Inmobiliaria Colonial, SOCIMI, S.A.

Audit Report
Financial Statement as at 31 December 2022
Management Report

This version of our report is a free translation of the original, which was 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 financial statements

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

Report on the financial statements

Opinion

We have audited the financial statement of Inmobiliaria Colonial, SOCIMI, S.A. (the Company), which comprise the balance sheet as at 31 December 2022, 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 financial statement present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2022, 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 financial statements), 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 financial statement* 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 financial statement 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 financial statement of the current period. These matters were addressed in the context of our audit of the financial statement 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 matters	How our audit addressed the key audit matters
Recoverability of non-current equity instruments in group companies At 31 December 2022 Inmobiliaria Colonial, SOCIMI, S.A. recognises a balance under Non-current equity instruments in group companies amounting to Euro 2,689,056 thousand, as detailed in note 10 to the accompanying financial statements. These instruments represent approximately 41% of total assets. As outlined in note 4.e) to the accompanying financial statements, the Company makes all the necessary measurement adjustments at least at the year end, provided that there is objective evidence that the carrying amount of an investment will not be recoverable. The amount of the adjustment is calculated as the difference between the investment's carrying amount and recoverable amount, understood as the higher of fair value less costs to sell and the present value of future cash flows from the investment. Specifically, for most investees, unless better evidence is available of their recoverable amount, equity attributable to the Company is taken into consideration, increased by any latent capital gains existing at the time of the valuation, pursuant to the recommendations of EPRA (*European Public Real Estate Association*) in order to calculate the EPRA *Net Tangible Asset* (EPRA NTA), always taking into account the market price of the investee's shares on an organised market as the best evidence of recoverable value. 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 instruments requires, as outlined in note 2.d) to the accompanying financial statements, the use of significant judgements and estimates by Company management when determining the valuation method and considering the key assumptions to be established in that method.	Our audit procedures included, among others, the analysis of the process implemented by the Company to assess the potential impairment of non-current equity instruments in group companies. For unlisted group companies with real estate assets, we obtained the balance sheets of the most significant investees and analysed the amounts of the latent capital gains identified, analysing them using the valuations of their real estate assets carried out by independent experts. For investments in equity instruments in Societé Foncière Lyonnaise, S.A., a listed group company, we checked its recoverable amount based on the market value of its shares, and also requested an audit report, instructing its auditors. For those group companies without relevant real estate assets, we obtained and analysed the calculations of their recoverable amount, based on the business plan drawn up by Company management, and checked the discount rate used with our internal experts. Lastly, we assessed whether the disclosures of information included in note 10 to the notes to the accompanying financial statements. We considered that management's approach to the evaluation of the recoverability of non-current equity instruments in group companies is consistent and supported by the available evidence.

Key audit matters	How our audit addressed the key audit matters
The materiality of non-current equity instruments in group companies and the significant judgements and estimates described above mean that we consider this matter a key audit matter.	

Subsequent measurement of Investment Properties

Key audit matters	How our audit addressed the key audit matters
The Company has real estate assets which are primarily recognised under Investment properties amounting to Euro 2,984,618 thousand at 31 December 2022, representing 46% of total assets. Notes 4.c) and 7 to the accompanying financial statements include information on the assets included in this heading. As outlined in note 4.c), the Company compares the carrying amount of these properties with market value in order to verify that the value recognised is not greater than market value. The Company obtains the market value through valuations performed by independent experts. The methodology used to determine the market value of investment properties is mainly the discounted cash flows method, in accordance with standard market practice. These valuations are based on a series of significant judgements and estimates as outlined in note 2.d) to the accompanying financial statements. We 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 of management. Changes in these assumptions could lead to a significant variation in the recoverable amount of such assets and the possible impact on the income statement and balance sheet.	For the purposes of evaluating their carrying amount before considering any impairment, we checked the annual depreciation of investment properties in terms of whether it is calculated on a straight-line basis over its useful life. We obtained the year-end valuations performed of these assets by independent experts and we confirmed that these independent experts meet the requirements of competence and independence. We checked whether these 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 Valuation Standards Committee (IVSC). In this regard, we held meetings with the valuers together with our internal experts, analysing, for a sample of those valuations, the reasonableness of the variables used, such as the discount rate and the rent and rent increases considered, as well as other variables necessary to complete the valuation such as the market return, the term of the rental agreements and type and age of the buildings, their location and occupancy rates. Similarly, for a sample of assets, we checked, using the sales and purchase deeds, the technical specifications considered by the independent experts when determining the market value of those assets. Lastly, we assessed the corresponding disclosures in notes 4.c) and 7 to the notes to the accompanying financial statements.

Key audit matters	How our audit addressed the key audit matters
	We consider that we have obtained sufficient and adequate 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 2022 financial year, the formulation of which is the responsibility of the Company's directors and does not form an integral part of the financial statement.

Our audit opinion on the financial statements 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 financial statements 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 financial statements for the 2022 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit and control committee for the financial statement

The directors are responsible for the preparation of the accompanying financial statement, 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statement, 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 committee for the financial statements responsible for overseeing the process of preparation and presentation of the financial statements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 financial statements.

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 financial statements, 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 financial statements 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity's audit and control committee for the financial statements 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 committee for the financial statements 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 committee for the financial statements, we determine those matters that were of most significance in the audit of the financial statements 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 2022 financial year that comprises an XHTML file of the financial statements 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 2022 financial year in accordance with the formatting requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Committee (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 financial statements included in the aforementioned file completely agrees with that of the financial statements 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 financial statements, and these are presented, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Report to the audit and control committee

The opinion expressed in this report is consistent with the content of our additional report to the audit and control committee for the financial statements of the Company dated 28 February 2023.

Appointment period

The General Ordinary Shareholders' Meeting held on 30 June 2021 appointed us as auditors for a period of one year, for the year ended 31 December 2022.

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 financial statements.

In relation to the services provided to the subsidiary companies of the Company for services other than the audit of the accounts, refer to the audit report dated 28 February 2023 on the consolidated financial statements of Inmobiliaria Colonial, SOCIMI, S.A. and its subsidiary companies, where these subsidiary companies have been consolidated.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by
Alfredo Aguilera Sanz (22290)

28 February 2023

Inmobiliaria Colonial, SOCIMI, S.A.

Financial Statements for the
year ended 31 December 2022
Management Report, together with the
Audit Report

This version of our Financial Statements 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 Financial Staments takes precedence over this translation.

Inmobiliaria Colonial, SOCIMI, S.A.

Balance sheet
31 December 2022 and 2021

(Thousands of euros)

Assets	Note	31 December 2022	31 December 2021
Intangible assets	**Note 5**	**46,985**	**55,427**
Goodwill		44,329	53,050
Intellectual property		180	236
Computer software		2,476	2,141
Property, plant and equipment	**Note 6**	**21,687**	**21,328**
Land and buildings		17,904	17,961
Plant and other items of property, plant and equipment		3,783	4,110
Impairment of property, plant and equipment		--	(743)
Investment property	**Note 7**	**2,984,618**	**3,332,707**
Land		1,730,782	1,812,765
Constructions and installations		1,050,548	1,096,985
Real estate investments in progress and advances		299,874	504,272
Impairment of investment property		(96,586)	(81,315)
Non-current investments in group companies and associates		**2,692,396**	**2,692,883**
Equity instruments in group companies	**Note 10-a**	2,721,396	2,693,396
Loans to group companies	**Note 10-b**	3,340	23,998
Impairment of investments in group companies	**Note 10-a**	(32,340)	(24,511)
Non-current financial investments		**299,997**	**45,796**
Non-current equity instruments		2,760	--
Derivatives	**Note 12**	260,339	10,651
Other financial assets	**Note 11**	36,898	35,145
Total non-current assets		**6,045,683**	**6,148,141**
Non-current assets held for sale	**Note 13**	**287,352**	**--**
Trade and other receivables		**13,966**	**11,396**
Trade receivables for sales and services		4,013	822
Trade and other payables, group companies and associates	**Note 20**	61	121
Other receivables	**Note 11-a**	8,672	9,387
Prepayments to suppliers		176	185
Staff		3	3
Other receivables from public authorities	**Note 18**	1,041	878
Current investments in group companies	**Note 20**	**62,365**	**33,227**
Loans to group companies		62,365	33,227
Current financial investments	**Note 11-b**	**9**	**9**
Equity instruments		9	9
Current accruals		**127**	**127**
Cash and cash equivalents	**Note 16**	**80,068**	**93,000**
Total current assets		**443,887**	**137,759**
Total assets		**6,489,570**	**6,285,900**

The accompanying Notes 1 to 24 and Appendix I are an integral part of the balance sheet at 31 December 2022.

Inmobiliaria Colonial, SOCIMI, S.A.

Balance sheet
31 December 2022 and 2021

(Thousands of euros)

Equity and Liabilities	Note	31 December 2022	31 December 2021
Shareholder equity		**3,061,088**	**3,071,954**
Capital	**Note 14-a**	**1,349,039**	**1,349,039**
Authorised capital		1,349,039	1,349,039
Share premium	**Note 14-b**	**1,491,773**	**1,584,453**
Reserves	**Note 14-c**	**168,807**	**165,723**
Legal and bylaw-mandated reserves		58,639	54,766
Other reserves		110,168	110,957
(Treasury shares)	**Note 14-d**	**(66,374)**	**(66,657)**
Profit/(loss) for the year	**Note 3**	**116,332**	**38,726**
Other equity instruments		**1,511**	**670**
Valuation adjustments	**Note 14-e**	**262,267**	**10,651**
Hedging transactions		262,267	10,651
Total equity		**3,323,355**	**3,082,605**
Long-term provisions	**Note 15**	**20**	**33**
Non-current employee benefit obligations		20	33
Non-current payables		**2,927,360**	**2,896,252**
Bonds and other marketable securities	**Note 16**	2,798,530	2,794,818
Bank borrowings	**Note 16**	95,450	72,539
Other financial liabilities	**Note 17**	33,380	28,895
Deferred tax liabilities and other payables to public authorities-	**Note 18**	**84,348**	**85,379**
Non-current customer advances	**Note 10**	--	**28,287**
Total non-current liabilities		**3,011,728**	**3,009,951**
Liabilities linked to non-current assets held for sale	**Note 13**	**75,462**	--
Current provisions	**Note 15**	**2,701**	**2,701**
Current payables		**11,792**	**151,101**
Bonds and other marketable securities	**Note 16**	11,524	151,666
Bank borrowings	**Note 16**	268	(561)
Other financial liabilities		--	(4)
Current payables with group companies	**Note 20**	**137**	**140**
Trade and other payables		**64,485**	**39,402**
Suppliers		25,031	28,091
Other payables		4,888	6,409
Other payables to public authorities	**Note 18**	6,279	4,902
Prepayments from customers	**Note 10**	28,287	--
Current provisions		**(90)**	--
Total current liabilities		**154,487**	**193,344**
Total equity and liabilities		**6,489,570**	**6,285,900**

The accompanying Notes 1 to 24 and Appendix I are an integral part of the balance sheet at 31 December 2022.

