5,236	--	--	5,236
Impairment (Note 19-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	**--**	***(453,916)***	***(13,813)***	***(467,729)***
Accumulated impairment	***(100,929)***	**--**	**--**	***(100,929)***
Additions	34,095	58,073	55,968	148,136
Depreciation charge	--	(57,315)	--	(57,315)
Disposals (Note 19-e)	(5,968)	(18,027)	--	(23,995)
Depreciation write-offs (Note 19-e)	--	2,950	--	2,950
Transfer (Note 13)	26,304	39,029	(121,281)	(55,948)
Depreciation transfer (Notes 13 and 19-d)	--	(5,573)	11,443	5,870
Depreciation transfer (Notes 13 and 19-d)	12,129	--	--	12,129
Impairment application (Note 19-d)	23,108	--	--	23,108
Impairment (Note 19-d)	(15,623)	--	--	(15,623)
Balance at 31 December 2021	**1,731,450**	**1,096,985**	**504,272**	**3,332,707**
Acquisition cost	***1,812,765***	***1,610,839***	***506,642***	***3,930,246***
Accumulated depreciation	**--**	***(513,854)***	***(2,370)***	***(516,224)***
Accumulated impairment	***(81,315)***	**--**	**--**	***(81,315)***

a) Movements in 2021 -

In 2021, the Company exercised the third and last purchase option for the acquisition of a floor of a property located in Madrid, of which the Company already owned two other floors, for an amount of €5,107 thousand, for which it exercised one of the purchase options for an amount of €500 thousand.

On 26 November 2021, the Company acquired a property at calle Buenos Aires 21 in Barcelona for €47,454 thousand.

The remaining additions for 2021 correspond to investments in real estate assets, both in development and in operation, amounting to €95,575 thousand, including €5,879 thousand of financial costs (Note 19-f), associated with various investment and refurbishment projects in its properties.

The total amount of sales in 2021 amounted to €27,200 thousand (Note 19-e), corresponding to the sale of a retail park located in Madrid.

In 2021, an asset was reclassified from "Investment property" to "Assets classified as held for sale" in the balance sheet for a total amount of €37,949 thousand (Note 13).

b) Movements in 2020-

In 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, for which it exercised one of the purchase options for an amount of €500 thousand.

In 2020, the Company capitalised €4,570 thousand of finance costs associated with various investment and refurbishment projects in its properties (Note 19-f).

Total sales for 2020 amounted to €146,800 thousand (Note 19-e). The main transactions were the sale of two properties in Barcelona, two properties in Madrid and a hotel in Almería.

In 2020, an asset was reclassified from "Investment property" to "Assets classified as held for sale" in the balance sheet for a total amount of €17,803 thousand (Note 13).

c) Impairment -

The valuations obtained on the Company's assets by independent experts at 31 December 2021 have revealed the need to recognise a net reversal of impairment losses on investment property amounting to €7,485 thousand (€66,277 thousand provision at 31 December 2020). These results have been recorded under "Impairment and gains/losses on disposal of fixed assets - Impairment and losses" in the income statement (Note 19-d).

d) Other disclosures -

The total surface area by location (above and under-ground) of investment property and projects in use and in progress at 31 December 2021 and 2020 is as follows:

	Total surface area (m2)					
	Investment property in operation		Investment in property in progress		Total	
Location	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Barcelona	332,666	365,412	34,012	24,578	366,678	389,990
Madrid	60,.938	592,013	196,644	210,391	798,582	802,404
Rest of Spain	16,901	63,150	23,557	23,557	40,458	86,707
	951,505	1,020,575	254,213	258,526	1,205,718	1,279,101

At 31 December 2021, the Company has properties included under "Investment property" in the balance sheet pledged as security for mortgages (Note 16-d) with a carrying amount of €120,925 thousand (€125,857 thousand at 31 December 2020).

At year-end 2021 and 2020, the Company had fully depreciated investment property still in use amounting to €247,120 thousand and €205,621 thousand, respectively.

The Company has no property, plant and equipment outside of Spanish territory, and it has no purchase commitments.

The Company takes out insurance policies to cover any risks affecting its investment property. At 31 December 2021 and 2020, these elements were fully insured.

8. Operating leases - Lessor

At year-end 2021 and 2020, the Company had contracted with tenants the following minimum irrevocable lease payments under the leases currently in force, without taking into account the impact of common expenses, future increases in the CPI or future contractual lease payment revisions:

	Thousands of Euros	
	Nominal amount	
Minimum operating lease payments	31 December 2021	31 December 2020
Within one year	126,807	133,905
1 to 5 years	187,602	212,970
More than five years	26,019	39,708
Total	**340,428**	**386,583**

9. Financial instruments

a) Analysis by categories

The carrying amount of each of the categories of financial instruments established in the "Financial instruments" recognition and measurement standard (Note 14-e), except for investments in the equity of Group companies, jointly controlled entities and associates (Note 10), is as follows:

Long and short term financial assets -

	Thousands of Euros					
	Equity instruments		Loans Derivatives Others		Total	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Financial assets at amortised cost (Note 11)	--	--	35,698	36,161	**35,698**	**36,161**
Financial assets at cost (Note 11)	--	--	23,445	26,277	**23,445**	**26,277**
Hedging derivatives (Note 12)	--	--	10,651	--	**10,651**	**--**
Long-term	**--**	**--**	**69,794**	**62,438**	**69,794**	**62,438**
Financial assets at amortised cost (Note 11)	--	--	43,745	42,788	**43,745**	**42,788**
Financial assets at cost (Note 11)	9	9	--	--	**9**	**9**
Short-term	**9**	**9**	**43,745**	**42,788**	**43,754**	**42,797**
Financial assets	**9**	**9**	**113,539**	**105,226**	**113,548**	**105,235**

Long and short term financial liabilities -

	Thousands of Euros							
	Long term financial liabilities							
	Bank borrowings		Debt instruments and other held-for-trading liabilities		Derivatives Others		Total	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Financial liabilities at amortised cost or cost (Note 16)	72,539	71,317	2,794,818	2,785,682	--	--	2,867,357	2,856,999
Liabilities at fair value through profit or loss:								
- Others	--	--	--	--	28,895	28,554	28,895	28,554
Hedging derivatives (Note 12)	--	--	--	--	--	19,318	--	19,318
Long-Term	**72,539**	**71,317**	**2,794,818**	**2,785,682**	**28,895**	**47,872**	**2,896,252**	**2,904,871**
Financial liabilities at amortised cost (Note 16)	(561)	(544)	151,666	85,077	140	194	151,245	84,727
Financial liabilities at cost (Note 23)	--	--	--	--	34,500	34,472	34,500	34,472
Liabilities at fair value through profit or loss:								
- Others	--	--	--	--	(4)	--	(4)	--
Short-Term	**(561)**	**(544)**	**151,666**	**85,077**	**34,636**	**34,666**	**185,741**	**119,199**
Financial Liabilities	**71,978**	**70,773**	**2,946,484**	**2,870,759**	**63,531**	**82,538**	**3,081,993**	**3,024,070**

10. Non-current investments in Group companies and associates and non-current financial investments

a) Non-current equity instruments in Group companies

The breakdown by subsidiary at 31 December 2021 and 2020 is as follows:

Long and short term financials -

	Thousands of Euros				
	31 December 2019	Additions or charges	**31 December 2020**	Additions or charges	**31 December 2021**
Cost:					
Société Foncière Lyonnaise, S.A.	**2,260,013**	--	**2,260,013**	36,059	**2,627,072**
Colonial Tramit, S.L.U.	**23**	--	**23**	--	**23**
Inmocol Torre Europa, S.A.	**12,080**	--	**12,080**	--	**12,080**
Peñalvento, S.L.U.	**20,755**	--	**20,755**	--	**20,755**
Utopicus Innovación Cultural, S.L.	**28,633**	--	**28,633**	100	**28,733**
Wittywood, S.L.	--	4,647	**4,647**	--	**4,647**
Inmocol One, S.A.U.	--	60	**60**	--	**60**
Inmocol Two, S.L.U.	--	3	**3**	10	**13**
Inmocol Three, S.L.U.	--	3	**3**	10	**13**
Total cost	**2,321,504**	**4,713**	**2,326,217**	**367,179**	**2,693,396**
Impairment:					
Colonial Tramit, S.L.U.	**(13)**	(4)	**(17)**	--	**(17)**
Inmocol Torre Europa, S.A.	**--**	--	**--**	(357)	**(357)**
Utopicus Innovación Cultural, S.L.	**(13,127)**	(8,154)	**(21,281)**	(2,847)	**(24,128)**
Inmocol One, S.A.U.	--	(2)	**(2)**	(1)	**(3)**
Inmocol Two, S.L.U.	--	(2)	**(2)**	(1)	**(3)**
Inmocol Three, S.L.U.	--	(2)	**(2)**	(1)	**(3)**
Total impairment	**(13,140)**	**(8,164)**	**(21,304)**	**(3,207)**	**(24,511)**
Net total	**2,308,364**	**(3,451)**	**2,304,913**	**363,972**	**2,668,885**

Movements in 2021-

On 24 February 2021, the Company acquired the remaining 3.19% of the shares of the subsidiary Utopicus Innovación Cultura, S.L., representing 1,317 shares, for €100 thousand.

On 4 August 2021, the Company acquired 2,328,644 shares of the subsidiary SFL from the French company Predica Prévoyance Dialogue du Crédit Agricole (hereinafter Predica) in exchange for 22,494,701 newly issued shares of the Company (Note 14-a) for €201,552 thousand.

On 20 July 2021, the Autorité des Marchés Financiers (hereinafter the AMF) authorised the voluntary public offer for the acquisition of shares in the subsidiary SFL submitted by the Company on 16 June 2021, considering the terms of the offer to be in compliance with the regulations in force and the content of the prospectus to be sufficient.

The offer was aimed at 5.87% of the share capital of the subsidiary SFL, comprising 2,517,764 shares, admitted to trading on the Paris Stock Exchanges and integrated in the Stock Exchange Interconnection System.

The price offered consisted of (i) the exchange of 1 share of the subsidiary SFL, held by the Minority Holders, for 5 shares of the Company held as treasury shares (Note 14-d), for a value of €9.045 per share (ii) the payment of 46.66 euros per share of the subsidiary SFL.

On 30 August 2021 and 31 August 2021, respectively, the AMF and Euronext Paris, S.A. published the results of the public offer. (hereinafter Euronext) made public the result of the takeover bid, which was accepted by 1,801,231 shares representing 98.33% of the shares targeted by the bid and 4.20%

of the share capital of dependent SFL. As a result, taking into account the shares already previously held by the Company, the latter now holds 42,148,182 shares, representing 98.33% of the share capital of the subsidiary SFL.

On 17 November 2021, the subsidiaries Inmocol Two, S.L.U. and Inmocol Three, S.L.U. carried out capital increases by issuing 4 shares with a par value of 1 euro and a share premium of €10 thousand.

Movements in 2020-

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

On 29 July 2020, the Company incorporated and subscribed all the shares of the company Inmocol One, S.A.U. for €60 thousand, as well as the shares of Inmocol Two, S.L.U. and Inmocol Three, S.L.U. for €3 thousand each.

Impairment -

In 2021 and 2020, the Company did not recognise impairments of the financial interest in SFL given that the fair value of that interest, calculated based on SFL's EPRA Net Tangible Asset (EPRA ETA) at the close of said years (Note 4-e) was 102.07 and €98.83 per share, respectively, higher than the acquisition cost of the shareholding.

The price of SFL shares at the close of 2021 and 2020 was €78.20 and €64.60 per share, respectively.

Other disclosures -

On 3 October 2018, the Company entered into a sale and purchase agreement, subject to a condition precedent, for 100% of the shares of Peñalvento. The contract provides for the sale and purchase to be completed between May 2022 and February 2023, provided that the conditions precedent have been fulfilled. As at 31 December 2021, the Company has received a total of €28,287 thousand on account of the price of the shares, which is recorded under "Long-term accruals" in the balance sheet.

b) Non-current investments in Group companies and associates - Loans to group companies

The details of the “Loans to group companies” heading in the balance sheet are as follows:

	Thousands of Euros	
	31 December 2021	31 December 2020
Peñalvento, S.LU.	22,693	22,226
Wittywood, S.L.	1,305	--
Total loans to group companies	**23,998**	**22,226**

11. Financial assets

a) Financial assets at amortised cost -

The detail of the balances recorded under "Financial assets at amortised cost" in the balance sheet is as follows:

	Thousands of Euros	
	31 December 2021	31 December 2020
Non-current investments in Group companies and associates		
Loans to group companies (Note 20)	23,998	22,226
Non-current financial investments		
Other receivables	11,700	13,935
Non-current	**35,698**	**36,161**
Non-current investments in Group companies and associates		
Loans to group companies (Note 20)	33,227	24,873
Trade and other receivables		
Clients	822	2,623
Receivables from related parties (Note 20)	121	5,880
Other receivables	9,387	9,236
Others	188	176
Current	**43,745**	**42,788**

Other receivables –

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

	Thousands of Euros	
	31 December 2021	31 December 2020
Cost:		
Nozar, S.A.	85,473	85,473
Lease incentives (Note 4-m)	7,109	7,315
Others	2,515	4,718
Total cost	**95,097**	**97,506**
Impairment:		
Nozar, S.A.	(85,473)	(85,473)
Others	(237)	(2,797)
Total impairment	**(85,710)**	**(88,270)**
Total current other receivables	**9,387**	**9,236**

At 31 December 2021 and 2020, the amounts owed by Nozar, S.A., mainly resulting from the termination of purchase contracts formalised in July 2007 due to breach of compliance with the conditions precedent, are recognised under the heading “Other receivables”. Nozar, S.A. is currently involved in bankruptcy proceedings; consequently, at 31 December 2021 and 2020, the balance sheet includes an impairment loss for the entire amount of this company’s trade receivables.