Inmobiliaria Colonial, SOCIMI, S.A.

Income statement
31 December 2022 and 2021

(Thousands of euros)

	Note	2022	2021
CONTINUING OPERATIONS			
Revenue	**Note 19-a**	**327,679**	**219,712**
Lease income		149,954	139,287
Service provision		703	587
Finance income from holding companies		177,022	79,838
Work carried out by the company for property, plant and equipment		**395**	**463**
Other operating income		**89**	**317**
Ancillary and other current management income		89	317
Staff costs	**Note 19-b**	**(15,689)**	**(12,137)**
Wages and salaries		(13,691)	(11,579)
Social charges		(1,998)	(558)
Other operating expenses		**(28,683)**	**(31,169)**
External services		(21,623)	(27,159)
Taxes		(7,616)	(7,308)
Losses, impairment and change in trade provisions	**Note 19-c**	701	3,427
Other current operating expenses		(145)	(129)
Depreciation and amortisation	**Notes 5, 6 and 7**	**(71,175)**	**(68,812)**
Impairment and gains/(losses) on disposal of property, plant and equipment		**(35,420)**	**12,211**
Impairments and losses	**Note 19-d**	(41,964)	7,575
Gains/(losses) on disposals and other	**Note 19-e**	6,544	4,636
Profit from operations		**177,196**	**120,585**
Finance income	**Note 19-f**	**613**	**471**
From investments in equity instruments		613	471
At group companies and associates		425	467
At third parties		188	4
Finance cost	**Note 19-f**	**(53,972)**	**(89,149)**
Due to debts to third parties		(53,972)	(89,149)
Change in fair value of financial instruments	**Note 19-f**	**--**	**8,719**
Trading portfolio and others		--	8,719
Impairment and gains/(losses) on disposal of financial instruments	**Notes 10 and 19-f**	**(7,829)**	**(3,207)**
Impairments and losses		(7,829)	(3,207)
Financial profit/(loss)		**(61,188)**	**(83,166)**
Profit before tax		**116,008**	**37,419**
Corporate income tax	**Note 18**	**324**	**1,307**
Profit/(loss) for the year from continuing operations	**Note 3**	**116,332**	**38,726**

The accompanying Notes 1 to 24 and Appendix I are an integral part of the income statement at 31 December 2022.

Inmobiliaria Colonial, SOCIMI, S.A.

Statement of changes in equity for the years ended 31 December 2022 and 2021
a) Statement of recognised income and expense

(Thousands of euros)

	Note	2022	2021
Income statement		**116,332**	**38,726**
Income and expenses charged directly to equity			
Cash flow hedges	**Note 14**	251,616	21,250
Total income and expense recognised directly in equity		**251,616**	**21,250**
Transfers to income statement			
Cash flow hedges	**Note 14**	--	8,719
Total transfers to income statement		**--**	**8,719**
Total recognised income and expense		**367,948**	**68,695**

The accompanying Notes 1 to 24 and Appendix I are an integral part of the statement of changes in equity at 31 December 2022.

Inmobiliaria Colonial, SOCIMI, S.A.

Statement of changes in equity for the years ended 31 December 2022 and 2021
B) Statement of total changes in equity

(Thousands of euros)

	Registered Capital	Share premium	Reserves	Own shares and equity instruments	Profit/(loss) for the year	Other equity instruments	Valuation adjustments	Total
Balance at 31 December 2020	**1,270,287**	**1,491,280**	**193,831**	**(24,440)**	**(27,010)**	**3,012**	**(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**
Net treasury share transactions	--	--	--	(44,351)	--	--	--	**(44,351)**
Distribution of profit	--	(111,087)	(27,010)	--	27,010	--	--	**(111,087)**
III. Other changes in equity	**--**	**--**	**125**	**2,134**	**--**	**(2,342)**	**--**	**(83)**
Accrual of long term remuneration plan 2021	--	--	--	--	--	670	--	**670**
Delivery of 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)**	**38,726**	**670**	**10,651**	**3,082,605**

The accompanying Notes 1 to 24 and Appendix I are an integral part of the statement of changes in equity at 31 December 2022.

Inmobiliaria Colonial, SOCIMI, S.A.

Statement of changes in equity for the years ended 31 December 2022 and 2021
B) Statement of total changes in equity

(Thousands of euros)

	Registered Capital	Share premium	Reserves	Own shares and equity instruments	Profit/(loss) for the year	Other equity instruments	Valuation adjustments	Total
Balance at 31 December 2021	**1,349,039**	**1,584,453**	**165,723**	**(66,657)**	**38,726**	**670**	**10,651**	**3,082,605**
I. Total recognised income and expense	**--**	**--**	**--**	**--**	**116,332**	**--**	**251,616**	**367,948**
II. Transactions with shareholders:	**--**	**(92,680)**	**3,246**	**31**	**(38,726)**	**--**	**--**	**(128,129)**
Net treasury share transactions	--	--	(627)	31	--	--	--	**(596)**
Distribution of profit	--	(92,680)	3,873	--	(38,726)	--	--	**(127,533)**
III. Other changes in equity	**--**	**--**	**(162)**	**252**	**--**	**841**	**--**	**931**
Accrual of long term remuneration plan 2022	--	--	--	--	--	982	--	**982**
Delivery of long term remuneration plan 2021	--	--	(162)	252	--	(141)	--	**(51)**
Balance at 31 December 2022	**1,349,039**	**1,491,773**	**168,807**	**(66,374)**	**116,332**	**1,511**	**262,267**	**3,323,355**

The accompanying Notes 1 to 24 and Appendix I are an integral part of the statement of changes in equity at 31 December 2022.

Inmobiliaria Colonial, SOCIMI, S.A.

Cash flow statements for the years ended 31 December 2022 and 2021

(Thousands of euros)

	Note	2022	2021
Cash flows from operating activities			
Pre-tax profit/(loss)		**116,008**	**37,419**
Adjustments to profit		**(9,940)**	**56,502**
Depreciation and amortisation	**Notes 5, 6 and 7**	71,175	68,812
Impairment losses	**Note 19**	41,964	(7,575)
Changes in provisions	**Notes 15 and 19**	(701)	(3,427)
Impairment and gains/(losses) on disposal of assets	**Notes 5, 6 and 7**	(6,544)	(4,636)
Impairment and gains/(losses) on disposal of financial instruments	**Notes 10 and 19**	7,829	3,207
Finance income	**Note 19**	(613)	(471)
Income from equity investments in group companies	**Note 19 and 20**	(177,022)	(79,838)
Finance cost	**Note 19**	53,972	89,149
Change in fair value of financial instruments	**Notes 12 and 19**	--	(8,719)
Changes in working capital		**(4,256)**	**(566)**
Trade and other receivables		(3,620)	4,419
Other current assets		-	(6)
Trade and other payables		(4,531)	(5,227)
Other current liabilities		(90)	248
Non-current assets and liabilities		3,985	--
Other cash flows from operating activities		**122,594**	**(11,144)**
Interest paid		(54,253)	(92,079)
Income from equity investments in group companies	**Notes 19 and 20**	177,022	79,838
Finance income		--	4
Income tax recovered (paid)		(175)	1,093
Cash flows from operating activities		**224,406**	**82,211**
Cash flows from investing activities			
Payments on investments (-)		**(119,067)**	**(229,363)**
Group companies and associates	**Note 9**	(28,555)	(85,472)
Intangible assets	**Note 5**	(1,627)	(1,320)
Property, pland and equipment	**Note 6**	(311)	(128)
Investment property	**Note 7**	(85,814)	(142,257)
Other financial assets	**Note 10**	(2,760)	--
Non-current assets held for sale	**Note 13**	--	(186)
Proceeds on disposals (+)		**56,545**	**90,664**
Investment property	**Note 7**	31,545	27,200
Otros activos financieros corrientes	**Notes 9 and 20**	--	5,067
Non-current assets held for sale	**Note 13**	25,000	58,397

Inmobiliaria Colonial, SOCIMI, S.A.

Cash flow statements for the years ended 31 December 2022 and 2021

(Thousands of euros)

	Note	2022	2021
Cash flows from investing activities		**(62,522)**	**(138,699)**
Cash flows from financing activities			
Proceeds from/(payments for) equity instruments		**(127,816)**	**(154,402)**
Dividends paid	**Note 3**	(127,533)	(111,087)
Acquisition of own equity instruments	**Note 14**	(116,941)	(44,351)
Remuneration from other equity instruments		116,658	2,259
Expenses associated with capital increases	**Note 10**	--	(1,223)
Proceeds from/(payments for) financial liability instruments		**(47,000)**	**80,173**
Issue			
Bank borrowings	**Note 16**	100,000	765,000
Redemption of			
Debts to Group companies and associates (-)		(7,000)	(2,527)
Bonds and other marketable securities (-)	**Note 16**	(140,000)	(682,300)
Cash flows from financing activities		**(174,816)**	**(74,229)**
Net increase/decrease in cash and cash equivalents		**(12,932)**	**(130,717)**
Cash or cash equivalents at beginning of year	**Note 16**	93,000	223,717
Cash or cash equivalents at end of year	**Note 16**	80,068	93,000

The accompanying Notes 1 to 24 and Appendix I are an integral part of the cash flow statement at 31 December 2022.

1. Company activity

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

On 29 June 2017, the shareholders at the Company's Annual General Meeting resolved to adopt the SOCIMI Tax Regime. On 30 June 2017, the Company submitted a request to the tax authorities to be included in the REIT Tax Regime, applicable as of 1 January 2017.

The Company's purpose, as set out in its bylaws, is as follows:

- the acquisition and development of urban properties for lease.

- the ownership of interests in the share capital of listed real estate investment companies (REITs) or other non-resident entities in Spain with the same corporate purpose, which are subject to a regime similar to that established for REITs in relation to the obligatory profit distribution policy stipulated by law or the bylaws;

- the ownership of interests in the share capital of other resident or non-resident entities in Spain, the main corporate purpose of which is the acquisition of urban properties earmarked for lease, which are subject to the regime established for REITs in relation to the obligatory profit distribution policy stipulated by law or the bylaws and meet the investment requirements stipulated for these companies; and

- the ownership of shares or equity interests in collective real estate investment undertakings governed by Law 35/2003, of 4 November, on collective investment undertakings or any law that may replace it in the future.

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

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

All activities included in the corporate purpose will be carried out as authorised by current legislation at any given time, expressly excluding its own activities that are exclusively granted by prevailing legislation to 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, the merger by absorption of Inmobiliaria Colonial, SOCIMI, S.A. (formerly Grupo Inmocaral, S.A.) with Inmobiliaria Colonial, S.A. (absorbed company) was undertaken. In 2008, Inmobiliaria Colonial, SOCIMI, S.A. (absorbing company) merged with the companies Subirats-Coslada Logística, S.L.U., Diagonal Les Punxes 2002, S.L.U., Dehesa de Valme, S.L., Urbaplan 2001, S.A.U., Entrenúcleos Desarrollo Inmobiliario, S.L., Inversiones Tres Cantos, S.L. and Inversiones Notenth, S.L. (absorbed companies).

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

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

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

On 2 July 2018, the Company carried out the 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., which is covered by the special regime provided for in Chapter VII of Title VII of the Spanish Corporation Tax Act (LIS) on 3 June 2019.

On 9 August 2019, the Company carried out the merger by absorption 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. under the special regime provided for in Chapter VII of Title VII of the LIS on 16 September 2019.

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

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

Inmobiliaria Colonial, SOCIMI, S.A. carries out its activities in Spain (mainly in Barcelona and Madrid) and in France (Paris) through the group of which the parent is Société Foncière Lyonnaise, S.A (hereinafter "SFL") which is listed on the Euronext Paris market.

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 2022, the Company maintains the credit rating obtained from Standard & Poor's Rating Credit Market Services Europe Limited at "BBB+" long-term credit rating and an "A-2" short-term credit rating, both with a stable outlook. In addition, the Parent obtained a "Baa2" credit rating with a positive outlook from Moody's.

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

The Company is the head of a group of subsidiaries and is obliged under current legislation to prepare consolidated financial statements separately.

The Company's financial statements and the consolidated financial statements for 2021 were approved by the general shareholders' meeting of Inmobiliaria Colonial, SOCIMI, S.A. held on 21 June 2022, without modifications, and filed with the Commercial Registry of Madrid.

2. <u>Basis of presentation of the financial statements</u>

a) Regulatory financial reporting framework applicable to the Company

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

- The Spanish Code of Commerce and other commercial and corporate legislation.

- General Accounting Plan (PGC) approved by Royal Decree 1514/2007 together with Royal Decrees 1159/2010 and 602/2016 amending certain aspects of the GAAP and its sectorial adaptations and, in particular, the sectorial adaptation of the general accounting plan for real estate companies approved by the order of 28 December 1994, as well as the provisions approved by the National Securities Market Commission, together with Royal Decree 1/2021, of 12 January, amending the conceptual framework and in particular section 6 point 2 relating to valuation rules and specifically to the definition of fair value and the 9th registration and valuation rules relating to financial instruments and income recognition.

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

- All other applicable Spanish accounting legislation.

b) True and fair view

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

c) Non-mandatory accounting principles applied

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

d) Critical issues regarding the measurement and estimation of uncertainty

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

  The market value of own-use property and investment property has been obtained from the valuations carried out periodically by independent experts. These valuations were performed at 31 December 2022 and 2021 in accordance with the methods described in Notes 4-b and 4-c.

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

- The classification, valuation and impairment of certain financial assets, including derivative financial instruments and equity instruments (Notes 4-e, 9, 10 and 12).

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

- The valuation of the non-current assets held for sale (Note 4-f and 13).

Although these estimates were made on the basis of the best information available at year-end 2022, future events may make it necessary to change these estimates (upwards or downwards) in subsequent reporting periods. Any changes in accounting estimates are recognised prospectively, with recognition of the effects of the change of estimate in profit and loss.

e) Comparison of information

The information relating to 2022 included in these notes to the consolidated financial statements is presented, for comparison purposes, with the information relating to 2021.

f) Aggregation 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.

g) Correction of errors

No significant errors were detected in the preparation of the accompanying consolidated financial statements that would have made it necessary to restate the amounts included in the consolidated financial statements for 2021.

h) Functional currency

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

i) Climate change

Climate change brings with it major changes in the economy, making it necessary to be increasingly aware of 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, framed within the framework of the European green pact, the Sharm el-Sheikh agreement (COP27), the Glasgow agreement (COP26), and even the Paris agreement (COP21).

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

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 adapt to changes in customer demand for more sustainable spaces. 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.

- Increased green energy procurement costs. Green energy certificates of origin have experienced a large increase in demand, making the purchase price of such certificates more expensive.

- Increased cost of materials due to the use of new, more sustainable materials with a lower impact on the carbon footprint.

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: On 17 February 2022, the Company announced that the bondholders' meetings have approved the conversion of all of the Company's outstanding bonds into green bonds for a total amount of 2,812 million euros representing 94.1% of the total gross debt as at 31 December 2022.

- At the closing date of these financial statements, the Company had 5.9% of its gross debt indexed to ESG indicators (2.5% at 31 December 2021), the interest rates of which may vary depending on the development of these indicators. There was no effect on the Company's financing during the 2022 financial year.

- 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 2022, 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 fair value and therefore the Company's financial statements do not include any significant impact arising from these standards.

3. Distribution of result

The distribution of the profit for the financial year 2022 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	**116,332**
To legal reserve	11,633
To dividends	104,699
Total	**116,332**

The Board of Directors of the Company may propose an additional distribution by way of refund of share premium.

The proposal for the appropriation of profit for the year 2021 approved by the shareholders' meeting held on 21 June 2022 was approved without amendment.

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

Thousands of euros	**2017**	**2018**	**2019**	**2020**	**2,021**
Dividends distributed	77,619	101,567	101,549	111,087	127,533

4. Accounting policies and measurement bases

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

a) Intangible assets

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

Goodwill -

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

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

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

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

Goodwill impairment losses 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.

b) Property, plant and equipment

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

Historical cost includes expenses directly attributable to the acquisition of the properties.

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

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

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

Impairment of plant, property and equipment -

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

Any potential impairment losses on property for own use are recognised in accordance with the same valuation assumptions described in Note 4-c.

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

c) Investment property

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

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

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

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

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

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

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

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

The Company periodically compares the carrying amount of the various investment property items with the market value obtained through independent expert appraisals for each item, and the appropriate provisions are made for impairment of investment property when the market value of an item is lower than its carrying amount. The market value is determined half-yearly, i.e. at 30 June and 31 December of each financial year, taking as reference values the valuations carried out by independent third-party experts (Cushman & Wakfield and CB Richard Ellis Valuation in Spain for the 2022 financial year and Jones Lang LaSalle and CB Richard Ellis Valuation in Spain for the 2021 financial year), 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 close 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 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 2022 and 2021.

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

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

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

The resulting profitability or Terminal Capitalisation Rate (hereinafter, "TCR") adopted in each case refers not only to the 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 appraisers to determine the appropriate discount rate in each case.

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

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

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

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

	Gross	
Weighted Yields (%) - Offices	31 December 2022	31 December 2021
Barcelona – Prime Yield		
Portfolio in operation	4.44	4.23
Total portfolio	4.44	4.23
Madrid – Prime Yield		
Portfolio in operation	4.26	4.12
Total portfolio	4.21	4.33

	Assumptions made at 31 December 2022				
Rent increases (%) – Offices	Year 1	Year 2	Year 3	Year 4	Year 5 and thereafter
Barcelona –					
Portfolio in operation	2.00	2.75	2.50	2.50	2.50
Total portfolio	2.00	2.75	2.50	2.50	2.50
Madrid –					
Portfolio in operation	2.00	3.00	2.50	2.50	2.50
Total portfolio	2.00	3.00	2.50	2.50	2.50

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

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

Quarter point changes in the rates of return have the following impact on the valuations used by the Company to determine the impairment of its assets recorded under “Property, plant and equipment”, “Investment property” and “Non-current assets held for sale” in the balance sheet:

Sensitivity of asset impairments to quarter-point changes in the rates of return taken into account in the valuations	Thousands of euros				
	Measurement	Decrease of one quarter of a point	Increase of one quarter of a point	Reversal	Impairment
December 2022	4,602,760	4,816,605	4.420,952	21,503	(23,156)
December 2021	4,724,498	248,027	(221,043)	13,721	(21,670)

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 2022 and 2021 from the lease of these investment properties amounted to approximately 149.954 thousand euros and 139.287 thousand euros, respectively, and is recognised under “Revenue” in the income statement (Note 19-a).

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

d) Leases

Finance lease -

Leases are classified as finance leases whenever their terms imply that substantially all the risks and rewards incidental to ownership of the leased asset have been transferred to the lessee Other leases are classified as operating leases. At 31 December 2022 and 2021, all of the Company’s leases qualified as operating leases.

Operating lease -

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

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

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

e) Financial instruments

Financial assets -

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 fair value through the income statement

This category includes equity instruments that are neither held for trading nor to be measured at cost, and for which an irrevocable election was made at initial recognition to present subsequent changes in fair value directly in equity.

In addition, financial assets that are irrevocably designated at initial recognition as measured at fair value through profit or loss, and that would otherwise have been included in another category, are included to eliminate or significantly reduce a valuation inconsistency or accounting mismatch that would otherwise arise from measuring assets or liabilities on different bases.

Initial measurement

Financial assets included in this category are initially measured at fair value, which, in the absence of evidence to the contrary, is the transaction price, which is the fair value of the consideration given. Transaction costs directly attributable to them shall be recognised in the income statement for the year.

Subsequent measurement

After initial recognition, the company shall measure financial assets in this category at fair value through profit or loss.

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 there is better evidence of the recoverable amount of the investees, the net assets attributable to the Company plus the unrealised gains existing at the time of valuation are taken into consideration, following the EPRA recommendations for the calculation of the EPRA Net Tangible Asset (EPRA NTA), always taking into consideration the existence of a quotation on an organised market as the best evidence of a recoverable value.