Lease incentives –

In 2021 €550 thousand were transferred to "Non-current assets held for sale" (€2,600 thousand in 2020) (Note 11).

b) Financial investments at cost -

The detail of the balances recorded under "Financial investments at cost" in the balance sheet is as follows:

	Thousands of Euros	
	31 December 2021	31 December 2020
Non-current financial investments		
Deposits and guarantees	23,445	26,777
Non-current	**23,445**	**26,777**
Current financial investments		
Other financial assets	9	9
Current	**9**	**9**

12. Derivative financial instruments

The derivative financial instruments held by the Company at 31 December 2021 and 2020 are as follows:

31 December 2021

	Counterparty	Interest rate	Maturity	Thousands of Euros: Nominal amount	Thousands of Euros: Fair value Asset
Interest rate swap	Natwest	0.35%	2033	25,000	501
Interest rate swap	Natwest	0.35%	2033	150,000	2,966
Interest rate swap	Credit Agricole	0.57%	2034	85,000	561
Interest rate swap	BBVA	0.57%	2034	82,500	623
Interest rate swap	CaixaBank	0.57%	2034	82,500	551
Interest rate swap	Societe Generale	0.62%	2035	375,000	1,933
Interest rate swap	Societe Generale	0.71%	2034	125,000	675
Interest rate swap	Natixis	0.70%	2035	125,000	704
Interest rate swap	Societe Generale	0.76%	2035	156,250	761
Interest rate swap	Natixis	0.76%	2035	156,250	794
Interest rate swap	JPM	0.80%	2035	75,000	251
Interest rate swap	Natixis	0.80%	2035	75,000	331
Total				**1,512,500**	**10,651**

31 December 2020

	Counterparty	Interest rate	Maturity	Thousands of Euros	
				Nominal amount	Fair value Liability
Interest rate swap	Natwest	0.09%	2032	350,000	(6,734)
Interest rate swap	Credit Agricole	0.10%	2032	40,000	(782)
Interest rate swap	Natwest	0.09%	2032	50,000	(1,586)
Interest rate swap	Natwest	0.35%	2033	150,000	(4,796)
Interest rate swap	Natwest	0.35%	2033	110,000	(2,217)
Interest rate swap	Bar	0.35%	2033	100,000	(3,203)
Total				**800,000**	**(19,318)**

During the first half of 2021, the Company cancelled hedging instruments for a nominal amount of €625,000 thousand, all of which mature in 2032 and 2033. These cancellations have entailed a transfer to the income statement of the amount recorded under "Hedging operations" in equity, amounting to €8,912 thousand of income, in addition to which these cancellations are associated with €193 thousand of commission expenses. At the same time, the Company arranged new financial hedging instruments for cash flow hedges of expected future transactions for a total amount of €625,000 thousand with maturities in 2033, 2034 and 2035.

In November 2021, the Company arranged new financial instruments for cash flows of expected future transactions for a total amount of €712,500 thousand with maturities in 2034 and 2035.

The fair value of the derivative financial instruments was calculated by discounting estimated future cash flows based on an interest rate curve and on assigned volatility at each calculation date.

Changes of one-quarter of one point in yields would have 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 yields	Thousands of Euros		
	Net fair	Decrease of one quarter of a point	Increase of one quarter of a point
31 December 2021	10,651	(35,543)	25,727
31 December 2020	(19,318)	(26,315)	15,276

13. Non-current assets held for sale

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

	Thousands of Euros	
	31 December 2021	31 December 2020
Opening balance	**19,277**	**133,004**
Additions	186	6,679
Withdrawals	(57,784)	(139,684)
Impairment (Note 19-d)	(178)	(1,125)
Transfers	38,499	20,403
Closing balance	**--**	**19,277**

Movements 2021-

In 2021, the Company transferred €37,949 thousand from "Investment property" in the consolidated balance sheet (Note 7) and €550 thousand from "Trade and other receivables" corresponding to the accrual of lease incentives.

The Company disposed of a logistics asset and a property for a total sale price of €58,397 thousand.

Movements 2020-

In 2020, the Company transferred 3 properties from "Investment property" in the consolidated balance sheet for €17,803 thousand and €2.600 thousand from "Trade and other receivables" corresponding to the accrual of lease incentives.

Of the total property transferred, the Company disposed of one rural property and 4 logistics assets for a total sale price of €186,590 thousand.

On 16 December, the Company reclassified a property located in Tarragona to this balance sheet heading, for which it signed a private sale contract. The transfer took place on 27 February 2021.

Impairment -

The valuations of the Company's assets by independent experts at 31 December 2021 revealed the need to recognise a net impairment charge of €178 thousand (€1,125 thousand in 2020) for non-current assets held for sale. This movement recorded under "Impairment and gains/losses on disposal of fixed assets - Impairment and losses" in the income statement (Note 19-d).

14. Equity

a) Share capital

At 31 December 2020 and 2019, the share capital comprised 508,114,781 shares with a par value of 2.5 euro each, which had been fully subscribed and paid.

On 28 June 2021, the general meeting of shareholders of the Company resolved to authorise the board of directors, in accordance with the provisions of article 297.1 b) of the Corporate Enterprises Act, to increase the share capital by means of non-monetary contributions and exclusion of the pre-emptive subscription right corresponding to the process of the agreements reached between the subsidiary Société Foncière Lyonnaise, S.A. (hereinafter SFL) and Predica Prévoyance Dialogue du Crédit Agricole (hereinafter Predica):

- On 5 August 2021, a capital increase was registered in the commercial register of the Company through the issue of 22,494,701 new shares with a par value of 2.50 euros per share, plus a share premium, amounting to a total of €201,553 thousand according to the share price. The capital increase was fully subscribed by Predica, through the non-monetary contribution of 2,328,644 shares in the subsidiary SFL. The exchange ratio of Predica's contribution has been set at 9.66 Colonial shares.
- On 6 September 2021, a takeover bid for all the shares of SFL held by shareholders other than Colonial and Predica was registered in the commercial register of the Company for mixed consideration in cash and shares. The exchange equation of the bid was set at 46.66 euros and five shares of Colonial, with a par value of 2.50 euros each, for each SFL share. On 20 July 2021, the French financial markets authority approved the bid. On 28 June 2021, the general shareholders's meeting approved the corresponding resolution to increase capital. On 30 August 2021, the French financial markets authority announced the result of the bid, which reached 4.2% of the shares targeted. As such, the Company acquired 1,801,231 shares of the subsidiary SFL, by issuing 9,006,155 new shares of the Company for a par value of 2.50 euros, plus a share premium, for a total amount of €81,461 thousand (according to the share price) and cash payments amounting to €84,045 thousand.

As a result, the Company’s share capital at 31 December 2021 was represented by 539,615,637 fully subscribed and paid up shares with a par value of 2.50 euros each.

Based on the pertinent notifications regarding the number of company shares to the Spanish National Securities Market Commission (CNMV), the shareholders owning significant direct or indirect interests in the Company at 31 December 2021 and 2020 were as follows:

	31 December 2021		31 December 2020	
	Number of shares*	% ownership	Number of shares*	% shareholding
Share capital				
Qatar Investment Authority (**)	102,675,757	19.03%	102,675,757	19,03%
Finaccess Group	80,028,647	14,83%	80,028,647	14.83%
Inmo S.L.	29,002,980	5.37%	29,002,980	5.37%
Aguila Ltd.	28,880,815	5.35%	28,880,815	5.35%
Credit Agricole, S.A.	22,494,701	4.17%	--	--
BlackRock Inc	16,182,616	3.00%	15,343,358	1.51%
PGGM Vermongensbeheer B.V. (***)	--	--	25,438,346	4.71%

* Does not include certain financial instruments linked to shares in the Company.
** Qatar Investment Authority is responsible for managing 21,782,588 shares of the Company owned by DIC Holding, LLC.
*** the shareholding of PGGM Vermongensbeheer B.V. at 31 December 2021 is below 3% as a result of the sale of shares that it has made, which means that it has lost its status as a significant shareholder of the Company.

At 31 December 2021 and 2020, Aguila Ltd. and Blackrock Inc. formally obtained financial instruments associated with 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 Company has no knowledge of other significant equity interests.

The General Shareholders' Meeting held on 30 June 2021 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 for shares of the Company, with the express power to exclude preferential subscription right of the shareholders up to a maximum of 20% of the share capital, and to increase the 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 or its equivalent in another currency.

On 30 June 2021, the General Meeting resolved to authorise the Board of Directors, in accordance with article 297.1 b) of the Spanish Companies Act, 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 preferential subscription right up to a maximum of 20% of the share capital.

b) Issue premium

On 30 June 2020, the General Shareholders' Meeting resolved and distributed dividends with charges to the share premium amounting to €22,469 thousand.

In 2021, as a result of the aforementioned capital increases, the amount of the net share premium increased by €145,316 thousand and €58,945 thousand, respectively.

On 30 June 2021, the General Shareholders' Meeting resolved to distribute dividends with a charge to the share premium amounting to €111,087 thousand, which were paid to shareholders.

c) Reserves

Legal reserve -

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. the legal reserve may only be used to set off losses until it exceeds 20% of the share capital and provided there are insufficient available reserves.

As at 31 December 2020, the allocation of the legal reserve included in the distribution of the Company's 2019 profit approved by the general shareholders' meeting on 30 June 2020 in the amount of €8,787 thousand was taken into account.

At 31 December 2021 and 2020, the Company maintains legal reserves amounting to €54,767 thousand, although at the date of preparation of these financial statements they had not yet been fully constituted.

Other reserves-

The income generated from the delivery of treasury shares to the beneficiaries of the long-term incentives plan (Note 14-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 profit of €125 thousand in 2021 (a loss of €1.778 thousand in 2020) being registered in the Company's reserves.

€1,223 thousand were recognised in 2021 for sundry expenses incurred in connection with the two aforementioned capital increases.

As a result of the merger transactions carried out in 2020, the Company recorded negative merger reserves of €27,469 thousand (Note 23).

At 31 December 2021 and 2020, the Company holds voluntary reserves of €169,441 thousand classified as not freely available.

d) Own shares

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

	31 December 2021		31 December 2020	
	No. of shares	Thousands of Euros	No. of shares	Thousands of Euros
Opening balance	**3,131,110**	**22,546**	**349,366**	**4,301**
2020 buyback plan	--	--	3,000,000	21,042
2021 buyback plan	5,000,000	43,439	--	--
Delivery of incentives plan shares (Note 20-d)	(296,337)	(2,134)	(395,116)	(4,169)
Other Purchases	108,234	894	176,860	1,372
Closing balance	**7,943,007**	**64,745**	**3,131,110**	**22,546**

Company share buyback schemes -

On 13 July 2021, the Company resolved to carry out a share buyback programme under the share buyback programme authorised by the general meeting held on 29 June 2017 (, hereinafter, buyback programme). The maximum number of shares to be acquired amounts to 5,000,000, equivalent to 0.98% of the share capital of the Company at that date. On 16 November 2021, the Company ended the share buyback programme.

On 30 June 2020, the Company agreed to carry out a treasury share buyback programme. The maximum number of shares to be acquired amounts to 3,000,000, equivalent to 0.59% of the share capital of the Company at that date. On 10 November 2020, the Company ended the share buyback programme.

Deliveries of Company shares deriving from the long-term Incentives Plan (Note 21-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 Company draws up liquidity contracts to assist in the liquidity of its transactions and the regularity of its quoted share price.

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

	31 December 2021		31 December 2020	
	No. of shares	Thousands of Euros	No. of shares	Thousands of Euros
Opening balance	**229,500**	**1,894**	**229,500**	**1,878**
Liquidity contract dated 11 July 2017	--	18	--	16
Closing balance	**229,500**	**1,912**	**229,500**	**1,894**

On 11 July 2017, the Company drew up a new liquidity contract to assist in the liquidity of its transactions and the regularity of its quoted share price, as provided for under Circular 1/2017, of 26 April, of the Spanish Securities Market Commission. On 4 January 2022, the Company announced the termination of this contract, being replaced by a new one signed with Banco Sabadell, S.A. The contract is valid for 12 months and can be extended.

f) Foreign exchange adjustments - Hedging transactions

The movement in this heading of the balance sheet is as follows:

	Thousands of Euros	
	31 December 2021	31 December 2020
Opening balance	**(19,318)**	**18,791**
Changes in the fair value of hedges in the period	21,250	(39,640)
Amount transferred to income statement	8,719	1,531
Closing balance	**10,651**	**(19,318)**

15. Provisions and contingencies

The breakdown of current and non-current provisions in the balance sheet as well as the main changes in 2021, are as follows:

	Thousands of Euros			
	Current	Non-current		
	Provisions for contingencies and charges	Provisions for personnel	Provisions for contingencies and charges	Total non-current
Balance at 31 December 2020	**3,226**	**45**	**27**	**72**
Reversal (Note 19-c)	(525)	--	(27)	(27)
Applications	--	(12)	--	(12)
Balance at 31 December 2021	**2,701**	**33**	**--**	**33**

Provision for contingencies and charges - Current

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

16. Bank borrowings, bonds and other marketable securities

The breakdown by debt type and maturity is as follows:

31 December 2021

	Thousands of Euros							
	Current	Non-current						Total
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total non-current	
Bank borrowings:								
Mortgage loans	--	75,700	--	--	--	--	75,700	75,700
Fees and interest	687	--	--	--	--	--	--	687
Debt arrangement	(1,248)	(1238),	(1,038)	(885)	--	--	(3,161)	(4,409)
Total bank borrowings	**(561)**	**74,462**	**(1,038)**	**(885)**	**--**	--	**72,539**	**71,978**
Debt instruments and other held-for-trading liabilities:								
Bonds issues	--	--	187,200	500,000	700,000	1,425,000	2,812,200	2,812,200
Issuance of promissory notes	140,000	--	--	--	--	--	--	140,000
Fees and interest	15,379	--	--	--	--	--	--	15,379
Debt arrangement	(3,713)	(3,713)	(3,668)	(3,352)	(2,249)	(4,400)	(17,382)	(21,095)
Total debt instruments and other held-for-trading liabilities	**151,666**	**(3,713)**	**183,532**	**496,648**	**697,751**	**1,420,600**	**2,794,818**	**2,946,484**
Total	**151,105**	**70,749**	**182,494**	**495,763**	**697,751**	**1,420,600**	**2,867,357**	**3,018,462**

31 December 2020

	Thousands of Euros							
	Current	Non-current						Total
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total non-current	
Bank borrowings:								
Mortgage loans	--	--	75,700	--	--	--	75,700	75,700
Fees and interest	697	--	--	--	--	--	--	697
Debt arrangement	(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**
Debt instruments and other held-for-trading liabilities:								
Bonds issues	--	--	306,200	493,300	500,000	1,500,000	2,799,500	2,799,500
Issuance of promissory notes	70,000	--	--	--	--	--	--	70,000
Fees and interest	18,363	--	--	--	--	--	--	18,363
Debt arrangement	(3,286)	(3,287)	(3,119)	(2,860)	(2,133)	(2,419)	(13,818)	(17,104)
Total debt instruments and other held-for-trading liabilities	**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**

a) *Issues of the Company's straight bonds*

The breakdown of the issues of straight bonds by the Company is as follows:

				Thousands of Euros		
Issue	Duration	Maturity	Fixed-rate coupon payable annually	Amount of the issue	31 December 2021	31 December 2020
05/06/2015	8 years	05/06/2023	2.73%	500,000	--	306,200
28/10/2016	8 years	28/10/2024	1.45%	600,000	187,200	493,300
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	500,000
22/06/2021	8 years	22/06/2029	0.75%	500,000	500,000	--
08/07/2021	8 years	22/06/2029	0.75%	125,000	125,000	--
Total bonds issues					**2,812,200**	**2,799,500**

European Medium Term Note Programme -

On 5 October 2016, the Company registered a 12-month EMTN (European Medium Term Note) programme for €3,000,000 thousand, which can be extended to €5,000,000 thousand, on the Irish Stock Exchange. On 18 May 2021, the CNMV approved the registration of the programme renewal in the official registers of the Company's Euro Medium Term Note Programme.

Issue and repurchase of the Company's bonds-

On 22 June and 6 July 2021, under the EMTN European Medium Term Note programme, the Company issued a new issue of simple bonds for a nominal amount of €625,000 thousand, with an annual coupon of 0.75%, maturing in June 2029 and an issue price of 98.969% of their nominal value.

The bond issues dated 14-10-20 and 22-06-21 were admitted to trading on the regulated market (AIAF Fixed Income Securities Market) of the Madrid Stock Exchange (CNMV) and the remaining bond issues on the regulated market (Main Securities Market) of the Irish Stock Exchange.

In June and July 2021, the Company made an early redemption of the entire outstanding balance of the bond issue dated 05-06-15 in the amount of €306,200 thousand and redeemed part of the outstanding balance of the issue dated 28-10-16, in the amount of €306,100 thousand.

At 31 December 2021 and 2020, the fair value of the bonds issued by the Company was €2,928,360 thousand and €2,987,681 thousand eurs, respectively.

Compliance with financial ratios -

These straight bonds establish the obligation, at 30 June and 31 December of each year, to meet a financial ratio whereby the value of the non-guaranteed asset in the balance sheet at each of these dates must at least be equal to the financial debt not guaranteed. These ratios had been met at 31 December 2021 and 2020.

b) *Issuance of promissory notes by the Company*

On 13 December 2018, the Company registered an ECP (European Commercial Papers) programme with the Irish Stock Exchange for a maximum amount of €500,000 thousand. The programme was renewed on 23 September 2021.

At 31 December 2021, the Company has bonds issued under the ECP programme in the amount of €140,000 thousand (€70,000 thousand at 31 December 2020).

c) Syndicated loans

The breakdown of the Company's syndicated financing is provided below:

		Thousands of Euros			
		31 December 2021		31 December 2020	
Thousands of Euros	Maturity	Limit	Nominal amount drawn down	Limit	Nominal amount drawn down
Credit facility	November 2025	500,000	--	500,000	--
Credit facility	November 2025 (*)	500,000	--	500,000	--
Total syndicated loan		**1,000,000**	**--**	**1,000,000**	**--**

*can be extended until November 2027

On 10 November 2020, the Company signed a new credit line for a total amount of €1,000,000 thousand, structured in two tranches of €500,000 thousand each, maturing in 2025, extendable in the second tranche until 2027. This credit line is considered sustainable as its margin is linked to the rating obtained by the GRESB Sustainability Agency.

The variable interest rate is referenced to the EURIBOR plus a spread.

At 31 December 2021 and 2020, the loans meet the financial ratios to which they are subject.

d) Mortgage loans

The detail of the mortgage-backed loans on certain Company assets are presented in the following table:

	Thousands of Euros			
	31 December 2021		31 December 2020	
	Mortgage debt	Market value of collateral	Mortgage debt	Market value of collateral
Investment property (Note 7)	75,700	170,400	75,700	162,600
Total mortgage loans	**75,700**	**170,400**	**75,700**	**162,600**

At 31 December 2021 and 2020, the Company holds a bilateral loan of 75,700 thousand euros. It is a Euribor-linked loan plus an additional margin. This loan has the nature of a "sustainable loan" since its margin will vary according to the rating that the Company obtains regarding ESG (environment, social and corporate governance) from the GRESB Sustainability Organisation.

At 31 December 2021 and 2020, the loan meets the financial ratios to which it is subject.

e) Other guarantees delivered

At 31 December 2021, the Company has granted guarantees to government bodies, customers and suppliers in the amount of €6,342 thousand (€6,508 thousand at 31 December 2020).

The main guarantee granted, in the amount of €4,803 thousand, relates to commitments acquired by Asentia. The Company and Asentia have an agreement in place whereby if any of the guarantees is enforced, Asentia must compensate the Company for any damage sustained within 15 days.

f) Interest

The Company's average interest rate in 2021 was 1.84% (2.21% % in 2020) or 2.10% incorporating the accrual of fees (2.31% in 2020). The interest rate of the Company's outstanding debt at 31 December 2021 (spot) is 1.50% (1.82% at 31 December 2020).

The accrued interest outstanding recognised in the balance sheet amounts to:

	Thousands of Euros	
	31 December 2021	31 December 2020
Debt instruments and other held-for-trading liabilities	15,379	18,363
Bank borrowings	687	697
Total	**16,066**	**19,060**

g) Debt arrangement expenses

In 2021 and 2020, the Company recognised €3,062 thousand and €3,704 thousand (Note 19-f), respectively, in the income statement, corresponding to the costs repaid during the year.

h) Cash and cash equivalents

At 31 December 2021 and 2020, amounts of €93,000 thousand and €223,717 thousand, respectively, were recognised under "Cash and cash equivalents", of which €1,777 thousand was restricted or pledged.

17. Other non-current financial liabilities

At 31 December 2021 and 2020, it includes an amount of €28,895 thousand and €28,554 thousand, respectively, corresponding to guarantees received from lessees.

18. Public authorities and tax matters

On 30 June 2017, the Company chose to operate within the REIT Tax Regime (Note 1).

The detail of balances with the tax authorities is as follows:

	Thousands of Euros			
	Receivable		Payable	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Tax receivables and payables	--	--	4,574	5,646
Value added tax payable	451	975	--	--
Current taxes	427	1,520	--	--
Other deferred taxes	--	--	188	187
Social Security payables	--	--	140	143
Total current balances	**878**	**2,495**	**4,902**	**5,976**
	--	--	--	--
Deferred tax due to the merger (Note 1)	--	--	80,497	81,358
Other deferred taxes	--	--	4,882	5,070
Total non-current balances	**--**	**--**	**85,379**	**86,428**

The reconciliation between the accounting result and the taxable income for corporate income tax purposes is as follows:

31 December 2021

	Thousands of Euros		
	General regime	REIT Regime	Total
Accounting profit for the period (before tax)	**8,757**	**28,662**	**37,419**
Permanent differences:			
Dividends SFL (Note 19)	--	(75,847)	(75,847)
Transfer of premises	--	180	180
Amortisation of Axiare goodwill (Note 5)	--	8,720	8,720
Plan contribution (Note 21)	--	288	288
Capital increase costs	--	(1,223)	(1,223)
Others	(10)	(2,080)	(2,090)
Temporary differences:			
Arising in prior years-			
Deferral for reinvestment	749	--	749
Non-deductible provisions	(530)	(2,919)	(3,449)
Non-deductible amortisation	(1,637)	(6)	(1,643)
Arising in the year-			
Impairment of the portfolio (Note 10)	--	3,207	3,207
Non-deductible impairment of properties	--	(13,782)	(13,782)
Amortisation of SFL financial goodwill	--	(283)	(283)
Retirements from deferred tax on asset gains	(8,136)	12,152	4,016
Non-deductible finance costs	(225)	25,480	25,255
Taxable income (taxable profit)	**(1,032)**	**(17,451)**	**(18,483)**

31 December 2020

	Thousands of Euros		
	General regime	REIT Regime	Total
Accounting profit for the period (before tax)	**31,476**	**(55,085)**	**(23,609)**
Permanent differences:			
Dividends SFL (Note 19)	--	(100,749)	(100,749)
Impairment of goodwill	--	63,272	63,272
Amortisation of Axiare goodwill (Note 5)	--	17,653	17,653
Plan contribution (Note 20)	--	246	246
Other non-deductible xpenses	(10)	425	415
Temporary differences:			
Arising in prior years-			
Deferral for reinvestment	749	--	749
Non-deductible provisions	(228)	214	(14)
Non-deductible amortisation	(1,637)	(6)	(1,643)
Arising in the year-			
Impairment of the portfolio (Note 9)	--	8,164	8,164
Non-deductible impairment of properties	--	24,148	24,148
Amortisation of SFL financial goodwill	--	(283)	(283)
Retirements from deferred tax on asset gains	87,043	28,370	115,413
Non-deductible finance costs	497	16,890	17,387
Taxable income (taxable profit)	**117,890**	**3,259**	**121,149**

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

The following table shows the main differences between accounting profit and taxable profit:

General regime -

- Pursuant to Law 16/2012, of 27 December, the depreciation of property, plant and equipment, intangible assets and property investments for the tax periods initiated within 2013 and 2014 would be deductible from taxable profit up to 70 per cent of that which would be previously tax deductible. In this regard, the Company carried out the corresponding adjustments to its taxable profit. From 2019, and according to the provisions of the Law, the Company has recovered a tenth part of the allocations made to depreciation in 2013 and 2014, which were considered non-deductible.

- Incorporation in the tax base of differences between book and tax values arising from corporate transactions recorded in previous years (Note 1).

- Other provisions which were not tax deductible in prior years.

REIT Tax Regime -

- Exemption for dividends from subsidiaries.

- Property impairments that are not tax deductible.

- Impairment of goodwill

- Impairment losses on financial investments considered non-deductible for tax purposes.

- In accordance with Law 27/2014 of 27 November on corporate income tax according to article 16, the financial expense exceeding 30% of the profit for the year has been adjusted on a temporary basis.

- Incorporation in the tax base of differences between book and tax values arising from corporate transactions recorded in previous years (Note 1).

- Provisions that are not tax deductible.

The reconciliation between the accounting result and the income tax expense under the general tax regime recognised in the income statement is as follows:

	Thousands of Euros	
	2021	2020
Accounting profit before tax	37,420	(23,609)
Permanent differences	(69,972)	(19,564)
Adjusted accounting profit	**(32,552)**	**(43,173)**
- REIT Regime	(41,299)	(74,545)
- General regime	8,747	31,372
Accounting profit adjusted to the General Regime	**8,747**	**31,372**
- Unregistered tax deferrals offset in the year	(2,392)	(1,263)
Taxable profit with the General Regime	**6,355**	**30,109**
Corporate income tax expense at 25%	257	3,921
Activation shield	(287)	(12,294)
Other adjustments	1,337	11,774
Total tax expense recognised in the income statement	**1,307**	**3,401**
- Current tax	257	3,921
- Deferred tax	1,050	(520)

The accounting result which is taxed under the special REIT regime will be at a rate of 0% and does not generate tax expenditure.

Deferred tax assets –

The breakdown of deferred tax assets by item is as follows:

Deferred tax assets (Tax base)	Thousands of Euros			
	2021 (*)		2020 (*)	
	General Regime Base	REIT base	General Regime Base	REIT base
Tax loss carryforwards	5,385,124	--	5,384,092	--
Non-deductible impairment	--	27,435	--	31,218
Impairment of the non-deductible portfolio	3	24,505	3	21,298
Non-deductible finance costs	415,370	97,877	41,595	72,397
Non-deductible amortisation	6,125	18	7,762	25
Non-deductible provisions	66,236	1,278	66,760	3,838
Others	20	90	20	449
Total tax credits and deferred tax assets	**5,872,878**	**151,203**	**5,500,232**	**129,225**

(*) As described below, in determining the deferred tax liabilities at 31 December 2021 and 2020, the Company did not recognise the corresponding tax credits, except for the application of tax credits amounting to €27,282 thousand and €27,569 thousand, respectively, since these have been calculated on the basis of the estimated effective tax rate of 18.75% (Note 4-m).

Deferred tax assets relating to prior year tax loss carryforwards –

The Income Tax Law in force as of 1 January 2015 stipulates that prior years' tax loss carryforwards may be offset in future years without any time limit.

Deferred tax liabilities –

The breakdown of deferred tax liabilities at 31 December 2021 and 2020 by item is as follows:

Deferred tax liabilities	Thousands of Euros	
	2021 (*)	2020 (**)
	Tax base	Tax base
Deferral for reinvestment outstanding	16,665	17,407
Deferred liability for financial goodwill	3,318	3,035
Deferred liability from gains allocated to investment properties and financial assets	431,112	520,193
Capitalised tax credits	(109,127)	(194,759)
Total	**341,961**	**345,876**
Deferred tax liabilities	**85,566**	**86,615**

(*) Of the deferred tax liabilities, €85,379 thousand are recorded under "Non-current deferred tax liabilities" and €187 thousand are recorded under "Other payables to public administrations" within current liabilities.
(**) Of the deferred tax liabilities, €86,428 thousand are recorded under "Non-current deferred tax liabilities" and €187 thousand are recorded under "Other payables to public administrations" within current liabilities.

Deferred liability for gains allocated to property investments and financial assets–

"Deferred liability for gains allocated to investment property and financial assets", as detailed in Note 4-m, includes the amount of deferred taxes associated with the Company's investment property from business transactions described in Note 1 that would accrue if these assets were transferred using the effective rate that would be applicable, taking into account applicable legislation and any unrecognised tax credits. Accordingly, the deferred taxes associated with the Company's investment property were recognised at an effective rate of 18.75% (tax rate of 25% with a limit on tax loss carryforwards of 25% according to the Company's turnover).

At 31 December 2021 and 2020, deductions pending application due to insufficient taxable income amount to €8,229 thousand for tax credits for pending reinvestment deductions. The Company has no amounts recognised in its accounting statements for this item. The corresponding maximum compensation periods are as follows:

Years open to inspection and tax audits -

The Company has the last four years open for review by the tax inspection authorities for all applicable taxes.

No additional material liability for the Company is expected to arise in the event of a new inspection.

Adherence to the Code of Best Tax Practices –

On 10 December 2015, the Company's Board of Directors agreed to adhere to the Code of Best Tax Practices. This resolution was reported to the tax authorities on 8 January 2016.

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

a) Reserves arising 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 2021	**208,538**

b) Reserves from years in which the tax system established under this Law was applied, differentiating the part arising from income subject to the tax rate of 0%, or of 19%, with respect to those which, where appropriate, were taxed at the general taxation rate.