In the case of the financial interest in Utopicus, a discounted cash flow projection based on the company's business plan is used as the recoverable amount.

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

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

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

Derivative financial instruments (Note 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 measurement base was used to recognise each of the following:

- Derivative financial instruments that meet the criteria for hedge accounting are initially recognised at fair value plus, where 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 actual change in the hedge.

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

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

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

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

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

The method used to determine the effectiveness of hedging financial instruments consists of calculating the statistical correlation between the reference interest rates at each fixing date of the derivative and the related hedged liability.

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 2022 and 2021.

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

f) Non-current assets and disposal groups classified as held for sale, and related liabilities

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

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

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

Liabilities linked to non-current assets and disposal groups held for sale are presented separately from other liabilities in the balance sheet under "Liabilities linked to assets held for sale".

g) Statement of cash flows (indirect method)

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

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

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

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

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

h) 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.

i) Current/non-current

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

The Company's core business is property, for which the normal cycle of its operations is considered to correspond to the calendar year. Therefore, assets and liabilities maturing in one year or less are classified as current and those maturing in over one year as non-current.

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.

j) Provisions and contingent liabilities

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

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

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

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

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

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

k) Employee benefits

Termination benefits -

Under current Spanish legislation, the Company is required to pay termination benefits to employees terminated under certain conditions. Severance payments which can be reasonably quantified are recorded as an expense in the year in which the decision to terminate the contract is taken and a valid expectation regarding termination is transmitted to third parties. At 31 December 2022 and 2021, the Company did not record any provisions in this item.

Pension obligations -

In 2022 and 2021the 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-d) -

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

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

l) Corporate income tax (Note 18)

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

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

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

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

In accordance with current legislation, when measuring deferred tax liabilities the Company reflects the tax consequences that would arise from the manner in which the carrying amount of its assets is expected to be recovered or settled. In this regard, for deferred tax liabilities that arise from investment properties, there is a refutable presumption that their carrying amount will be recovered through their sale.

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

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

Income tax expense (income) includes the amount of current tax payable (receivable) and

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

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

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

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

The term will be calculated:

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

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

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

SOCIMIs are obliged to distribute 80% of ordinary profits, 50% of the profits derived from the transfer of real estate or shares that have met the maintenance requirement, as dividends on an annual basis, provided that the other 50% is reinvested in eligible assets within a period of three years; if the other 50% is not reinvested within this period, such profits must be distributed in full together with “ordinary” profits, if any, arising from the year in which the reinvestment period ends and 100% of the profit from dividends from companies qualifying as qualifying investments (SOCIMIs and/or REITs).

m) Income and expense

General criterion -

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

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

Property leases -

Leases are classified as finance leases whenever their terms imply that substantially all the risks and rewards incidental to ownership of the leased asset have been transferred to the lessee Other leases are classified as operating leases. At 31 December 2022 and 2021, all of the Company’s leases qualified as operating leases (Note 4-d).

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

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

Specific lease terms and conditions: lease incentives -

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

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

Interest and dividends received -

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

In line with that included in enquiry no. 79 of the Spanish Accounting and Audit Institute Official Gazette (BOICAC) and the ICAC ruling for revenue recognition of 10 February 2021, 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 (Note 20).

n) Related-party transactions (Note 20)

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

o) Costs passed on to lessees

The bulk of repair and maintenance expenses incurred by the Company in connection with the operation of its investment properties is passed on to the respective lessees. The Company does not consider as income the costs passed on to the lessees of its investment property, which are presented as a reduction of the corresponding costs in profit and loss. In 2022 and 2021, a total of 33.653 thousand euros and 27.934 thousand euros, respectively, were invoiced in this regard.

Direct operating expenses associated with rented investment property net of costs passed on that generated lease income during 2022 and 2021, included under "Profit from operations" in the income statement, amounted to 18.003 thousand euros and 16.979 thousand euros, respectively. Expenses incurred in connection with investment properties that did not generate rental income were not material.

p) Business combinations

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

In the case of business combinations 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. <u>Intangible assets</u>

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

	Thousands of euros			
	Goodwill	Intellectual property	Computer software	**Total**
Balance at 31 December 2020	**61,770**	**1,170**	**1,989**	**64,929**
Acquisition cost	***113,258***	***2,692***	***6,960***	***122,910***
Accumulated depreciation and amortisation	***(51,488)***	***(1,522)***	***(4,971)***	***(57,981)***
Additions	--	--	1,320	**1,320**
Depreciation charge	(8,720)	(904)	(1,158)	**(10,782)**
Disposals (Note 19-e)	--	(2,200)	--	**(2,200)**
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 and amortisation	***(60,208)***	***(256)***	***(6,127)***	***(66,591)***
Additions	--	--	1,627	**1,627**
Depreciation charge	(8,721)	(56)	(1,292)	**(10,069)**
Disposals (Note 19-e)	--	--	(1,668)	**(1,668)**
Write-offs (Note 19-e)	--	--	1,668	**1,668**
Balance at 31 December 2022	**44,329**	**180**	**2,476**	**46,985**
Acquisition cost	***113,258***	***492***	***8,227***	***121,977***
Accumulated depreciation and amortisation	***(68,929)***	***(312)***	***(5,751)***	***(74,992)***

Impairment

At year-end 2022 and 2021 the Company has fully depreciated intangible assets still in use amounting to 4.738 thousand euros and 3.672 thousand euros, respectively.

6. Property, plant and equipment

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

	Thousands of euros		
	Land and buildings	Plant and other items of property, plant and equipment	**Total**
Balance at 31 December 2020	**17,007**	**4,647**	**21,654**
Acquisition cost	***19,680***	***8,853***	***28,533***
Accumulated depreciation and amortisation	***(1,662)***	***(4,206)***	***(5,868)***
Accumulated impairment	***(1,011)***	--	***(1,011)***
Additions	--	128	**128**
Depreciation charge	(57)	(658)	**(715)**
Disposals (Note 19-e)	--	(54)	**(54)**
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 and amortisation	***(1,719)***	***(4,829)***	***(6,548)***
Accumulated impairment	***(743)***	--	***(743)***
Additions	1	310	**311**
Depreciation charge	(58)	(637)	**(695)**
Disposals (Note 19-e)	--	(718)	**(718)**
Write-offs (Note 19-e)	--	718	**718**
Impairment (Note 19-d)	743	--	**743**
Balance at 31 December 2022	**17,904**	**3,783**	**21,687**
Acquisition cost	***19,681***	***8,531***	***28,212***
Accumulated depreciation and amortisation	***(1,777)***	***(4,748)***	***(6,525)***
Accumulated impairment	--	--	--

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

Of the valuations obtained of the Company's assets by an independent expert as at 31 December 2022 and 2021 (Note 4-b), the need to reverse an impairment of the value of property for own use amounting to 743 thousand euros (268 thousand euros at 31 December 2021), which has been recorded under "Impairment and gains/losses on disposal of fixed assets - Impairment and losses" in the income statement (Note 19-d).

In addition, the Company recognised the derecognition of certain assets included under "Property, plant and equipment", which were fully depreciated and had no impact on "Impairment and gains/(losses) on disposal of fixed assets - Gains/(losses) on disposals and other" in the income statement (Note 19-e) (17 thousand euros at 31 December 2021).

At year-end 2022 the net book value of the Company's land amounts to 16.876 thousand euros (16.133 thousand euros at year-end and 2021).

At year-end 2022 and 2021 the Company has fully depreciated tangible assets still in use amounting to 2.353 thousand euros and 2.875 thousand euros, respectively.

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

Company policy is to arrange insurance policies to cover any risks to which its property, plant and equipment may be exposed. At 31 December 2022 and 2021, these elements were fully insured.

7. Investment property

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

	Thousands of euros			
	Land	Constructions and installations	Real estate investments in progress and advances	**Total**
Balance at 31 December 2020	**1,657,405**	**1,077,848**	**558,142**	**3,293,395**
Acquisition cost	***1,758,334***	***1,531,764***	***571,955***	***3,862,053***
Accumulated depreciation and amortisation	***--***	***(453,916)***	***(13,813)***	***(467,729)***
Accumulated impairment	***(100,929)***	***--***	***--***	***(100,929)***
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)
Write-offs (Note 19-e)	--	2,950	--	2,950
Transfers (Note 13)	26,304	39,029	(121,281)	(55,948)
Transfers of depreciation (Note 13)	--	(5,573)	11,443	5,870
Transfers of impairment (Note 13)	12,129	--	--	12,129
Application of impairment (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 and amortisation	***--***	***(513,854)***	***(2,370)***	***(516,224)***
Accumulated impairment	***(81,315)***	***--***	***--***	***(81,315)***
Additions	36	38,297	52,611	90,944
Depreciation charge	--	(60,411)	--	(60,411)
Disposals (Note 19-e)	(14,175)	(19,796)	--	(33,971)
Write-offs (Note 19-e)	--	3,678	--	3,678
Impairment write-offs (Note 19-d)	4,323	--	--	4,323
Transfers (Note 13)	(67,844)	(74,772)	(258,522)	(401,138)
Transfers of depreciation (Note 13)	--	66,567	1,513	68,080
Transfers of impairment (Note 13)	23,113	--	--	23,113
Application of impairment (Note 19-d)	6,176	--	--	6,176
Impairment (Note 19-d)	(48,883)	--	--	(48,883)
Balance at 31 December 2022	**1,634,196**	**1,050,548**	**299,874**	**2,984,618**
Acquisition cost	***1,730,782***	***1,554,568***	***300,731***	***3,586,081***
Accumulated depreciation and amortisation	***--***	***(504,020)***	***(857)***	***(504,877)***
Accumulated impairment	***(96,586)***	***--***	***--***	***(96,586)***

a) Movements in 2022 -

The additions for 2022 correspond to investments in real estate assets, both in development and in operation, amounting to 90,944 thousand euros, including 5,130 thousand euros of financial costs (Note 19-f), associated with various investment and refurbishment projects in its properties.

During 2022, one premises and two office properties were disposed of for a total sale proceeds of 31,545 thousand euros, resulting in a gain of 5,722 thousand euros, including indirect costs of sale. In addition, write-offs due to the replacement of certain items of investment property amounting to 16 thousand euros were recorded.

In 2022, a total of seven properties were reclassified from “Investment property” to “Assets classified as held for sale” in the balance sheet for a total amount of 309,945 thousand euros (Note 13).

b) 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 euros, for which it exercised one of the purchase options for an amount of 500 thousand euros.