	Thousands of Euros		
	General regime	REIT Regime	**Total**
Reserves from 2017			
Charge to the legal reserve	--	3,250	**3,250**
Results of treasury shares and enlargement expenses	--	(466)	**(466)**
Reserves from 2018			
Charge to the legal reserve	--	3,631	**3,631**
Results of treasury shares and enlargement expenses	--	(662)	**(662)**
Reserves from 2019			
Charge to the legal reserve	--	8,787	**8,787**
Results of treasury shares and enlargement expenses	--	(1,131)	**(1,131)**
Merger reserves	--	(27,469)	**(27,469)**
Reserves from 2020			
Charge to the legal reserve	--	--	--
Results of treasury shares and enlargement expenses	--	(1,778)	**(1,778)**
Reserves from 2021			
Charge to the legal reserve	--	--	--
Results of treasury shares and enlargement expenses	--	(1,098)	**(1,098)**
Total	--	(16,936)	**(16,936)**

c) Dividends distributed with a charge to profit for each year in which the tax system established under this Law was applicable, differentiating the part arising from income subject to the tax rate of 0%, or of 19%, with respect to that which, where appropriate, was taxed at the general taxation 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**
2020 dividend	--	--	--
Total	--	**141,004**	**141,004**

d) In the event of the distribution of dividends with a charge to reserves, designation of the year in which the reserve used was set up, and whether such reserves were subject to the tax rate of 0%,19% or a 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	--	--	--
2020 dividend	--	--	--
Total	34,186	**7,060**	**41,246**

e) Date on which it was resolved to distribute the dividends referred to in letters c) and d) above.

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

f) Acquisition date of the properties earmarked for lease and of the equity interests in companies referred to in Article 2.1 of this Law.

Property	**Location**	**Acquisition date**	**Maintenance start date**
Pedralbes Centre	Barcelona	29-Dec-92	1-Jan-17
Avda. Diagonal, 530	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
Alfonso 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-Sep-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
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

Property	Location	Acquisition date	Maintenance start date
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
Diagonal, 197	Barcelona	4-Dec-14	4-Dec-14
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-Sep-15	23-Sep-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-Sep-18
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-Sep-17	22-Sep-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
Méndez Álvaro R-RTC-1	Madrid	20-Dec-17	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
Buenos Aires	Barcelona	26-Nov-21	26-Nov-21

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 included in the 80% referred to in Article 3.1 of this Law..

All the properties in the above list are included within the 80% as well as the indicated shares.

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

h) Reserves from years in which the special tax system established under this Law was applied, used in the tax period, which are not intended for distribution or to offset losses, identifying the year from which such reserves originate.

Not applicable.

19. Income and expenses

a) Revenue -

The Company's ordinary revenue was earned mainly in Barcelona, Madrid and Paris. The detail by type of business activity is as follows:

Activity	Thousands of Euros 2021	Thousands of Euros 2020
Building leases	139,287	158,067
Services	587	566
Income from holdings in Group companies (Note 4-m) (*)	79,838	100,749
Total	**219,712**	**259,382**

Geographical area	Thousands of Euros 2021	Thousands of Euros 2020
Barcelona	44,646	50,249
Madrid	93,635	106,701
Paris (*)	79,838	100,749
Others	1,593	1,683
Total	**219,712**	**259,382**

(*) The total amount corresponds to finance income from dividends of SFL (Note 20)

Income from 2021 and 4 include the effect of incentives to leasing throughout the minimum duration of the contract (Note 4-m), which has led to a decrease in revenue of €1,288 thousand (€4,810 thousand increase in 2020).

b) Staff costs -

The detail of this heading in the income statement is as follows:

	Thousands of Euros 2021	Thousands of Euros 2020
Wages and salaries	11,579	10,310
Social security costs	1,474	1,444
Other employee benefit expenses	32	3,567
Contributions to defined-benefit pension plans	288	246
Internal reallocation	(1,236)	(1,146)
Total	**12,137**	**14,421**

At 31 December 2021, "Other employee benefit expenses" includes €670 thousand corresponding to the new long-term remuneration plan described in Note 21-d. (€3,072 thousand in 2020).

c) *Losses on, impairment of and changes in allowances for trade receivables -*

The breakdown of "Losses on, impairment of and changes in allowances for trade receivables" in the income statement is as follows:

	Thousands of Euros	
	2021	2020
Charge to provision for insolvency	58	3,057
Reversal of provision for insolvency	(2,960)	--
Reversal to provision for contingencies and charges (Note 15)	(525)	(3,239)
Total	**(3,427)**	**(182)**

d) *Impairment of property assets*

The changes in the impairment of property assets in the various balance sheet headings are presented below:

	Thousands of Euros				
	Intangible assets (Note 5)	Property, plant and equipment (Note 6)	Investment property (Note 7)	Non-current assets held for sale (Note 13)	Total
Balance at 31 December 2019	**--**	**(2,090)**	**(66,067)**	**--**	**(68,157)**
Charge	(63,271)	--	(71,513)	(1,125)	(135,909)
Reversal	--	1,079	5,236	--	6,315
Withdrawals	--	--	18,471	--	18,471
Transfers	--	--	12,944	(12,944)	--
Balance at 31 December 2020	**(63,271)**	**(1,011)**	**(100,929)**	**(14,069)**	**(179,280)**
Charge	--	--	(15,623)	(178)	(15,801)
Reversal	--	268	23,108	--	23,376
Withdrawals	--	--	--	26,376	26,376
Transfers	--	--	12,129	(12,129)	--
Balance at 31 December 2021	**(63,271)**	**(743)**	**(81,315)**	**--**	**(145,329)**

The reconciliation with the income statement is as follows:

	Thousands of Euros	
	2021	2020
Allocation of goodwill	--	(63.271)
Allocation of investment property	(15,623)	(71,513)
Allocation of assets held for sale	(178)	(1,125)
Use of provisions for non-current assets	23,376	6,315
Total	**7,575**	**(129,594)**

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

The "Impairment and gains/losses on disposal of fixed assets - Gains/losses on disposals and other" heading in the income statement is as follows:

	Thousands of Euros	
	2021	2020
Gains/(losses) on disposals:	--	--
investment property	5,558	21,069
Non-current assets held for sale	(704)	36,078
Total gain/(loss) from disposal of assets	**4,854**	**57,147**
Other (derecognised due to replacement):		
Intangible assets (Note 5)	(30)	--
Property, plant and equipment (Note 6)	(17)	(2)
Investment property (Note 7)	(171)	(17)
Total others (replacement derecognitions)	**(218)**	**(19)**
Total	**4,636**	**57,128**

The result from disposals of the Company's assets was as follows:

	Thousands of Euros	
	2021	2020
Sale price (Notes 7 and 13)	85,597	333,390
Net value of the assets (Notes 7 and 13)	(78,829)	(265,149)
Indirect costs and other	(1,914)	(11,094)
Net gains on sales of assets	**4,854**	**57,147**

f) Finance income and costs

The breakdown of financial loss by type, is as follows:

	Thousands of Euros	
	2021	2020
Finance income and other	4	656
Finance income from Group companies and associates (Note 20)	467	460
Total finance income	**471**	**1,116**
Interest on borrowings and bonds	(55,242)	(60,706)
Accrued debt arrangement expenses (Note 16-g)	(3,062)	(3,704)
Interest from derivatives	(36)	(194)
Costs associated with the repurchase of bonds	(33,796)	(21,031)
Costs associated with loan cancellations	(2,292)	(3,581)
Other finance costs	(600)	(390)
Capitalised borrowing costs (Note 7)	5,879	4,570
Total finance costs	**(89,149)**	**(85,036)**
Change in derivative instruments (Note 12)	8,719	(632)
Change in fair value of financial instruments	**8,719**	**(632)**
Impairment of Utopicus Innovación Cultural, S.L. equity interest (Note 10-a)	(2,847)	(8,161)
Impairment of Colonial Tramit, S.L.U. equity interest (Note 10-a)	--	(3)
Impairment of financial interest Inmocol Torre Europa, S.A. (Note 10-a)	(357)	--
Impairment of financial interest Inmocol One, S.A.U. (Note 10-a)	(1)	--
Impairment of financial interest Inmocol Two, S.L.U. (Note 10-a)	(1)	--
Impairment of financial interest Inmocol Three, S.L.U. (Note 10-a)	(1)	--
Impairment and gains/(losses) on disposal of financial instruments	**(3,207)**	**(8,164)**
Total financial results	**(83,166)**	**(92,716)**

20. Related-party transactions and balances

a) Related-party transactions -

The breakdown of related party transactions is as follows:

Year 2021

	Thousands of Euros			
	Services rendered	Dividends received	Operating expenses	Interest income
Inmocol Torre Europa, S.A.	221	--	--	--
Peñalvento, S.L.U.	62	--	--	466
Wittywood, S.L.	24	--	--	1
Utopicus Innovación Cultural, S.L.	8,156	--	(12)	--
Société Foncière Lyonnaise, S.A.	--	79,838	--	--
Total	**8,463**	**79,838**	**(12)**	**467**

Year 2020

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

b) Related-party balances -

The amount of related-party balances recorded in the balance sheet is as follows:

Year 2021

	Thousands of Euros				
	Current accounts receivable	Non-current loans extended	Current loans granted	Bonds received	Current accounts payable
Colonial Tramit, S.L.U.	--	--	5,273	--	--
Inmocol Torre Europa, S.A.	45	--	--	--	--
Peñalvento, S.L.U.	12	22,693	12,954	--	--
Wittywood, S.L.	5	1,305	--	--	(5)
Inmocol One, S.A.U.	--	--	--	--	(58)
Inmocol Two, S.L.U.	--	--	--	--	(11)
Inmocol Three, S.L.U.	--	--	--	--	(11)
Utopicus Innovación Cultural, S.L.	59	--	15,000	(1,136)	(55)
Total	**121**	**23,998**	**33,227**	**(1,136)**	**(140)**

Year 2020

	Thousands of Euros				
	Current accounts receivable	Non-current loans extended	Current loans granted	Bonds 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)**

In the context of the public tender offer for shares in the subsidiary SFL launched by the Parent (Note 10-a), certain directors and senior management contributed their SFL shares to the proposed exchange.

21. Director and senior management compensation and other benefits

a) Composition of the Company's Board of Directors

The Company's board of directors was made up of 8 men and 3 women at 31 December 2021 and 2020.

At 31 December 2021, its composition was as follows:

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

In accordance with the provisions of Article 229 of the Spanish Limited Liability Companies Law, at the end of 2021 the Company's directors did not report to other members of the Board any direct or indirect conflict of interest that they, or any person associated with them as defined by the Spanish Limited Liability Companies Law, may have with respect to the Company.

b) Remuneration of Board members

Remuneration received by members of the Company's Board of Directors, by item, was as follows:

Activity	Thousands of Euros	
	2021	2020
Remuneration earned by executive directors (*):	**3,541**	**2,535**
Attendance fees:	**871**	**962**
Fixed remuneration:	**778**	**863**
Remuneration of the Directors	525	575
Additional remuneration Audit and Control Committee members	103	125
Additional remuneration Appointments and Remuneration Committee members	150	163
Total	**5,190**	**4,360**
Remuneration earned by executive directors(*):	**3,541**	**2,535**

At 31 December 2021 and 2020, the Company had taken out a civil liability insurance policy covering all of its directors, executives and employees, for a total of€ 500 thousand and €357 thousand, respectively. The aforementioned amount includes the insurance premium paid for both periods for civil liability insurance to cover damages caused by acts or omissions.

The General Shareholders' 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 overall annual contributions of €225 thousand and €183 thousand in 2021 and 2020, respectively.

In addition to the matters indicated in the preceding paragraph, the Company has not granted any loans or taken out any additional pension plans or life insurance for former or serving members of the Company's Board of Directors.

At 31 December 2021 and 2020, two members of the Board of Directors had signed golden parachute clauses in the event of certain cases of termination or changes of control, all of which were approved at the General Shareholders' Meeting.

In 2021 and 2020, there were no finalisations, modifications or early terminations of contracts outside of the normal business activities between the Company and the members of the Board of Directors or any other person acting on their behalf.

c) Remuneration of senior management

The Company's senior management team is formed by senior executives and other persons responsible for the management of the Company, reporting to the CEO, as per the definition provided in the Good Governance Code for listed companies. At 301 December 2021, the Company's senior management comprised 3 men and 2 women (2 men and 2 women at 31 December 2020).

Monetary compensation earned by senior management in 2021 amounted to €1,519 thousand. Furthermore, they received €998 thousand corresponding to the long-term incentives plan (€1,253 thousand and €1,027 thousand, respectively, in 2020).

At its meeting held on 27 July 2016, the Board of Directors approved the granting of a defined-contribution scheme for a member of senior management covering retirement and, when applicable, disability and death. At 31 December 2021 and 2020, the Company recognised an annual contribution for this item under "Staff costs" in the income statement of €63 thousand and €62 thousand, for both years.

At 31 December 2021 and 2020, one member of the senior management team had signed a guarantee or "golden parachute" clause in the event of certain cases of termination or change of control.

d) Long-term remuneration plan linked to fulfilment of several management indicators

Former long-term remuneration plan of the Company

On 21 January 2014, shareholders at the Company's General Shareholders' Meeting set up a long-term remuneration plan for the Chairman and the Managing Director of the Company and for members of the Group's Management Committee, applicable from 2014 to 2018.

The plan was extended twice, and was rendered ineffective by the adoption of the new plan.

Shares received under this plan may not be sold or transferred by beneficiaries within the first three years of receiving them, except as required to pay any taxes chargeable in this regard.

On 24 April 2021, the Company settled the outstanding obligations relating to compliance with the plan once the Board had calculated the number of shares to be delivered to the beneficiaries of the Plan, in accordance with the level of fulfilment of indicators for 2020, which stood at 296,337 shares. The shares were delivered to the beneficiaries on this date. Of these, 131,861 shares were given to members of the board of directors and 164,476 to members of senior management.

In 2020, the Company recognised €3,072 thousand (Note 19-b) under "Staff costs", to cover the incentives plan approved on 21 January 2014.

New long-term remuneration plan of the Company

On 30 June 2021, the general shareholders's meeting of the Company established a new long-term remuneration plan for the chairman and chief executive officer of the Company, as well as for such other directors and employees as the board of directors may determine, which shall apply for 2021 to 2025 (hereinafter referred to as "the New Plan"). The approval of this plan renders ineffective the previous plan approved on 21 January 2014 and extended for the second and last time for a period of two years at the general shareholders' meeting held on 30 June 2021.

The new plan will have a duration of five years and will be divided into three overlapping annual cycles of three years each, independent of each other. The first cycle of the New Plan will correspond to the three-year period between 1 January 2021 and 31 December 2023, the second cycle of the New Plan to the three-year period between 1 January 2022 and 31 December 2024 and the third cycle of the New Plan to the three-year period between 1 January 2023 and 31 December 2025. The maximum number of shares to be delivered to the executive directors in the first cycle of the New Plan is 170,196 shares for the executive chairman of the Board of Directors of the Company and 340,392 shares for the chief executive officer of Colonial.

As a general rule, the maximum total number of shares of the Company that, in execution of the Plan, will be delivered to the beneficiaries of the Plan at the end of each cycle will be the result of dividing the maximum amount allocated to the corresponding cycle by the weighted average listed price of the

Company's shares in the 30 trading days prior to 1 January 2021. In addition, the number of shares to be received will be increased by a number of shares equivalent to the amount of dividends per share distributed by Colonial to its shareholders during each cycle based on the number of shares assigned to the beneficiary in the cycle. For these purposes, the weighted average of Colonial's share price on the dividend payment dates in each of the years of the cycle will be taken as the reference value of the share.

The delivery of the Company's shares under the first cycle of the New Plan will take place in 2024, after the audited financial statements for 2023 have been prepared. The specific date of delivery of the shares will be determined by the Board of Directors.

Shares received under this plan may not be sold or transferred by beneficiaries within the first two years of receiving them, except as required to pay any taxes chargeable in this regard.

In 2021, the Company recognised an expense of €670 thousand (Note 19-b) under "Staff costs", to cover the incentives plan approved on 30 January 2021.

22. Other disclosures

a) Employees

The Company headcount, and the average headcount by job category and gender, is as follows:

	No. of employees at 31 December				Average no. of employees			
	2021		2020		2021		2020	
Job category	Men	Women	Men	Women	Men	Women	Men	Women
General and area management	5	4	5	4	5	4	5	4
Technical graduates and middle managers	10	9	15	8	10	9	16	8
Administrative	25	49	25	46	25	49	24	47
Others	3	--	--	--	3	--	--	--
Total	**43**	**62**	**45**	**58**	**43**	**62**	**45**	**59**

The Company also had one female employee with a disability equal to or exceeding 33% at 31 December 2021 and 2020.

b) Audit fees

Fees incurred for auditing services to the Company by the principal auditor (PricewaterhouseCoopers Auditores, S.L.) are set forth below:

Description	Thousands of Euros	
	2021	2020
Audit services	279	270
Other verification services	141	101
Total auditing services and related	**420**	**371**
Other services	55	45
Total professional services	**475**	**416**

Fees for other verification services include €141 thousand for services provided to the Company for limited reviews, issuance of comfort letters and agreed-upon procedures reports on ratios linked to financing contracts and agreed-upon procedures report on the net asset value (€101 thousand in 2020).

Fees for other professional services in the amount of €55 thousand correspond to the review of ESG indicators contained in the Integrated Annual Report and reviews of the Green Bonds report (€45 thousand as at 31 December 2020).

The main auditor also provided other assurance services to subsidiaries amounting to €25 thousand for comfort letters (€25 thousand as at 31 December 2020) and fees for other services amounting to €37 thousand for English translations of regulatory information (€44 thousand as at 31 December 2020). XBRL mapping checks amounting to €18 thousand were also incurred in 2020.

The principal auditor’s fees represent less than 1% of the Group's billings in Spain.

c) Capital management: Policies and objectives

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

Companies operating in the real estate sector need to make heavy upfront investments to ensure development of their projects and growth of their businesses through the purchase of rental properties and/or land.

The Group's financial structure requires its sources of financing to be diversified In terms of entities, products and maturity dates, in order to ensure the continuity of its companies as profitable businesses and to be able to maximise returns for shareholders.

Financial risk management policy –

The Group efficiently manages its financial risks with the aim of having an adequate financial structure that allows it to maintain high levels of liquidity, minimise borrowing costs, reduce volatility due to changes in capital and ensure compliance with its business plans.

- Interest rate risk: The risk management policy is designed to limit and control the impact of interest rate fluctuations on profit and cash flows, to maintain the level of debt, and to keep overall borrowing costs at reasonable levels in accordance with the Group's credit rating.

  In order to attain these objectives, the Group enters into interest rate hedges to hedge against potential fluctuations in finance costs if necessary. The Group’s policy is to arrange instruments that comply with accounting rules to be considered effective hedges and, therefore, to recognise changes in market value directly in the Group's other consolidated income. At 31 December 2021, 93% of total debt in Spain and 99% in France was hedged or at fixed rates (95% and 96%, respectively, at 31 December 2020).

- Liquidity risk: Based on the annual cash budget, the Group draws up the monthly follow-up report on its cash forecasts to manage its liquidity risk and meet its various financing needs.

  The Group considers the following mitigating factors in managing liquidity risk: (i) recurring cash flow generation by the Group’s core activities, (ii) its ability to renegotiate and obtain new financing on the basis of long-term business plans, and (iii) the quality of the Group’s assets.

  Cash surpluses may eventually rise that enable the Group to have lines of credit available but not yet drawn down or highly-liquid deposits with no risk. At 31 December 2021, the Group had sufficient lines of credit available to meet its short-term maturities. The Group does not use high-risk financial products as a method for investing cash surpluses.

- Counterparty risk: the Group mitigates this risk by using top-tier financial institutions to arrange its financing and by accessing the debt market through bond issues.

- Credit risk: the Company analyses the exposure implied by at-risk accounts receivable on an ongoing basis, monitoring their settlements and recognising charges whenever its receivables are deemed impaired.

23. Average supplier payment period

Following is the information required by Final Provision Two of Law 31/2014 of 3 December, which amends Spanish Limited Liability Companies Law with a view to improving corporate governance, and which also amends Additional Provision Three of Law 15/2010 of 5 July, amending Law 3/2004 of 29 December, establishing measures on combating late payment in commercial transactions, all in accordance with the provisions set forth in the resolution of 29 January 2016 of the Spanish Accounting and Audit Institute (ICAC) regarding the information to be included in the notes to the financial statements in relation to the average payment period to suppliers in commercial transactions.

	2021	2020
Average supplier payment period	28	31
Ratio of payments made	27	21
Ratio of payments pending	35	29
	Amount (in thousands of euros)	Amount (in thousands of euros)
Total payments made	219,061	162,639
Total payments pending	11,463	9,819

The figures in the table above on payments to suppliers refer to suppliers which by their nature are trade creditors because they are suppliers of goods and services. Therefore, they include the figures for "Payables - suppliers" and "Other payables" on the balance sheet.

Law 11/2013 on measures to support entrepreneurs, stimulate growth and create employment, which amended the Law on late payments (Law 3/2004, of 29 December), entered into force on 26 July 2013. The new law stipulates that the maximum payment period to suppliers as of 29 July 2013 is 30 days, unless there is an agreement between the parties that increases the maximum period to 60 days.

With regard payments made after the legally established period, note that these are primarily payments relating to works contracted and property refurbishment, which are paid within the payment terms stipulated in the contracts signed with the various contractors.

24. Events after the reporting period

From 31 December 2021 to the date on which these financial statements were authorised for issue, no significant events took place with the exception of:

- On 4 January 2022, the Parent announced the termination of the former liquidity contract entered into with Renta 4 Banco, S.A. on 10 July 2017. (Note 14-e), which has been replaced by a new one with Banco Sabadell, S.A.

- On 17 February 2022, the Company announced that the bondholders' meetings have approved the conversion of all of the Group's outstanding bonds into green bonds.

- On 22 February 2022, the Parent reached an agreement with the financial institutions participating in the 1 billion euro credit line, extending its maturity to November 2026 (Note 16-c).

APPENDIX I- INVESTMENTS IN GROUP COMPANIES

2021	Domicile	Thousands of Euros: Share capital	Thousands of Euros: Reserves, share premium and interim dividend	Thousands of Euros: Profit/(loss)	Thousands of Euros: Dividend (Note 19)	% shareholding	Thousands of Euros: Net Book Value (Note 9)
Colonial Tramit, S.L.U.	Avda. Diagonal 532, Barcelona (España)	3	4	--	--	100.00	23
Inmocol Torre Europa, S.A. (*)	Avda. Diagonal 532, Barcelona (España)	20,000	1,670	(86)	--	50.00	12,080
Peñalvento, S.L.U.	Pº de la Castellana 52, Madrid (España)	2,400	39	(180)	--	100.00	20,755
Wittywood, S.L.	Avda. Diagonal 532, Barcelona (España)	6	8,085	(68)	--	50.00	4,647
Inmocol One, S.A.U.	Pº de la Castellana 52, Madrid (España)	60	(2)	(1)	--	100.00	60
Inmocol Two, S.L.U.	Pº de la Castellana 52, Madrid (España)	3	8	(1)	--	100.00	13
Inmocol Three, S.L.U.	Pº de la Castellana 52, Madrid (España)	3	8	(1)	--	100.00	13
Utopicus Innovación Cultural, S.L. (*)	c/ Príncipe Vergara 112, Madrid (España)	41	7,542	(8,414)	--	100.00	28,733
Société Foncière Lyonnaise, S.A. (**)	42, rue Washington, París (Francia)	85,729	4,009,052	292,041	--	98.37	2,627,072

* Company audited by PricewaterhouseCoopers
** Sociedad coauditada por PricewaterhouseCoopers y Deloitte & Associés

APPENDIX I- INVESTMENTS IN GROUP COMPANIES

2020	Domicile	Thousands of Euros				% shareholding	Thousands of Euros
		Share capital	Reserves, share premium and interim dividend	Profit/(loss)	Dividend (Note 19)		Net Book Value (Note 9)
Colonial Tramit, S.L.U.	Avda. Diagonal 532, Barcelona (España)	3	6	(4)	--	100.00	23
Inmocol Torre Europa, S.A. (*)	Avda. Diagonal 532, Barcelona (España)	20,000	1,763	(93)	--	50.00	12,080
Peñalvento, S.L.U.	Pº de la Castellana 52, Madrid (España)	2,400	106	(67)	--	100.00	20,755
Wittywood, S.L.	Avda. Diagonal 532, Barcelona (España)	6	4,533	(20)	--	50.00	4,647
Inmocol One, S.A.U.	Pº de la Castellana 52, Madrid (España)	60	--	(2)	--	100.00	60
Inmocol Two, S.L.U.	Pº de la Castellana 52, Madrid (España)	3	--	(2)	--	100.00	3
Inmocol Three, S.L.U.	Pº de la Castellana 52, Madrid (España)	3	--	(2)	--	100.00	3
Utopicus Innovación Cultural, S.L.	c/ Príncipe Vergara 112, Madrid (España)	41	15,976	(8,434)	--	96.81	28,633
Société Foncière Lyonnaise, S.A. (**)	42, rue Washington, París (Francia)	93,058	4,266,589	286,879	--	81.71	2,260,013

* Company audited by PricewaterhouseCoopers
** Sociedad coauditada por PricewaterhouseCoopers y Deloitte & Associés

– **Company situation**

Update on rental markets

Barcelona

Barcelona's office market continues to show a strong recovery, standing at 332,000 sqm by 2021, +240% more than in 2020. Demand in the fourth quarter of 2021 reached 99,000 sqm, +38% higher than the last quarter of 2019 (pre-pandemic). 22@ has concentrated 85% of the demand, mainly in Grade A and B+ offices. The CBD vacancy rate stands at 6.1%, however, the availability of grade A product is very limited. Prime rents aonce again reached an all-time high over the last decade, due to the lack of quality spaces, standing on offer, at €27.5/ sqm/month.

The investment volume in 2021 reached €2 billion, the highest in the last 14 years, and +13% higher than in 2019 (pre-Covid year). The 22@ market followed by the CBD continue to account for more than 70% of transactions. Profitability on prime locations in Barcelona was 3.50%.

Madrid

Demand in the Madrid office market reached 412,000 sqm in 2021, up 22% on the previous year. Increased dynamism was observed in the fourth quarter of 2021 where 131,000m2 were signed, almost double the figure recorded in the same quarter of 2020. In 2021, the CBD and the city centre continue to be the most sought-after areas, accounting for almost 40% of demand. Asset quality remains the main attraction for companies with 61% of demand being signed in A and B+ grade buildings. The availability rate of CBD increases due to the entry of new product to 7.4%, although the availability of Grade A CBD product stands at 3.6%. Prime rents remain stable at €36.5/ sqm/month.

The investment volume reached €655 million, of which the CBD accounts for 60% of total transactions. Profitability on prime locations in Madrid was 3.25%.

Paris

In the Paris office market, the level of take-up improved by +49% compared to the 2020 figure. Likewise, the CBD has already recovered the level of demand of 2019 (pre-pandemic record year) reaching 426,000 sqm and exceeding the 2020 figure by +55%. Unemployment in the Paris CBD fell from 3.9% in the third quarter of 2021 to 3.1%. The shortage of prime product caused prime rents to rise to €930/ sqm/year.

Investment volume in the Paris office market reached €12,663 million in 2021. Core office investment in Paris accounted for more than 60% of total investment in real estate assets in 2021. The prime yield stands at 2.50%.

Organisational structure and functioning

Colonial is a benchmark REIT in the high-quality office market in Europe and has been a member of the IBEX 35, the benchmark Spanish stock market index, since the end of June 2017.

The company has a stock market capitalisation of approximately €4,000 million with a free float of around 44%, and manages an asset volume of more than €12,400 million.

The Company's strategy focuses on creating an industrial value through the creation of prime high-quality products, through the repositioning and transformation of real estate assets.

In particular, its strategy is based on the following:

- A business model focused on the transformation and creation of high-quality offices in prime locations, mainly central business districts (CBD).

- Maximum commitment to the creation of offices that meet the most demanding market requirements, with particular emphasis on efficiency and sustainability.

- A pan-European strategy, diversified in the Madrid, Barcelona and Paris office markets.

- An investment strategy combining core acquisitions and prime factory acquisitions with value added components.

- A clear industrial real estate approach to capture value creation that exceeds the market average.

Today Colonial is a leading European company that specifically focuses on areas in city centres and leads the Spanish property market in terms of quality, sustainability and efficiency in its portfolio of offices.

It has also adopted a comprehensive approach in all areas of corporate social responsibility and aspires to maximum standards of (1) sustainability and energy efficiency, (2) corporate governance and transparency, and (3) excellence in human resources and social actions, making them an integral part of the Group's strategy.