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

The additions for 2021 correspond to investments in real estate assets, both in development and in operation, amounting to 95,575 thousand euros, including 5,879 thousand euros 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 euros (Note 19-e), corresponding to the sale of a retail park located in Madrid. In addition, write-offs due to the replacement of certain items of investment property amounting to 171 thousand euros were recorded.

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 euros (Note 13).

c) Impairment -

The valuations obtained on the Company’s assets by independent experts at 31 December 2022 have revealed the need to recognise a net impairment charge for investment property amounting to 7,485 thousand euros (66,277 thousand euros provision at 31 December 2021). These results were recorded in “Impairment and gains/(losses) on disposals of property, plant and equipment - Impairment and losses” of profit and loss (Note 19-d).

d) Other information -

The total surface area by location (above and under-ground) of investment property and projects in use and in progress at 31 December 2021 2022 and 2021 is as follows:

	Total surface area (m2)					
	Investment property in operation		Investment property under development		Total	
Location	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Barcelona	356,748	332,666	9,930	34,012	366,678	366,678
Madrid	553,118	60,938	157,996	196,644	711,114	798,582
Rest of Spain	--	16,901	--	23,557	--	40,458
	909,866	951,505	167,926	254,213	1,077,792	1,205,718

At 31 December 2021, the Company had a property included under “Investment property” in the balance sheet pledged as security for mortgage debt (Note 16-d) with a carrying amount of 120,925 thousand euros, this property has been transferred to “Assets classified as held for sale” (Note 13) in the balance sheet and the associated debt has been transferred from “Non-current bank borrowings” to “Liabilities associated with non-current assets held for sale” (Note 16-d).

At year-end 2022 and 2021, the Company had fully depreciated investment property still in use amounting to 269.286 thousand euros and 247.120 thousand euros, respectively.

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

Company policy is to arrange insurance policies to cover any risks to which its investment property may be exposed. At 31 December 2022 and 2021, these elements were fully insured.

8. Operating leases as lessor

At year-end 2022 and 2021, 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 Value	
Minimum operating lease payments	31 December 2022	31 December 2021
Less than one year	132,192	126,807
Between one and five years	220,234	187,602
More than five years	40,323	26,019
Total	**392,749**	**340,428**

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 4-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 and others		Total	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Financial assets at amortised cost (Note 11-a)	--	--	16,766	35,698	**16,766**	**35,698**
Assets at fair value through equity (note 11-b):	2,760	--	23,473	23,445	**26,233**	**23,445**
Hedging derivatives (Note 12)	--	--	260,339	10,651	**260,339**	**10,651**
Long term	**2,760**	**--**	**300,578**	**69,794**	**303,338**	**69,794**
Financial assets at amortised cost (Note 11-a)	--	--	75,290	43,745	**75,290**	**43,745**
Financial assets at cost (Note 11-c)	9	9	--	--	**9**	**9**
Short term	**9**	**9**	**75,290**	**43,745**	**75,299**	**43,754**
Financial assets	**2,769**	**9**	**375,868**	**113,539**	**378,637**	**113,548**

Long and short term financial liabilities -

	Thousands of euros							
	Long term financial liabilities							
	Bank borrowings		Bonds and other marketable securities		Derivatives Others		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Financial liabilities at amortised cost or cost (Note 16)	95,450	72,539	2,798,530	2,794,818	--	--	2,893,980	2,867,357
Liabilities at fair value through profit or loss:								
- Others	--	--	--	--	33,380	28,895	33,380	28,895
Long Term	**95,450**	**72,539**	**2,798,530**	**2,794,818**	**33,380**	**28,895**	**2,927,360**	**2,896,252**
Financial liabilities at amortised cost (Note 16)	75,730	(561)	11,524	151,666	137	140	87,391	151,245
Financial liabilities at cost	--	--	--	--	58,205	34,500	58,205	34,500
Liabilities at fair value through profit or loss:								
- Others	--	--	--	--	--	(4)	--	(4)
Short Term	**75,730**	**(561)**	**11,524**	**151,666**	**58,342**	**34,636**	**145,596**	**185,741**
Financial Liabilities	**171,180**	**71,978**	**2,810,054**	**2,946,484**	**91,722**	**63,531**	**3,072,956**	**3,081,993**

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

a) *Non-current equity instruments in group companies*

The breakdown by subsidiary at 31 December 2022 and 2021 is as follows:

	Thousands of euros				
	31 December 2020	Additions	**31 December 2021**	Additions	**31 December 2022**
Cost:					
Société Foncière Lyonnaise, S.A.	**2,260,013**	36,059	**2,627,072**	--	**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**	100	**28,733**	23,000	**51,733**
Wittywood, S.L.	4,647	--	**4,647**	5,000	**9,647**
Inmocol One, S.A.U.	60	--	**60**	--	**60**
Inmocol Two, S.L.U.	3	10	**13**	--	**13**
Inmocol Three, S.L.U.	3	10	**13**	--	**13**
Total cost	**2,326,217**	**367,179**	**2,693,396**	**28,000**	**2,721,396**
Impairment:					
Colonial Tramit, S.L.U.	**(17)**	--	**(17)**	1	**(16)**
Inmocol Torre Europa, S.A.	--	(357)	**(357)**	357	--
Utopicus Innovación Cultural, S.L.	**(21,281)**	(2,847)	**(24,128)**	(7,532)	**(31,660)**
Wittywood, S.L.	**(2)**	--	**--**	(655)	**(655)**
Inmocol One, S.A.U.	(2)	(1)	**(3)**	--	**(3)**
Inmocol Two, S.L.U.	(2)	(1)	**(3)**	--	**(3)**
Inmocol Three, S.L.U.	(2)	(1)	**(3)**	--	**(3)**
Total impairment	**(21,306)**	**(3,207)**	**(24,511)**	**(7,829)**	**(32,340)**
Net total	**2,304,911**	**363,972**	**2,668,885**	**20,171**	**2,689,056**

Movements in 2022 -

On 3 June 2022, the Company acquired 50% of the remaining shares of the subsidiary Wittywood, S.L., representing 3,000 shares, for 5,000 thousand euros, with payment of 500 thousand euros withheld until 30 September 2023.

On 29 December 2022, the subsidiary Utopicus Innovación Cultural, S.L. carried out two capital increases, (i) the first by offsetting the loan signed on 10 July 2020, through the issue of 35. 946 shares with a par value of 1 euro each, plus a share premium of 19,964 thousand euros and (ii) a second share capital increase by issuing 5,391 shares with a par value of 1 euro each, plus a share premium of 2,994 thousand euros. Both capital increases were fully subscribed by the Company for 20,000 thousand euros and 3,000 thousand euros, respectively.

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 euros.

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 euros.

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 euros 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 euros.

Impairment -

In 2022 and 2021, no impairment of the financial interest in SFL was recognised (Note 4-e). The price of SFL shares at the close of 2022 and 2021 was 84,40 euros and 78,20 euros per share, respectively.

Other information -

On 3 October 2018, the Company signed a purchase agreement, subject to conditions precedent, for 100% of the shares in Peñalvento. The contract provides for the sale and purchase to be completed during 2023, provided that the conditions precedent have been fulfilled. As at 31 December 2022, the Company has received a total of 28,287 thousand euros on account of the price of the shares, which is recognised under “Customer advances” in the balance sheet.

b) Non-current loans to group companies and associates

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

	Thousands of euros	
	31 December 2022	31 December 2021
Peñalvento, S.LU.	--	22,693
Wittywood, S.L.	3,340	1,305
Total loans to group companies	**3,340**	**23,998**

11. <u>Financial assets</u>

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 2022	31 December 2021
Non-current investments in group companies and associates		
Loans to group companies (Note 20)	3,340	23,998
Non-current financial investments		
Other receivables	13,426	11,700
Non-Current	**16,766**	**35,698**
Non-current investments in group companies and associates		
Loans to group companies (Note 20)	62,365	33,227
Trade and other receivables		
Clients	4,013	822
Receivables from related parties (Note 20)	61	121
Other receivables	8,672	9,387
Other	179	188
Current	**75,290**	**43,745**

Other receivables –

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

	Thousands of euros	
	31 December 2022	31 December 2021
Cost:		
Nozar, S.A.	817	--
Lease incentives (Note 4-m)	13,426	11,700
Total cost	**14,243**	**11,700**
Impairment:		
Nozar, S.A.	(817)	--
Total impairment	**(817)**	**--**
Total current other receivables	**13,426**	**11,700**
Cost:		
Nozar, S.A.	867	85,473
Lease incentives (Note 4-m)	7,822	7,109
Other	849	2,515
Total cost	**9,538**	**95,097**
Impairment:		
Nozar, S.A.	(866)	(85,473)
Other	--	(237)
Total impairment	**(866)**	**(85,710)**
Total current other receivables	**8,672**	**9,387**

At 31 December 2022 and 2021, 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”. On 21 May 2021, the Company adhered to the proposed agreement of the Nozar, S.A. entity. Whereby the Company accepted a 97% debt write-off and a deferred payment schedule of twelve, twenty-three and thirty-five months. On 21 December 2021, the agreement was ratified by Madrid Commercial Court No. 2.

Lease incentives -

In 2022, 921 thousand euros were transferred to “Non-current assets held for sale” (550 thousand euros in 2021) (Note 13).

b) *Financial investments at fair value -*

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

	Thousands of euros	
	31 December 2022	31 December 2021
Non-current financial investments		
Deposits and guarantees	23,472	23,445
Other financial assets	2,760	23,445
Non-Current	**26,232**	**46,890**

Non-current deposits and guarantees basically correspond to deposits made with official bodies for guarantees collected for property leases in accordance with current legislation.

On 11 February 2022, the Company acquired an interest in Fifth Wall Real State Technology amounting to 2,760 thousand euros, which is presented as Other financial assets.