In recent years, the Colonial Group has performed significant non-core asset divestments for €2 billion, with double-digit premiums with respect to the valuation under way.

Likewise, to improve the Group's Prime portfolio, since 2015, Colonial has acquired over €3,900 million of CBD core properties, identifying assets with value added potential in market segments with solid fundamentals.

At the close of 2021, the Colonial Group had a robust capital structure with a solid "Investment Grade" rating. The Group's LTV (Loan to value) stood at 35.8% in December 2021.

The Company's strategy is to consolidate itself as a leader in prime office rentals in Europe, with special emphasis on the Barcelona, Madrid and Paris markets:.

- A solid capital structure with a clear commitment to maintaining the highest credit rating standards – investment grade.

- Attractive returns for shareholders based on recurring return combined with the creation of real estate value based on value added initiatives.

Staff management

Colonial professionals are the Group's main asset. At year end 2021, the Company team comprised a total of 105 employees, divided into 4 categories.

The Company headcount, and the average headcount by job category and gender for the year, is as follows:

	No. of employees at 31 December				Average no. of employees			
	2021		2020		2021		2020	
Job category	Men	Women	Men	Women	Men	Women	Men	Women
General and area management	5	4	5	4	5	4	5	4
Technical graduates and middle managers	10	9	15	8	10	9	16	8
Administrative	25	49	25	46	25	49	24	47
Others	3	--	--	--	3	--	--	--
Total	**43**	**62**	**45**	**58**	**43**	**62**	**45**	**59**

– **Business performance and results**

Introduction

At 31 December 2021, the Company's revenue totalled €220 million, putting the Group's turnover at €317 million.

According to the independent appraisals carried out by CB Richard Ellis and Jones Lang Lasalle in Spain and CB Richard Ellis and Cushman & Walkfield in France, at year end, the investment property and assets classified as held for sale were revalued at €444 million.

The Company's net financial result amounted to €(83) million, bringing the Group's financial result to €111 million.

The Company's profit/(loss) before tax and non-controlling interests at the end of 2021 under Spanish accounting standards €39 million. Group profit/(loss) under international standards for financial results amounts to €563 million.

Lastly, after subtracting profit attributable to non-controlling interests of €(93) million, and income tax of €4 million, the profit after tax attributable to the Group amounted to €474 million.

2021 Annual results - Return to growth

Total shareholder return of +9% reaching an NTA of €12/share.

1. ***Growth in Net asset value (NTA) up to €6,495 m, +13%.***

Colonial closed out 2021 with an NTA (Net Tangible Assets) of €12.04/share, thus representing an increase of the year-on-year value of +7%, which, together with a paid dividend of €0.22/share, resulted in a total return for the shareholder of 9%.

In absolute terms, the net value of the assets amounts to €6,496m, an annual increase of +13%, more than €768m increase in value in one year.

This significant growth in NTA has been generated by an industrial real estate strategy with a significant component of "Alpha" returns and has been mainly due to:

1. A strong increase in value of prime portfolios in all three markets driven by strong demand for prime Grade A buildings.

2. Solid fundamentals of Colonial's assets with high occupancy levels and solid rent increases, especially the strength of the Paris portfolio.

3. Significant progress in the project portfolio, in particular the delivery and leasing of the Prime Marceau project in Paris and the Diagonal 525 project in Barcelona.

4. The acceleration of the renovation programme substantially improving rental levels as well as asset values.

5. The successful execution of the takeover bid for Société Foncière Lyonnaise on attractive terms for Colonial shareholders.

2. Increase in value of the real estate portfolio of +6% like for like

The asset value of the Colonial Group at the end of 2021 amounted to €12,436 million €(13,091 million, including transfer costs), an increase of 6% like-for-like in y-o-y terms.

The portfolios in the three cities show very solid growth, the portfolios in Paris and Barcelona have increased by +6% like for like respectively and the properties in Madrid by +7% like for like.

Overall, value growth accelerated in the second half of the year with an increase of +4% like for like for all properties.

Asset value growth is underpinned by (1) growing market demand for prime city centre properties, (2) the strong fundamentals of Colonial's portfolio with 96% occupancy and signed rents in the high end of the market and (3) the successful generation of "Alpha" real estate value through the Project Portfolio and the Renovation Programme.

€349m of Non-Core assets were divested in 2021 at a premium to valuation of 11%. More than €263m relates to the completion of two sales in Paris, which were part of last year's Alpha V programme. Colonial also divested two non-strategic assets in Spain in the second half of 2021, optimising the prime profile of the Group's portfolio.

At 31 December 2021 the exposure of Colonial's property portfolio to CBD areas was 80%, +266bp compared to the previous year and 95% of the portfolio in operation has energy efficiency certification, an improvement of 252bp compared to the previous year.

Including the impact of net divestments, the value of assets increased by +3% compared to the previous year.

Net result of €474m and recurrent net result of €128m

1. Net result of €474m, +€471m compared to previous year

The Colonial Group ended 2021 with net profit of €474 million, +€471 million with respect to the close of last year.

The significant increase in the net result is due to:

1. A strong increase in value of prime portfolios in all three markets driven by strong demand for prime Grade A buildings.

2. The significant progress in the project pipeline and the acceleration of the renovation programme substantially improved rental levels as well as asset values.

3. The successful execution of the acquisition of a 16.6% stake in Société Foncière Lyonnaise on very attractive terms for Colonial shareholders.

4. A solid recurring net result of over €128m based on a portfolio of assets with high occupancy levels and solid rental growth, in particular in the Paris portfolio.

2. Recurring net profit of €24.6Cts/share, reaching the high end of the forecast range.

Colonial closed the year with a recurring net profit of €128m, corresponding to €24.6/share, reaching the high end of the forecast range the company communicated to the capital markets of €23-25 Cts.€/share.

It is worth noting the strong acceleration of the result in the fourth quarter due to the inflation increases captured by the indexation clauses of the Colonial Group's contract portfolio. The recurrent net result also reflects strict management of operating and structural costs.

Compared to the previous year, the recurring net result has decreased as it reflects the impact of the divestments of non-strategic assets as well as the acceleration of the renovation programme.

1. The execution of the divestment programme for non-strategic properties with premiums on appraisals led to a y-o-y reduction of €13 million in net earnings due to lower rent, in exchange for improving the cash flow quality of the post-sales portfolio.

2. The commencement and acceleration of the portfolio renewal programme to reposition portfolio properties with an important value creation and future cash flow potential based on a real estate transformation of assets. This programme represents a temporary rotation of tenants, which had a negative impact on EBITDA from rentals of €16 million on 2021 profit and loss.

Active management in these buildings has a temporary impact on income, in return for increasing the level of rents of the portfolio once re-let, as well as the potential for value creation in each asset.

3. Comparable recurring net profit higher than in the previous year

Excluding the impact of active portfolio management, comparable recurring net profit was €158m, +15% higher than in the previous year.

Comparable recurring net earnings of per share (recurring EPS) were €30.43, +12% higher than in the same period of the previous year.

4. Rental income of €314m, +2% like for like

Colonial closed 2021 with rental income of €315m, 8% lower than the previous year due to 1) the divestments of non-strategic assets executed in 2020 and early 2021; and 2) the acceleration of the Group's renovation programme.

On a comparable basis, rental income increased by +2% compared to the same period of the previous year.

5. EBITDA from rents of €293M, + 3% like for like

Net income from expenses (EBITDA from rentals) increased by +2% in comparable like-for-like terms, driven by the +6% increase in the Paris portfolio.

Significant acceleration of operational fundamentals

1. More than 170,000m2 of contracts signed: second highest figure in Colonial's history

The Colonial Group closed 2021 with 118 office rental contracts, corresponding to 170,344 sqm, exceeding the previous year by +75%.

This volume of contracts signed is the second highest in Colonial's history, second only to 2019, a year of record results in all metrics.

In financial terms (square metres formalised multiplied by rents signed), the volume of contracts doubled the volume of the previous year (+114% vs. 2021), formalising contracts for an annualised amount of rents of more than €77m.

2. Acceleration of hiring in the second half of the year increased occupancy to 96%.

The second half of the year saw an acceleration with the signing of more than 110,000 sqm (higher than the 12-month commercial effort of the previous year). Both the third and fourth quarters exceeded more than 50,000 sqm of signed contracts, with high volumes in the Madrid & Paris portfolios.

It is worth noting that 2/3 of the contracts signed in the fourth quarter were for new builds, mainly from the renovation programme, improving the Group's occupancy rate by more than 250 bps in one quarter to 96% (notably the high occupancy rate of the Paris portfolio of more than 98%).

3. *Rent capture in the high end of the market: polarisation effect of the Grade A portfolio*

In 2021, the Colonial Group signed contracts with rental prices in the high end of the market.

The maximum rent signed in the Group's portfolio reached 930 euros/ sqm/year in Paris, as well as 35 euros/ sqm/month in Madrid and 28 euros/ sqm/month in Barcelona. With these price levels, Colonial's portfolio clearly marks the “prime” reference in each of the markets in which it operates.

Colonial's portfolio allows it to attract quality demand at maximum prices, given its prime location, its high levels of quality and eco-efficiency of the properties and with carbon footprint ratios among the lowest in the market. In particular, the average carbon intensity of the properties where contracts have been signed reaches 7 kgCO2e/ sqm (carbon intensity of Scope 1&2), one of the most eco-efficient levels in the sector in Europe.

76% of the 170,344 sqm signed in 2021 corresponds to buildings located in the CBD areas of Madrid and Barcelona, as well as in the CBD and the central 7th arrondissement of Paris.

4. *Acceleration of market rents growth in the fourth quarter*

Growth in portfolio market rents, with acceleration in the fourth quarter

The Colonial Group closed the year with a +5% increase in rental prices compared to the market rent (ERV) as of December 2020. The highest growth was recorded in the Paris portfolio, where prices were +8% above the market rent as of December 2020.

Of particular note was the acceleration of growth in the last quarter of the year with an increase of +8% compared to market income. The Barcelona portfolio has registered an increase of +10% over the market return at December 2020, followed by Paris and Madrid with +9% and +5% respectively.

Solid double-digit rent increases in renovations in Barcelona

Release spreads (signed rental prices vs. previous rent) at year-end stand at +7% for 2021. These ratios highlight the reversionary potential of Colonial's contract portfolio with significant room for improvement in current rents. Noteworthy was a high release spread in the Barcelona portfolio of +24%.

Project portfolio - additional income & value creation

1. *Delivery of Diagonal 525 in Barcelona CBD and 83 Marceau in Paris CBD*

The delivery in 2021 of Diagonal 525 in Barcelona CBD and Marceau in Paris prime CBD represents revenues of €11m per annum and a value creation of more than €175m over the total project cost.

Diagonal 525 – CBD Barcelona

- Naturgy's headquarters with a 10-year contract of obligatory compliance
- Rent signed at 28/ sqm/month - benchmark rent in prime Barcelona and double the rent of the previous contract.

83 Marceau – Prime CBD Paris

- 100% leased at maximum market rents
- Goldman Sachs is the main tenant occupying 6,500 sqm on a 12-year lease.
- 2022 the first year with the full income impact (entry into operation in the last quarter of 21)

2. Progress on projects to be delivered by 2022 with significant market shares

In 2022, more than 48,500m2 will come into operation in Madrid and Paris with a significant impact both in terms of value creation and revenues for the Colonial Group.

Velázquez 86D – CBD Madrid

- 1,900 sqm leased retail space to date-11% of the building
- Advanced talks for half of the building.
- Delivery planned for the first half of 2022

Miguel Ángel 23 – CBD Madrid

- Net zero building, one of the most eco-efficient buildings in Madrid
- Advanced talks with potential customers for the whole.
- Delivery planned for the first half of 2022

Biome – Paris City Centre (15eme Arrond.)

- 12 potential customers have already visited the asset
- Potential interest with large demands from the audio-visual and technology sector
- Delivery planned for the second half of 2022

Renovations programme

The Colonial Group continues with its renovation programme of 110,000 sqm on 9 assets in its portfolio. During the second half of 2021, 35,000 sqm of leases were signed, corresponding to annual rents of €22m.

1. Acceleration of the renovation programme in Paris

The renovation programme in Paris includes 32,000 sqm. During the second half of 2021, the marketing of these areas accelerated with contracts for more than 27,800 sqm signed, representing 88% of the total renovation programme in Paris, with rents at the high end of the market.

2. Commercial acceleration in Madrid and Barcelona

In Spain, commercial activity was reactivated during the last quarter of the year, with the first pre-lettings signed in December 2021.

In Madrid, 47% of the Cedro building in Alcobendas has been leased at above-market rates and talks to lease the remaining 53% are at an advanced stage. At Ortega y Gasset, work is underway to close the lease of around 40% of the building in the first quarter of 2022.

In Barcelona, the Diagonal 530 building is already in the marketing phase, attracting prime demand in the city. Work on the main tower of Torre Marenostrum continues and will be delivered in the first quarter of 2022. At Parc Glories II, the departure of the current user has been arranged for December 2022 and repositioning work will begin during the first quarter of 2023.

Growth through acquisitions

Alpha VI Corporate Transaction and new Alpha VII acquisition programme

1. ***Alpha VI - Colonial takes 98.3% stake in SFL***

In the first half of 2021, the Colonial Group announced its intention to strengthen its stake in its Paris subsidiary SFL through the joint acquisition of Colonial & SFL, the remaining SFL shares belonging to Predica and other minority shareholders through a mixed voluntary takeover bid. This transaction was successfully completed during the third quarter of 2021.

On 4 August 2021, a share swap took place, whereby SFL acquired from Predica the non-controlling interests in the subsidiaries SCI Washington (34%) and SAS Parholding (50%) in exchange for non-controlling interests in SCI Paul Cézanne (49%), SCI 103 Grenelle (49%), SAS Cloud (49%) and SAS 92 ChampsElysées (49%).

The agreement between Colonial and Predica was also formalised, under which shares corresponding to 5% of SFL were delivered in exchange for new Colonial shares representing 4.2% of the shareholding.

On 8 September 2021, the mixed voluntary takeover bid process for 5% of the shares held by SFL's minority shareholders was completed. The public offer launched by Colonial was very well received and finally, after the closing of these operations, Colonial's stake in SFL increased from 81.7% to 98.3%.

The transaction leads Colonial to consolidate its leadership position in the prime office sector in Europe, reinforcing its positioning on the French market, the leading European office market and, in particular, it will enable it:

1. Increase its exposure to quality offices through investments of almost €1 billion in prime Paris real estate and in particular increased exposure to large projects in Paris with high value creation potential.

2. Simplification of the Colonial Group's shareholding structure and increase of the company's free float by approximately €400m (in NTA terms).

3. To create value for Colonial's shareholders with a positive impact on earnings per share and improving the capital structure.

2. ***Alpha VII - launch of new procurement programme***

The Colonial Group relaunched its investment activity by acquiring 2 assets for a total value of €500m and annual rental income of than €24m. It also recycled capital by divesting the secondary assets of Parc Cugat and Mercedes Open ParK for a total sales price of €66m and a premium over appraisal of 6%.

Acquisition of Danone's headquarters - Barcelona CBD

At the end of 2021, the Colonial Group acquired the Buenos Aires 21 asset in Barcelona at a price of less than €5,400/ sqm.

The property has a surface area of 8,784 sqm above ground level and is located in the prime area next to Barcelona's Diagonal. The asset is the headquarters of the multinational food company Danone with a binding contract until 2029. The acquisition of the asset includes a project to renovate the façade and common areas of the building, which will improve the energy efficiency of the asset and enable it to obtain Leed Gold certification.

This acquisition shows, once again, how the Colonial Group is able to recycle capital invested in secondary areas and invest it in CBD areas, creating returns for shareholders.

Acquisition of Amundi's headquarters in the centre of Paris - 15eme Arrondissement

In February 2022, the Colonial Group through SFL reached a "promesse de vente" agreement to purchase the 91 Pasteur building of over 40,000 sqm located in the centre of Paris (15th arrondissement). The asset is the headquarters of Amundi, one of Europe's leading financial asset managers listed on Euronext.

With this investment, the Group incorporates the seventh largest office asset in Paris. This property offers a floor plan of more than 2,000 sqm, lots of light and a very efficient layout. The building was fully renovated in 2012 and limited capex investment is foreseen. It already has HQE and Breeam energy certifications.

The property is located in the heart of the 15th arrondissement of Paris, close to Montparnasse station, a market in full renovation. It is a market with excellent public transport connections that attracts high demand for office space. All the large buildings in the area have projects approved for renovation in the next 5 years, a sign of the dynamics of this submarket.

Divestitures of non-strategic assets – Parc Cugat and Las Mercedes

During the second half of 2021, the Colonial Group executed the sale of two secondary assets: the Parc Cugat office building in Sant Cugat del Vallés and the Mercedes Open Park commercial asset. Both transactions have been closed at a price with a total premium of 6% over GAV.

Parc Cugat is located in the peripheral submarket of Sant Cugat del Vallés, in Barcelona, and has a limited future value creation perspective due to its secondary nature and location in an environment with a complicated path for increasing rents.

Las Mercedes Open Park is a non-core commercial asset from the acquisition of Axiare. This asset, located in a secondary commercial area in Madrid, requires investment in refurbishment, as well as active management of its tenants.

3. ***Launch of a new investment programme***

With the execution of Alpha VI and the new organic acquisition programme Alpha VII, the company once again became a net investor in 2021 and 2022.

In the first quarter of 2021, the final part of the 2020 disposal program was formalised for €283m. Specifically, the sale of the two mature core assets in Paris were notarized: 112 Wagram and 9 Percier, as well as the retail asset Les Gavarres in Tarragona coming from the Axiare acquisition.

Leadership in ESG and Decarbonisation:

1. European leadership in eco-efficient buildings
   - 95% of the assets in operation have maximum energy certificates.
   - Substantial improvement of 252bp in one year
2. CDP: Top score the leading carbon index - Score A
   - Europe's only office real estate company with an A rating
   - Only five estate agents in Europe
   - Only 12 estate agencies worldwide
   - Part of a select group of 200 companies out of a total of more than 13,000 companies worldwide.
3. GRESB: Leading score among listed Western European office companies - Score 94/100
   - Continued improvement in GRESB, climbing more than 30 points in recent years

- GRESB Development Benchmarking Report 97/100

4. VIGEO: Rating in the high end of the sector - A1+ score

   - Top 3% of the 4,892 companies rated worldwide
   - 4th out of 90 companies in the financial services sector - Real Estate
   - 36% increase in score in two years

5. SUSTAINALYTICS: Good ESG policy management - Score 10.1 points

   - Top 21 of the 431 listed real estate companies analysed.
   - Awarded Best Industry Rating 2022, as well as Best Regional Rating

6. MSCI: Benchmark rating for listed companies - A rating

   - Internationally top-ranked and ahead of its competitors
   - Strong score on Corporate Governance

7. FTSE4Good: Rating in the high end - 4/5 score

   - Rating above the Office Reits sector average and the Spanish average
   - 96% percentile rank in the Real Estate sub-sector BCI

A solid capital structure

1. Colonial Group converts all its current bonds into "green" bonds

In February 2022, Colonial and its French subsidiary SFL successfully converted all of the Company's bonds, for a total amount of €2,812 million (€4,602 million in the Group), into "green bonds", following the approval of its bondholders. Colonial reached this milestone after guaranteeing the holding of a portfolio of environmentally sustainable investments with a value equal to or greater than the value of its financing. With this transaction, Colonial becomes the first IBEX-35 company to have all of its bonds rated as "green". This type of debt is intended to finance "green assets", which are assets that have a positive impact on the environment. It is the Group's intention that any bonds proposed to be issued in the future will be issued as "green bonds".

2. Liability Management

In 2021, the Company successfully executed an active management of its debt ("Liability Management"), for €625 million (more than €1 billion in the Group). In particular, the following operations were carried out:

1. In June and July, Colonial issued €500 million of bonds, which were subsequently increased to €625m. The issue matures at eight years, with a coupon of 0.75%, the lowest in the Group's history to date.

   At the same time, Colonial announced the repurchase of all of its bonds maturing in 2023, which amount to €306 million and accrue an annual coupon of 2.728%. In addition, it announced the repurchase of €306 million of its bonds maturing in 2024.

2. In August and September this year, SFL repurchased all of its bonds maturing in November 2021, with an outstanding nominal amount of €250 million and bearing a coupon of 1.88%. It also made an early repayment of a mortgage-backed loan maturing in July 2022 for a total amount of €196m.

3. In October 2021, SFL completed a bond issue in the French market for a total amount of €500m maturing in April 2028. The issue reached a coupon of 0.5%, the lowest level in the group's history.

As at 31 December 2021, the Group's spot cost of finance is 1.4%, 30 b.p. lower than in the previous year.

3. A strong balance sheet for future growth

At year-end 2021, the Colonial Group has a solid balance sheet with an LTV of 35.8%.

The Company's available balances amounted to €94 million (€2,359 million for the Group), among cash and undrawn credit facilities. This liquidity allows the Group to secure its financing needs for the coming years by covering debt maturities until 2024.

Colonial's solid financial profile allows it to maintain a BBB+ credit rating from Standard & Poor's, the highest in the Spanish real estate sector.

Solid basis for future growth from 2021 results

Earnings per share growth acceleration from 2022 onwards

Colonial closed 2021 with a return to growth and solid results in all metrics

The Group is also progressing multiple future growth initiatives:

1. Operation Alpha VI - Acquisition of SFL

- Increase of Colonial's stake in SFL from 81.7% to 98.3%, on attractive terms for Colonial shareholders.
- Increased exposure to prime assets and product in the Paris market, with strong growth profile
- Potential financial-tax optimisations with positive medium-term impact

2. Reversal potential in the portfolio

- Price reversal: The impact of renewing all contracts in the contract portfolio at current market prices is €20 million of additional annual rent. This impact is +11% for the Paris contracts and +19% and +10% for the Barcelona and Madrid portfolios.
- Reversion due to occupation: The impact of renting all available space in the comparable portfolio (excl. projects and the renovation programme) at current market prices (without growth & inflation) will amount to € 15 million of additional annual rents.

3. Project portfolio - €79 million in annual rent

- Colonial manages a project portfolio of more than 189,000 sqm with more than €79 million in annual rents.
- 2021 deliveries: Diagonal 525 in Barcelona and 83 Marceau offer €11 million in annual rents, of which only €4.5 million were registered in 2021 as they have not been in operation all year.
- Expected deliveries of more than 49,000 sqm by 2022: with solid interest in Michelangelo 23, Velazquez 86D and Biome progressive impacts of higher rents in 2022 with consolidation in 2023
- > 2023 deliveries: more than € 44 million of additional rents of which €16 million in Louvre Saint Honoré already pre-let.

4. ***Renovations programme - More than €40 million of additional annuities***

   More than 107,000 sqm in the renovation programme of which 64,000 sqm is already pre-let as of today.

   · Delivery of more than 41,000 sqm by 2022, of which 39% is already pre-let.

   · Delivery of more than 17,000 sqm in 2023-24.

   · Recurrent analysis of new repositioning opportunities.

5. ***Procurement programme - More than €20 million of additional short-term annuities***

   · Purchase of Danone's headquarters in Barcelona CBD (€2 million annual rents).

   · Purchase of Amundi's Paris headquarters (€22 million annual income, only partially in 2022).

   · New medium-term acquisition programme and tactical rotation of non-core assets

   · Over €2.140 million of loans available for future acquisitions & project development

6. ***Capture of high levels of indexation (IPC)***

   · The group's contract portfolio is well positioned to capture the positive impacts of the indexation at the beginning of the year in the three markets where it operates.

   · There are no cap clauses in rental contracts that could limit this effect.

7. ***Accelerating rental growth for Grade A assets in CBD areas***

   The trend of demand polarisation is driving the growth of Grade A assets in CBD.

   · The Paris market offers strong rental growth for premium product given the low supply and strong demand with very positive prospects for the future.

   · The Barcelona and Madrid markets offer a very attractive growth profile for Grade A product in the CBD, also reflected in the acceleration to the end of 2021.

Analyst consensus

In 2021, two analysts opened new coverage of Colonial, bringing the total number of analysts to 21. The consensus average price target is above €9.3/share.

It should also be noted that more than 60% of the 21 analysts who follow the company recommend buying Colonial shares, compared to 36% in December 2020.

– **Liquidity and capital resources**

See "Capital management and risk management policy" under Note 14.15 to the consolidated financial statements for the year ended 31 December 2021.

The Average Payment Period (APP) of the Company to its suppliers 2021 was 28 days (29 days for the Group). With regard payments made after the legally established period, note that these are primarily payments relating to works contracted and property refurbishment, which are paid within the payment terms stipulated in the contracts signed with the various contractors.

The Group has established two payment days per month to comply with the requirements set forth in Law 11/2013, of 26 July. Accordingly, invoices are received on the 5th and the 20th of each month and the related payments are made on the 5th and the 20th of the following month.

– **Risk management policies and objectives**

Asset management is exposed to various internal and external risks and uncertainties, which may have an impact on Colonial's activities. Colonial's objective is therefore to create sustainable value by optimising the relationship between profitability and risks, which is constantly evolving in financial, environmental, social and economic areas, among others. This balance, together with a holistic and dynamic view of risk, reinforces Colonial's leadership in the sector and consolidates its long-term position. Risk management is a key aspect of Colonial's organisational culture and for this reason, the Group has developed the Colonial Risk Management and Control System (hereinafter, SCGR), establishing the bases for efficient and effective risk management throughout the organisation.

To comply with these corporate objectives, the risks to which Colonial is exposed are identified, analysed, assessed, managed, controlled and updated. To maintain an effective updated RMCS, Colonial prepares a corporate risk map, which identifies the main risks affecting the Group and assesses them in terms of impact and the probability of occurrence. This map is reviewed and updated frequently each year to obtain an integrated dynamic risk management tool, which evolves with the changes in environment in which the Company operates and the changes in the organisation itself.

The main responsibilities in relation to the RMCS correspond to the Board of Directors, the Audit and Control Committee and the internal audit unit. The RMCS also expressly determines the responsibilities of senior management, operational divisions and other risk owners with respect to risk management.

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

- Submit a report on risk policy and risk management to the Board for approval.
- Periodically review risk management and control systems to adequately identify, manage and report key risks.
- Oversee the process of preparation, the completeness and presentation of mandatory public reporting (both financial and non-financial).

Also, Colonial has formed the regulatory compliance and internal audit units as tools to reinforce this objective. The regulatory compliance unit is responsible for overseeing the adequate compliance with the regulations and laws that may affect the performance of its activities and the internal audit function is responsible for performing the supervision activities required, envisaged in its annual plans approved by the Audit and Control Committee, to assess the effectiveness of the risk management processes and of the action plans and controls implemented by the corresponding departments to mitigate said risks.

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

- External risks: risks relating to the environment in which Colonial carries out its activity and which influence and condition the company’s operations.
- Internal risks: risks arising from the activity of the Company and its management team.

The main external risks facing Colonial in the attainment of its objectives include the following:

- Economic risks arising from the political and macroeconomic climate in the countries in which it operates and changes in investors' own expectations.
- Market risks, arising from changes in the sector and the business model, from the greater complexity in developing the investment/divestment strategy and from the fluctuations of the real estate market with an impact on the valuation of real estate assets.
- Financial risks, related with restrictions on capital markets, fluctuating interest rates, the impact of changes in tax regulations (mainly due to the REIT system) and those of the counterparty of the main clients.
- Environmental risks, arising from the most demanding ESG requirements, and mainly those related with the impact of climate change on the Group's activity.

The main internal risks facing Colonial in the attainment of its objectives include the following:

- Strategic risks in relation with the Group's size and diversification, with the asset portfolio breakdown and the market strategy of coworking.
- Diverse operating risks related with the maintenance of occupancy levels of properties and the level of rental agreements, with the development of projects in terms and costs, with the management of debt levels and the current credit rating, with cyberattacks or failures in reporting systems, together with those specific to the management of the organisational structure and talent.
- Risks arising from compliance with all contractual regulations and obligations applicable to it, including the tax risks related with the loss of REIT status by Colonial or its status of listed real estate investment company (LREIC) by its French subsidiary Société Foncière Lyonnaise.

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

- Protection and support for all employees
- Asset protection
- Portfolio analysis and customer service
- Review of the project and investment portfolio
- Continuation of the plan to divest non-strategic assets
- Financial measures focused on ensuring liquidity and strengthen the Group's solvency
- Strengthening internal and external communication

The Group has shown a high degree of resilience in the face of this crisis, in particular at the strategic, operational and financial levels. In 2020, the company reviewed its corporate risk map and analysed risk performance as a result of this crisis by identifying and monitoring risks, assessing and anticipating possible impacts, reviewing control measures and adopting the appropriate decisions in each of these areas in order to mitigate their impact and guarantee the Group's operations.