12. Derivative financial instruments

The derivative financial instruments held by the Company at 31 December 2022 and 2021 are presented below:

31 December 2022

				Thousands of euros	
	Counterparty	Interest rate	Maturity	Nominal	Fair value - Assets
Swap interest rate	Natwest	0.35%	2033	25,000	5,842
Swap interest rate	Natwest	0.35%	2033	150,000	35,010
Swap interest rate	Credit Agricole	0.57%	2029	173,000	18,510
Swap interest rate	BBVA	0.57%	2029	165,700	17,752
Swap interest rate	CaixaBank	0.57%	2029	168,050	17,979
Swap interest rate	Societe Generale	0.62%	2030	747,500	76,868
Swap interest rate	Societe Generale	0.71%	2032	173,500	16,035
Swap interest rate	Natixis	0.70%	2032	173,300	16,059
Swap interest rate	Societe Generale	0.76%	2033	213,500	19,140
Swap interest rate	Natixis	0.76%	2033	213,350	19,188
Swap interest rate	JPM	0.80%	2033	102,750	8,982
Swap interest rate	Natixis	0.79%	2033	101,470	8,974
Total				**2,407,120**	**260,339**

31 December 2021

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

During the second half of 2022, the Company has cancelled forward starting hedging instruments for a nominal amount of 1.337.500 thousand euros, maturing in 2034 and 2035 (and initial terms of 7 and 10 years). The Parent applied hedge accounting to these instruments based on forecasted future debt issuance transactions. As the forecast transactions remain probable, the Company has retained in equity the amount recorded for the change in market value of these hedges up to the time of cancellation (185.752 thousand euros). This amount will be reclassified to the consolidated income statement as of the date on which the initially hedged debt issues were planned. These cancellations have resulted in a cost recorded in the income statement amounting to 1.992 thousand euros. In parallel, the Company has contracted new derivatives with a notional amount of 2.232.120 thousand euros and maturing in 2029, 2030, 2032 and 2033 (all with a term of 5 years).

During the first half of 2021, the Company cancelled hedging instruments for a nominal amount of 625,000 thousand euros, 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 euros of income, in addition to which these cancellations are associated with 193 thousand euros 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 euros 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 euros with maturities in 2034 and 2035.

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

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

Sensitivity of valuations to a change of one quarter of a point in rates of return	Thousands of euros		
	Fair value	Decrease of one quarter of a point	Increase of one quarter of a point
31 December 2022	260,339	(20,375)	25,768
31 December 2021	10,651	(35,543)	25,727

13. Non-current assets held for sale

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

	Thousands of euros	
	31 December 2022	31 December 2021
Beginning balance	**--**	**19,277**
Additions	--	186
Disposals	(25,615)	(57,784)
Impairment (Note 19-d)	2,101	(178)
Transfers	310,866	38,499
Ending balance	**287,352**	**--**

Movements in 2022 -

In 2022, the Company transferred 309,945 thousand euros from "Investment property" in the consolidated balance sheet (Note 7) and 921 thousand euros from "Trade and other receivables" corresponding to the accrual of lease incentives.

The Company disposed of a property for a total sale price of 25,000 thousand euros.

Movements in 2021 -

In 2021, the Company transferred 37,949 thousand euros from "Investment property" in the consolidated balance sheet (Note 7) and 550 thousand euros 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 euros.

Impairment -

The valuations of the Company's assets by independent experts at 31 December 2022 revealed the need to recognise a net reversal of impairment of 2,101 thousand euros (178 thousand euros in 2021) 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).

Other information -

At 31 December 2022, one of the properties transferred from "Investment property" (Note 7) had an associated mortgage debt (Note 16-d), which has been transferred to "Liabilities linked to available-for-sale non-current assets".

14. Equity

a) Share capital

At 31 December 2022 and 2021, the share capital comprised 539,615,637 shares with a par value of 2.5 euros 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 euros 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 was 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 euros (according to the share price) and cash payments amounting to 84,045 thousand euros.

According to the detail included in section A.2 of the Annual Corporate Governance Report of the Parent Company for 2022, shareholders owning significant stakes in the Company's share capital, both direct and indirect, as at 31 December 2022 and 2021, are as follows:

	31 December 2022		31 December 2021	
	Number of shares*	% ownership	Number of shares*	% ownership
Share capital				
Qatar Investment Authority (**)	102,675,757	19.03%	102,675,757	19.03%
Fernández González, Carlos (*)	82,488,909	15.29%	80,028,647	14.83%
Puig, S.A.	39,795,000	7.37%	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%	22,494,701	4.17%
BlackRock Inc. (*)	15,956,812	2.96%	16,182,616	3.00%

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

At 31 December 2022 and 2021, 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. These financial instruments do not and cannot involve the issue of new shares of the Parent.

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 euros 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 pre-emption right up to a maximum of 20% of the share capital.

b) Share premium

In 2021, as a result of the capital increases described above, the amount of the net share premium increased by 204,261 thousand euros, 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 euros, which were paid to shareholders.

On 21 June 2022, the General Shareholders' Meeting resolved to distribute dividends with a charge to the share premium amounting to 92,680 thousand euros, which were paid to shareholders.

c) Reserves

Legal reserve -

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

At 31 December 2022, taking into account the appropriation to the legal reserve included in the distribution of the Parent's profit for 2021 approved by the shareholders at the General Meeting held on 21 June 2022, the legal reserve has been increased to 58.639 thousand euros, although it had not yet reached the stipulated level at the date of authorisation for issue of these financial statements (54.766 thousand euros at 31 December 2021).

Other reserves –

The detail of other reserves in the balance sheet heading is as follows:

	31 December 2022	31 December 2021
Unrestricted voluntary reserves	169,441	169,441
Merger reserves	(27,468)	(27,468)
Gains/(losses) on disposals of own shares	(3,572)	(2,783)
Results for previous years	(27,010)	(27,010)
Capital increase costs	(1,223)	(1,223)
Total other reserves	**110,168**	**110,957**

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 627 thousand euros in 2022.

The Company's other reserves also include the result generated by the purchase and sale operations of the liquidity contract (Note 14-e), calculated as the difference between the purchase price and the net sales price of the shares included in the liquidity plan, which amounted to a positive result of 162 thousand euros for 2022.

Reserves for capital increase expenses in the amount of 1,223 thousand euros were recorded in 2021 for various expenses incurred in connection with the two capital increases mentioned above.

d) Treasury shares

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

	31 December 2022		31 December 2021	
	No. of shares	Thousands of euros	No. of shares	Thousands of euros
Free tranche	7,915,908	64,494	7,943,007	64,745
Liquidity contracts	302,462	1,880	229,500	1,912
Ending balance	**8,218,370**	**66,374**	**8,172,507**	**66,657**

Own shares – Free tranche

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

	31 December 2022		31 December 2021	
	No. of shares	Thousands of euros	No. of shares	Thousands of euros
Beginning balance	**7,943,007**	**64,745**	**3,131,110**	**22,546**
Buyback plan 2021	--	--	5,000,000	43,439
Delivery of incentives plan shares (Note 21-d)	(41,691)	(221)	(296,337)	(2,134)
Other purchases	14,592	(30)	108,234	894
Ending balance	**7,915,908**	**64,494**	**7,943,007**	**64,745**

Share buyback plan of the Company -

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.

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.

Liquidity contracts

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

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

	31 December 2022		31 December 2021	
	No. of shares	Thousands of euros	No. of shares	Thousands of euros
Beginning balance	**229,500**	**1,912**	**229,500**	**1,894**
Liquidity contract dated 11 July 2017	--	--	--	18
Liquidity contract dated 4 January 2022				
Purchase	17,945,849	116,688	--	--
Sale	(17,872,887)	(116,720)	--	--
Ending balance	**302,462**	**1,880**	**229,500**	**1,912**

On 11 July 2017, the Company drew up a 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.

e) Value change adjustments – Hedging operations

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

	Thousands of euros	
	31 December 2022	31 December 2021
Beginning balance	**10,651**	**(19,318)**
Changes in the fair value of hedges in the year	251,616	21,250
Transfer to profit and loss	--	8,719
Ending balance	**262,267**	**10,651**

15. <u>Provisions and contingencies</u>

The detail of current and non-current provisions in the balance sheet, and the main movements in 2022 were as follows:

	Thousands of euros	
	Current	Non-Current
	Provision for contingencies and expenses	Provisions with personnel
Balance at 31 December 2021	**2,701**	**33**
Charge (Note 19-c)	25	--
Reversal (Note 19-c)	(25)	--
Applications	--	(13)
Balance at 31 December 2022	**2,701**	**20**

Provisions for contingencies and expenses - Current

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

16. Bank borrowings and debentures and other marketable securities

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

31 December 2022

	Thousands of euros							
	Current	Non-current						Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Older than 5 years	Total non-current	
Bank borrowings:								
Bilateral loans	--	--	--	--	100,000	--	100,000	100,000
Fees and interest	1,534	--	--	--	--	--	--	1,534
Arrangement costs	(1,266)	(1,220)	(1,220)	(1,220)	(890)	--	(4,550)	(5,816)
Total debts with credit institutions	**268**	**(1,220)**	**(1,220)**	**(1,220)**	**99,110**	--	**95,450**	**95,718**
Bonds and other marketable securities:								
Issues of bonds	--	187,200	500,000	700,000	--	1,425,000	2,812,200	2,812,200
Fees and interest	15,237	--	--	--	--	--	--	15,237
Arrangement costs	(3,713)	(3,668)	(3,352)	(2,249)	(688)	(3,713)	(13,670)	(17,383)
Total debt instruments and other held-for-trading liabilities	**11,524**	**183,532**	**496,648**	**697,751**	**(688)**	**1,421,287**	**2,798,530**	**2,810,054**
Total	**11,792**	**182,312**	**495,428**	**696,531**	**98,422**	**1,421,287**	**2,893,980**	**2,905,772**

31 December 2021

	Thousands of euros							
	Current	Non-current						Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Older than 5 years	Total non-current	
Bank borrowings:								
Préstamos hipotecarios	--	75,700	--	--	--	--	75,700	75,700
Fees and interest	687	--	--	--	--	--	--	687
Arrangement costs	(1,248)	(1238),	(1,038)	(885)	--	--	(3,161)	(4,409)
Total debts with credit institutions	**(561)**	**74,462**	**(1,038)**	**(885)**	--	--	**72,539**	**71,978**
Bonds and other marketable securities:								
Issues of bonds	--	--	187,200	500,000	700,000	1,425,000	2,812,200	2,812,200
Issue of promissory notes	140,000	--	--	--	--	--	--	140,000
Fees and interest	15,379	--	--	--	--	--	--	15,379
Arrangement costs	(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**

a) Issues of standard bonds by the Company

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

				Thousands of euros		
Issue	Duration	Maturity	Fixed coupon payable annually	Issue amount	31 December 2022	31 December 2021
28/10/2016	8 years	28/10/2024	1.45%	600,000	187,200	187,200
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	500,000
08/07/2021	8 years	22/06/2029	0.75%	125,000	125,000	125,000
Total issues of bonds					**2,812,200**	**2,812,200**

European Medium Term Note Programme -

On 5 October 2016, the Company registered an EMTN (European Medium Term Note) programme on the Irish Stock Exchange amounting to 3,000,000 thousand euros, extendable to 5,000,000 thousand euros, with a validity of 12 months. On 8 June 2022, the CNMV approved the registration of the programme renewal in the official registers of the Parent's Euro Medium Term Note Programme.

Issuance and buyback of bonds by the Company -

On 22 June and 6 July 2021, under the EMTN European Medium Term Note programme, the Company issued new issues of simple bonds for a nominal amount of 625,000 thousand euros, 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 16/10/2020 and 22/06/2021 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 issue dated 05/06/2015 in the amount of 306,200 thousand euros and redeemed part of the outstanding balance of the issue dated 28/10/2016, in the amount of 306,100 thousand euros.

At 31 December 2022 and 2021, the fair value of the bonds issued by the Company was 2.440.714 thousand euros and 2.928.360 thousand euros, respectively.

Compliance with financial ratios -

The standard bonds currently in force establish the need for compliance, at 30 June and 31 December of each year, of a financial ratio by virtue of which the value of the Colonial Group's unsecured assets in the balance sheet on each of the dates will have to be at least equal to the unsecured financial debt. These ratios were met at 31 December 2022 and 2021.

b) Issue of promissory notes by the Company

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

As at 31 December 2022 the Company has no issues.

As at 31 December 2021, the Company had issued bonds under the ECP programme amounting to 140,000 thousand euros.

c) *Syndicated financing*

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

		Thousands of euros			
		31 December 2022		31 December 2021	
Thousands of euros	Maturity	Limit	Nominal drawn down	Limit	Nominal drawn down
Credit policy	November 2027	500,000	--	500,000	--
Credit policy	November 2027	500,000	--	500,000	--
Total syndicated financing		**1,000,000**	**--**	**1,000,000**	**--**

On November 2022, the maturity of the credit line was extended to November 2027. This credit line is considered sustainable because its margin is pegged to the rating obtained by the GRESB agency.

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

At 31 December 2022 and 2021, the loans meet the financial ratios to which they are subject.

d) *Mortgage loans*

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

	Thousands of euros			
	31 December 2022		31 December 2021	
	Mortgage debt	Asset market value	Mortgage debt	Asset market value
Investment property (Note 7)	--	--	75,700	162,600
Total mortgage loans	**--**	**--**	**75,700**	**162,600**

At 31 December 2021, the Company had a mortgage loan amounting to 75,700 thousand euros. It is a loan at a rate tied to the Euribor plus an additional margin. The loan is sustainable because its margin will vary according to the rating the Company obtains in ESG (environmental, social and corporate governance) from the sustainability agency GRESB.

At 31 December 2022, the Company transferred the bilateral loan to "Liabilities linked to non-current assets held for sale" (Note 13).

At 31 December 2022 and 2021, the loan meets the financial ratios to which it is subject.

e) *Bilateral loans*

Details of the Company's bilateral loans are set out in the table below:

		Thousands of euros			
		31 December 2022		31 December 2021	
Thousands of euros	Maturity	Limit	Nominal drawn down	Limit	Nominal drawn down
Bilateral loans	April 2027	100,000	100,000	--	--
Total bilateral loan		**100,000**	**100,000**	**--**	**--**

On 6 April 2022, the Company signed a new bilateral loan for an amount of 100,000 thousand euros, maturing in 2027. This loan is considered sustainable as its margin is linked to the ESG (environmental, social and corporate governance) rating obtained by the sustainability agency GRESB.

f) *Other guarantees delivered*

At 31 December 2022, the Company has granted guarantees to government bodies, customers and suppliers in the amount of 6.338 thousand euros (6.342 thousand euros at 31 December 2021).

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

g) *Interest*

The Company's average interest rate in2022 was 1,66% (1,84% in 2021) or 1,91% incorporating the accrual of fees (2,10% in 2021). The interest rate of the Company's outstanding debt at 31 December 2022 (spot) is 1,67% (1,50% at 31 December 2021).

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

	Thousands of euros	
	31 December 2022	31 December 2021
Bonds and other marketable securities	15,237	15,379
Bank borrowings	1,534	687
Total	**16,771**	**16,066**

h) *Debt arrangement costs*

In 2022 and 2021, the Company recognised 2.780 thousand euros and 3.062 thousand euros (Note 19-f), respectively, in the income statement, corresponding to the costs repaid during the year.

i) *Cash and cash equivalents*

At 31 December 2022 and 2021, the amounts of 80.068 thousand euros and 93.000 thousand euros, respectively, were recognised under "Cash and cash equivalents", of which, 1.382 thousand euros (1.777 thousand euros at 31 December 2021) was restricted or pledged.

17. Other non-current financial liabilities

At 31 December 2022 y 2021, it includes an amount of 33.380 thousand euros and 28.895 thousand euros, respectively, corresponding to guarantees received from lessees.

18. Tax matters

On 30 June 2017, the Company opted for the SOCIMI tax regime (Note 1).

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

	Thousands of euros			
	Receivable balance		Payable balance	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Tax	--	--	5,847	4,574
Value-added tax	615	451	--	--
Current tax	426	427	90	--
Other deferred taxes	--	--	188	188
Social Security tax payable	--	--	154	140
Total current balances	**1,041**	**878**	**6,279**	**4,902**
Deferred tax on merger (Note 1)	--	--	79,653	80,497
Other deferred taxes	--	--	4,695	4,882
Total non-current balances	**--**	**--**	**84,348**	**85,379**

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

31 December 2022

	Thousands of euros		
	General regime	REIT regime	Total
Pre-tax profit/(loss) for year	**(3,344)**	**119,352**	**116,008**
Permanent differences:			
SFL dividends (Note 19)	--	(168,171)	(168,171)
Amortisation of Axiare financial goodwill (Note 5)	--	8,721	8,721
Plan contribution (Note 21)	--	217	217
Other	(10)	916	906
Temporary differences:			
Originating in prior years-			
Deferral for reinvestment	749	--	749
Non-deductible provisions	--	(1)	(1)
Non-deductible amortisation	(1,637)	(6)	(1,643)
Originating in current year-			
Portfolio impairment (Note 10)	--	7,829	7,829
Non-deductible impairment of property	--	15,251	15,251
Amortisation of SFL financial goodwill	--	(283)	(283)
Deferred write-off from asset gains	7,554	30,822	38,376
Taxable income (taxable profit)	**3,312**	**14,647**	**17,959**

31 December 2021

	Thousands of euros		
	General regime	REIT regime	Total
Pre-tax profit/(loss) for year	**8,757**	**28,662**	**37,419**
Permanent differences:			
SFL dividends (Note 19)	--	(75,847)	(75,847)
Transfer of premises	--	180	180
Amortisation of Axiare financial goodwill (Note 5)	--	8,720	8,720
Plan contribution (Note 21)	--	288	288
Capital increase costs	--	(1,223)	(1,223)
Other	(10)	(2,067)	(2,077)
Temporary differences:			
Originating in prior years-			
Deferral for reinvestment	749	--	749
Non-deductible provisions	(530)	(2,919)	(3,449)
Non-deductible amortisation	(1,637)	(6)	(1,643)
Originating in current year-			
Portfolio impairment (Note 10)	--	3,207	3,207
Non-deductible impairment of property	--	(13,782)	(13,782)
Amortisation of SFL financial goodwill	--	(283)	(283)
Deferred write-off from asset gains	(8,136)	12,152	4,016
Non-deductible finance costs	(225)	27,026	26,801
Taxable income (taxable profit)	**(1,032)**	**(15,892)**	**(16,924)**

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

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

General regime -

- In accordance with Law 16/2012, of 27 December, it was established that the accounting depreciation of property, plant and equipment, intangible assets and investment property for tax periods starting in 2013 and 2014 would be deductible from the tax base by up to 70 per cent of that which would have been previously deductible for tax purposes. In this regard, the Company proceeded to make the corresponding adjustments to its tax base. From 20192015, and according to the provisions of the Law, the Company has been recovering annually one tenth of the allocations made to depreciation in 2013 and 2014, which were considered non-deductible.

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

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

REIT regime -

- Exemption for dividends from subsidiaries

- Property impairment that is not tax deductible.

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

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

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

- Non-deductible provisions.

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

	Thousands of euros	
	2022	2021
Pre-tax profit/(loss)	116,008	37,419
Permanent differences	(158,328)	(69,959)
Adjusted accounting profit/(loss)	**(42,320)**	**(32,540)**
- REIT regime	(38,965)	(41,299)
- General regime	(3,354)	8,747
Accounting profit/(loss) adjusted to general regime	**(3,354)**	**8,747**
- Unrecorded deferred assets offset in the year	(1,637)	(2,392)
Tax profit/(loss) to general regime	**(4,991)**	**6,355**
Tax expense at 25% rate	460	257
Capitalisation	(271)	(287)
Other adjustments	135	1,337
Total income expense recognised in the profit and loss account	**324**	**1,307**
- Current tax	460	257
- Deferred tax	(136)	1,050

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

Deferred tax assets (taxable profit)	Thousands of euros			
	2022 (*)		2021 (*)	
	General regime base	REIT base	General regime base	REIT base
Tax loss carryforwards	5,384,125	--	5,385,124	--
Non-deductible impairment	--	42,686	--	27,435
Non-deductible portfolio impairment	--	32,037	3	24,505
Non-deductible finance costs	415,475	99,424	415,370	97,877
Non-deductible amortisation	4,489	12	6,125	18
Non-deductible provisions	66,236	1,278	66,236	1,278
Other	20	327	20	90
Total tax credits and deferred tax assets	**5,870,345**	**175,764**	**5,872,878**	**151,203**

(*) As described below, in determining the deferred tax liabilities at 31 December 2022 and 2021, the Company did not recognise the corresponding tax credits, except for the application of tax credits amounting to 27,010 thousand euros and 27,282 thousand euros, respectively, since these have been calculated on the basis of the estimated effective tax rate of 18.75% (Note 4-l).

Deferred tax asset on tax loss carryforwards -

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

Deferred tax assets for deductions to be offset -

At 31 December 2022, the deductions to be applied due to insufficient taxable profit amounted to 8.085 thousand euros (8.229 thousand euros at 31 December 2021) for tax credits for pending reinvestment deductions.