Despite all these measures, there is still a high degree of uncertainty about the impact of this crisis from an economic point of view, in particular in terms of job destruction and the destruction of the business fabric, with the consequent impact on the real estate sector.

– **<u>Events after the reporting period</u>**

From 31 December 2021 to the date on which these consolidated financial statements were authorised for issue, no significant events took place with the exception of :

- On 4 January 2022, the Parent announced the termination of the former liquidity contract entered into with Renta 4 Banco, S.A. on 10 July 2017. (Note 14-e), which has been replaced by a new one with Banco Sabadell, S.A.
- On 17 February 2022, the Parent announced that the bondholders' meetings have approved the conversion of all of the Group's outstanding bonds into green bonds.
- On 22 February 2022, the Parent reached an agreement with the financial institutions participating in the 1 billion euro credit line, extending its maturity to November 2026 (Note 16-c).
- On 24 February 2022, SFL signed a pledge agreement for the purchase of a property in the centre of Paris. The final acquisition is expected to take place in the first half of 2022.

– **<u>Future outlook</u>**

The COVID-19 pandemic significantly affected both our domestic markets and global economy in general. However, the global economy is now beginning to recover, but still faces many challenges that are being overcome thanks to the stimulus provided by the strong deployment of expansionary economic policies and the good response of vaccines to the virus.

There is a majority opinion of a recovery of 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 the evolution of the health crisis.

At present, all international organisations are estimating significant GDP growth, with a good outlook in Europe and in the markets in which Colonial operates: Spain and France.

Barcelona and Madrid-

With regard to the quality office market in Barcelona and Madrid, the fundamentals remain strong with a better outlook than in secondary areas. The demand for quality assets in prime locations has been growing, mainly due to the need to attract talent in high value-added companies, to offer the best working environment to their employees and to have the best mobility options. Rents have recovered to pre-pandemic levels and it is expected that by 2022, rents will be set gradually, depending on the quality of the properties, their location and exclusivity.

Likewise, investor appetite is expected to continue for prime office products. In a climate of low interest rates, the current spread level of real estate yields with respect to the 10-year bond stood at around 300 basis points.

Paris-

Paris is one of the world's most important markets and has high liquidity.

Today the availability of office space in the best areas of the city was less than 6%. The lack of a combined product with the high demand of companies for Prime products means that consultants foresee that office rentals will remain at high levels. In this regard, at the end of the second half of 2021, prime location rentals stood at levels of 930 euros/ sqm/year.

With respect to the volume of investment, the interest of foreign capital for prime office buildings continues to be very high, with various operations under way, which will be concluded in the coming weeks. Prime yields remain stable at 2.75% and even below in one-off operations.

Future strategy-

In this market context, Colonial's strategy continues to be committed to long-term value creation in the prime office sector, with the focus on quality and yields adjusted to risk, and with a strong credit rating and liquidity position.

– **Research and development activities**

As a result of the nature of the Group, its business activities and structure, Inmobiliaria Colonial, SOCIMI, S.A. does not habitually carry out any R&D activities.

– **Own shares**

At 31 December 2021, the Company had 8,172,507 treasury shares with a nominal value of €20,431 thousand, which represents 1.51% of the Company's share capital.

– **Other relevant information**

On 10 December 2015, the Company's Board of Directors agreed to adhere to the Code of Best Tax Practices. This resolution was reported to the tax authorities on 8 January 2016.

– **Annual Report on Corporate Governance**

Pursuant to Article 538 of the Spanish Limited Liability Companies Law, it is hereby noted that the Annual Corporate Governance Report for 2021.

– **Alternative Performance Measures (European Securities and Markets Authority)**

The following glossary of the Alternative Performance Measures includes the definition and relevance thereof for Colonial in accordance with the guidelines 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.

Alternative Performance Measure .	**Calculation method**	**Definition/Relevance**
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation)	Calculated as “Profit from operations” adjusted by "Depreciation and amortisation charge", “Variations in value of investment properties” and “Gains/(losses) due to changes in value of assets and impairment”.	Indicator of the profit generating capacity of the Group, considering only its productive activity, eliminating any provisions for amortisation, debt and tax effects.
Gross financial debt (GFD)	Calculated as the sum of the items “Bank borrowings and other financial liabilities”, “Issuance of bonds and other similar securities” and "Promissory notes", excluding “Interest” (accrued), “Arrangement expenses” and “Other financial liabilities” in the consolidated statement of financial position.	Relevant indicator to analyse the Group's financial position.
Net financial debt (NFD)	Calculated by adjusting in gross financial debt the item "Cash and cash equivalents".	Relevant indicator to analyse the Group's financial position.
EPRA[1] NTA (EPRA Net Tangible Assets)	Calculated based on the Company's equity, adjusting specific items according to EPRA recommendations.	Standard analysis ratio for the real estate sector, 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, any taxes that would be accrued with the sale of assets at market value, applying the tax assets available to the Group, taking into account the going concern criteria.	Standard analysis ratio for the real estate sector, recommended by EPRA.
EPRA Earnings and Recurring net income	Calculated in accordance with EPRA recommendations, adjusting certain items to the net profit for the year attributable to the parent company.	Standard analysis ratio for the real estate sector, recommended by EPRA.
Market Value excluding transaction costs or*Gross Asset Value (GAV) excluding transfer costs*	Appraisal of all the assets in the Group's portfolio carried out by external appraisers to the Group, deducting the transaction costs or *transfer costs.*	Standard analysis ratio for the real estate sector.

EPRA ([1]European Public Real Estate Association*) which recommends the standards for best practices to follow in the* property sector. The calculation method of these APM has been carried out following the instructions established by EPRA.

Alternative Performance Measure .	**Calculation method**	**Definition/Relevance**
Market Value including transaction costs or *GAV including transfer costs*	Appraisal of all the assets in the Group's portfolio carried out by external appraisers to the Group, before deducting the transaction costs *transfer costs*.	Standard analysis ratio for the property sector.
Like-for-like rentals	Amount of rental income from leases included in the item "*Revenue*" comparable between the two periods. To obtain these, the rental income from investments or divestments made between both periods are excluded, together with those from assets included in the portfolio of projects and renovations, as well as other atypical adjustments (for example, compensation for early termination of lease agreements).	This permits the comparison, on a like-for-like basis, of the changes in the rental income of an asset or group of assets.
Like-for-like appraisal	Market Value excluding transaction costs or the Market Value including transfer costs, comparable between the two periods. To obtain these, the rental income from investments or divestments made between both periods are excluded.	This permits the comparison, on a like-for-like basis, of the changes in the market value of the portfolio.
Loan-to-Value Group or LtV Group	Calculated as the result of dividing the net financial debt between the Market Value including transaction costs of the Group's asset portfolio.	This permits an analysis of the relation between the net financial debt and the appraisal value of the Group's asset portfolio.
LtV Holding or LtV Colonial	Calculated as the result of dividing the Gross financial debt less the amount of *"Cash and cash equivalents"* of the Parent and the Spanish subsidiaries wholly owned thereby between the sum of the market value, including transaction costs of the asset portfolio of the Group's Parent and the Spanish subsidiaries wholly owned thereby, and the EPRA NTA of the rest of the financial investments in subsidiaries.	This permits an analysis of the relation between the net financial debt and the appraisal value of the portfolio of assets of the parent company of the Group.

The*Alternative Performance Measures*included in the above table are based on items in the consolidated annual financial statements of Inmobiliaria Colonial or on the breakdown of the items (sub-items) included in the corresponding explanatory notes to the financial statements, unless otherwise indicated below.

Below follows a reconciliation of those alternative performance measures whose origin does not fully derive from items or sub-items in the consolidated annual financial statements of Inmobiliaria Colonial, as provided for in paragraph 28 of the aforementioned recommendations.

The*Alternative Performance Measures*included in the above table are based on items in the consolidated annual financial statements of Inmobiliaria Colonial or on the breakdown of the items (sub-items) included in the corresponding explanatory notes to the financial statements, unless otherwise indicated below.

Below follows a reconciliation of those alternative performance measures whose origin does not fully derive from items or sub-items in the consolidated annual financial statements of Inmobiliaria Colonial, as provided for in paragraph 28 of the aforementioned recommendations.

- **EPRA NTA (EPRA Net Tangible Assets)**

	Millions of Euros	
EPRA NAV (EPRA *Net Asset Value*)	**31.12.2021**	**31.12.2020**
"Equity attributable to shareholders of the Parent"	**5,999**	**5,401**
Includes/excludes:		
Adjustments of (i) to (v) in relation to the interests of strategic alliances	--	--
Diluted NTA	**5,999**	**5,401**
Includes:		
(ii.a) Revaluation of investment assets	--	--
(ii.b) Revaluation of assets under development	--	--
(ii.c) Revaluation of other investments	149	64
(iii) Revaluation of finance leases	--	--
(iv) Revaluation of inventories	12	10
Diluted NTA at Fair Value	**6,160**	**5,475**
Excludes:		
(v) Deferred taxes	351	233
(vi) Market value of financial instruments	(15)	19
EPRA NTA	**6,496**	**5,727**
Number of shares (millions)	540	508
EPRA NTA per share	12	11

- **EPRA NDV (Net Disposal Value)**

	Millions of Euros	
EPRA NAV (EPRA Net Disposal Value)	**31.12.2021**	**31.12.2020**
"Equity attributable to shareholders of the Parent"	**5,999**	**5,401**
Includes/excludes:		
Adjustments of (i) to (v) in relation to the interests of strategic alliances	--	--
Diluted NDV	**5,999**	**5,401**
Includes:		
(ii.a) Revaluation of investment assets	--	--
(ii.b) Revaluation of assets under development	--	--
(ii.c) Revaluation of other investments	149	64
(iii) Revaluation of finance leases	--	--
(iv) Revaluation of inventories	12	10
Diluted NDV at Fair Value	**6,160**	**5,475**
Excludes:		
(v) Deferred taxes	--	--
(vi) Market value of financial instruments	--	--
Includes:		
(ix) Market value of the debt	(203)	(280)
(xi) Real estate transfer tax	--	--
EPRA NDV	**5,957**	**5,195**
Number of shares (millions)	540	508
EPRA NDV per share	11.03	10.22

▪ EPRA Earnings and Recurring net income

EPRA Earnings and Recurring Net Income	Millions of Euros	
	31.12.2021	31.12.2020
Net profit/(loss) attributable to the Group	**474**	**2**
Net profit/(loss) attributable to the Group - Cts€/share	***91.10***	***0.47***
Includes/(excludes):		
(i) Changes in value of investments, investment projects and other interests	(443)	78
(ii) Profit or loss of sales of assets, investment projects and other interests	1	(2)
(iii) Profits or losses on sales of assets held for sale including changes in the value of such assets	--	--
(iv) Tax for sale of assets	--	--
(v) Impairment of goodwill	--	--
(vi) Changes in the value of financial instruments and cancellation costs	30	31
(iv) Deferred tax for considered EPRA adjustments	(9)	(4)
(ix) Adjustments from (i) to (viii) in respect of joint ventures (unless included by proportionate consolidation)	--	--
(x) Minority interests in respect of the above items	66	27
EPRA Earnings (pre-adjustments specific to the company)	**120**	**133**
Adjustments specific to the company:		
(a) Extraordinary contingencies and charges	10	3
(b) Non-recurring profit/(loss)	--	2
(c) Tax credits	--	--
(d) Minority interests in respect of the above items	(2)	--
Recurring Net Profit (post company specific adjustments)	**128**	**138**
Average number of shares (millions)	520.1	508.1
Recurring Net Profit (post company specific adjustments) - Cts€/share	***24.59***	***27.06***

▪ Market value excluding transaction costs or GAV excluding transfer costs

Market value excluding transaction costs or GAV excluding transfer costs	Millions of Euros	
	31.12.2021	31.12.2020
Barcelona	1,423	1,333
Madrid	2,518	2,441
Paris	6,633	6,616
Operating portfolio	**10,574**	**10,390**
Projects	**1,843**	**1,556**
Others	**20**	**74**
Total Market Value excluding transaction costs	**12,437**	**12,020**
Spain	4,830	4,562

▪ Market value including transaction costs or GAV including Transfer costs

Market value including transaction costs or GAV including Transfer costs	Millions of Euros	
	31.12.2021	31.12.2020
Total Market Value excluding transaction costs	**12,436**	**12,020**
Plus: transaction costs	655	611
Total Market Value including transaction costs	**13,091**	**12,631**
Spain	4,953	4,685
France	8,138	7,946

- **Like-for-like rentals**

Like-for-like rentals	Offices (*Millions of euros*) Barcelona	Madrid	Paris	TOTAL
Rental income 2020	**50**	**108**	**182**	**340**
Like-for-like	--	1	5	6
Projects and registrations	(2)	(2)	(6)	(10)
Investments and divestments	(3)	(4)	(6)	(13)
Others and compensation	--	(8)	--	(8)
Rental income 2021	**45**	**95**	**175**	**315**

- ***Like-for-like* appraisal**

Like-for-like appraisal	Millions of Euros 31.12.2021	31.12.2020
Valuation at 1 January	**12,020**	**12,196**
Like-for-like Spain	292	(163)
Like-for-like France	411	300
Acquisitions and disposals	(288)	(313)
Valuation at 31 December	**12,435**	**12,020**

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

Loan-to-Value Group or LtV Group	Millions of Euros 31.12.2021	31.12.2020
Gross financial debt	4,935	4,851
Commitments to defer property asset purchase and sale transactions	--	--
Less: *"Cash and cash equivalents"*	(219)	(269)
(A) Net financial debt	**4,716**	**4,582**
Market Value including transaction costs	13,091	12,631
Plus: Treasury shares of the Parent valued at EPRA NAV	98	38
(B) Market value including transaction costs and the Company's own shares	**13,189**	**12,669**
Loan to Value Group (A)/(B)	**35.8%**	**36.2%**

- **LtV Holding or LtV Colonial**

LtV Holding or LtV Colonial Holding Company	Millions of Euros 31.12.2021	31.12.2020
Gross financial debt	3,028	4,851
Commitments to defer property asset purchase and sale transactions	--	--
Less: “Cash and cash equivalents” of the Company and Spanish subsidiaries wholly owned thereby	(101)	(269)
(A) Net financial debt	**2,927**	**4,582**
(B) Market Value including transaction costs	**10,036**	**12,631**
Loan to Value Holding (A)/(B)	**29.2%**	**36.3%**