The Company has no amounts recognised in its financial statements in this connection.

Deferred tax liabilities -

The breakdown of deferred tax liabilities at 31 December 2022 and 2021 by item is as follows:

Deferred tax liabilities	Thousands of euros	
	2022 (*)	2021 (*)
	Taxable profit	Taxable profit
Deferral for pending reinvestment	15,909	16,658
Deferral on financial goodwill	3,600	3,318
Deferral on gains allocated to investment property and financial assets	426,652	431,112
Capitalised tax credits	(107,042)	(109,127)
Total	**339,119**	**341,961**
Deferred tax liabilities	**84,535**	**85,566**

(*) Of the deferred tax liabilities, 84,348 thousand euros are recognised under “Non-current deferred tax liabilities” and 187 thousand euros are recognised under “Other payables to public authorities” under current liabilities (85,379 thousand euros and 187 thousand euros, respectively, for 2021).

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-l, 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. In this regard, deferred taxes associated with the Company’s investment property for non-SOCIMI assets, as well as for capital gains on SOCIMI assets existing at the time of adoption of the regime, have been recorded at an effective rate of 18.75% (tax rate of 25% with a limit on the offsetting of tax losses of 25%, depending on the Company’s turnover).

Tax years pending verification and inspection actions -

The Company has the last four years open for review for all taxes applicable to it in Spain, except for tax losses pending offset or deductions pending application of corporate income tax, in which case the review period extends to 10 years.

On 2 November 2022, the Company was notified of the commencement of general verification and investigation audits for corporate income tax for 2018 to 2021, and for value-added tax, withholdings on account of non-residents and withholdings and payments on account of income from employment, professional activities and economic activities for the period October 2018-December 2021.

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

Adherence to the code of good tax practices –

On 10 December 2015, the Board of Directors of the Company agreed to adhere to the Code of Best Tax Practices ("CBPT" hereinafter). This agreement was communicated to management on 8 January 2016. During 2022, the Company presented the Annual Tax Transparency Report for companies adhering to the CBPT for 2021, following the proposal for the reinforcement of good corporate tax transparency practices for companies adhering to the Code of Good Tax Practices, approved at the plenary session of 20 December 2016.

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

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

	Thousands of euros
Legal and statutory reserves	39,099
Other reserves:	
Restricted reserve	169,439
Total reserves at 31 December 2022	**208,538**

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

	Thousands of euros		
	General regime	REIT regime	**Total**
Reserves from 2017			
To legal reserve	--	3,250	**3,250**
Gain/(loss) on treasury shares and capital increase costs	--	(466)	**(466)**
Reserves from 2018			
To legal reserve	--	3,631	**3,631**
Gain/(loss) on treasury shares and capital increase costs	--	469	**469**
Reserves from 2019			
To legal reserve	--	8,787	**8,787**
Gain/(loss) on treasury shares and capital increase costs	--	(1,131)	**(1,131)**
Merger reserves	--	(27,469)	**(27,469)**
Reserves from 2020			
To legal reserve	--	--	--
Gain/(loss) on treasury shares and capital increase costs	--	(1,778)	**(1,778)**
Reserves from 2021			
To legal reserve	--	3,873	3,873
Gain/(loss) on treasury shares and capital increase costs	--	(1,098)	**(1,098)**
Reserves from 2022			
To legal reserve	--	--	--
Gain/(loss) on treasury shares and capital increase costs	--	(789)	**(789)**
Total	--	(12,721)	**(12,721)**

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

	Thousands of euros		
	General regime	REIT regime	**Total**
2017 dividend	--	29,247	**29,247**
2018 dividend	--	32,677	**32,677**
2019 dividend	--	79,080	**79,080**
2020 dividend	--	--	--
2021 dividend	--	34,853	**34,853**
Total	--	**175,857**	**175,857**

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

	Thousands of euros		
	General regime	REIT regime	**Total**
2017 dividend	34,186	2,860	**37,046**
2018 dividend	--	4,200	**4,200**
2019 dividend	--	--	--
2020 dividend	--	--	--
2021 dividend	--	--	--
Total	34,186	**7,060**	**41,246**

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

Dividend for the year	Dividend distribution resolution date
2017	24 May 2018
2018	14 June 2019
2019	30 June 2020
2021	21 June 2022

f) Date of acquisition of property intended for rental and of holdings in the capital of entities referred to in Article 2(1) of this Law.

Property	City	Acquisition date	Maintenance start date
Pedralbes Centre	Barcelona	29-Dec-92	1-Jan-17
Avda. Diagonal, 530	Barcelona	29-Dec-92	1-Jan-17
Amigó, 11-17	Barcelona	28-Dec-94	1-Jan-17
Avda. Diagonal, 682	Barcelona	30-Dec-97	1-Jan-17
Pº de la Castellana, 52	Madrid	28-Jul-98	1-Jan-17
Vía Augusta, 21-23	Barcelona	26-Oct-98	1-Jan-17
Francisco Silvela, 42	Madrid	25-Oct-04	1-Jan-17
Alfons XII	Madrid	28-Mar-00	1-Jan-17
Ramírez de Arellano, 37	Madrid	30-Nov-99	1-Jan-17
Sant Cugat - Sant Joan	Sant Cugat del Vallès	24-Dec-99	1-Jan-17
Les Glòries - Diagonal	Barcelona	9-Jun-00	1-Jan-17
Jose Ortega Y Gasset, 100	Madrid	5-Jul-00	1-Jan-17
Pg. dels Til·lers, 2-6	Barcelona	15-Sept-00	1-Jan-17
Poeta Joan Maragall	Madrid	18-Apr-01	1-Jan-17
Avda. Diagonal, 409	Barcelona	9-Oct-01	1-Jan-17
Recoletos, 37-41	Madrid	21-Oct-05	1-Jan-17
Pº de la Castellana, 43	Madrid	21-Oct-05	1-Jan-17
Miguel Ángel, 11	Madrid	21-Oct-05	1-Jan-17
José Abascal, 56	Madrid	21-Oct-05	1-Jan-17
López Hoyos, 35	Madrid	21-Oct-05	1-Jan-17
Martinez Villergas, 49	Madrid	24-Mar-06	1-Jan-17
Príncipe de Vergara, 112-114	Madrid	14-Jul-15	1-Jan-17
Génova, 17	Madrid	28-Jul-15	1-Jan-17
Santa Engracia	Madrid	17-Dec-15	1-Jan-17
José Abascal, 45	Madrid	21-Jun-16	1-Jan-17
Travessera de Gràcia, 47-49	Barcelona	28-Dec-16	1-Jan-17
Avda. Diagonal, 609	Barcelona	29-Dec-92	1-Jan-17
Torre Bcn	Barcelona	31-Oct-01	1-Jan-17
Travessera de Gràcia, 11	Barcelona	28-Dec-94	1-Jan-17
Illacuna	Barcelona	6-May-14	1-Jan-17
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
Don Ramón de la Cruz, 82	Madrid	8-Oct-15	1-May-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
Josefa Valcárcel, 40 bis	Madrid	16-Nov-17	30-Sept-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-Sept-17	22-Sept-15
Egeo-Parteon	Madrid	16-Jan-18	1-Jan-15
Castellana, 163	Madrid	29-Dec-16	1-Jan-17
Cedro	Alcobendas	31-Jan-17	3-Oct-14
Almagro, 9	Madrid	2-Dec-16	1-Oct-18
Lagasca	Madrid	2-Dec-16	1-Oct-18
Estébanez Calderón, 3-5	Madrid	25-May-15	1-Jan-17
Parc Glorias	Barcelona	25-May-16	1-Jan-17
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
Wittywood, S.L.	31-Jul-20	1-Jan-22

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

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

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

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

Not applicable.

19. Income and expense

a) Revenue -

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

Activities	Thousands of euros	
	2022	2021
Building leases	149,954	139,287
Service provision	703	587
Income from holdings in Group companies (Note 4-m) (*).	177,022	79,838
Total	**327,679**	**219,712**

(*) The full amount relates to financial income from dividends from SFL (Note 20).

Geographical area	Thousands of euros	
	2022	2021
Barcelona	48,290	44,646
Madrid	100,643	93,635
Paris (*)	177,022	79,838
Other	1,724	1,593
Total	**327,679**	**219,712**

(*) The full amount relates to financial income from dividends from SFL (Note 20).

Income from 2022 include the effect of incentives to leasing throughout the minimum duration of the contract (Note 4-m), which has led to an increase in revenue of 3.583 thousand euros (1.288 thousand euros increase in 2021).

b) Staff costs -

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

	Thousands of euros	
	2022	2021
Wages and salaries	10,688	11,232
Compensation	3,003	347
Social Security expenses borne by the company	1,588	1,474
Other welfare expenses	1,638	32
Contributions to defined benefit pension plans	217	288
Internal reallocation	(1,445)	(1,236)
Total	**15,689**	**12,137**

At 31 December 2022, “Other employee benefit expenses” includes 983 thousand euros corresponding to the new long-term remuneration plan described in Note 21-d. (670 thousand euros in 2021).

c) Losses, impairment and change in trade provisions -

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

	Thousands of euros	
	2022	2021
Provisions for insolvencies	305	58
Reversal of provisions for insolvencies	(237)	(2,960)
Charge to provision for contingencies and charges (Note 15)	25	--
Reversal of provisions for contingencies and expenses (Note 15)	(25)	(525)
Reversal of provision Other trade balances	(769)	--
Total	**(701)**	**(3,427)**

d) Impairment of property assets

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

	Thousands of euros				
	Intangible assets (Note 5)	Property, plant and equipment (Note 6)	Investment property (Note 7)	Non-current assets held for sale (Note 13)	Total
Balance at 31 December 2020	**(63,271)**	**(1,011)**	**(100,929)**	**(14,069)**	**(179,280)**
Provision	--	--	(15,623)	(178)	(15,801)
Reversal	--	268	23,108	--	23,376
Disposals	--	--	--	26,376	26,376
Transfers	--	--	12,129	(12,129)	--
Balance at 31 December 2021	**(63,271)**	**(743)**	**(81,315)**	**--**	**(145,329)**
Provision	--	--	(48,883)	--	(48,883)
Reversal	--	743	6,176	--	6,919
Disposals	--	--	4,323	2,101	6,424
Transfers	--	--	23,113	(23,113)	--
Balance at 31 December 2022	**(63.271)**	**--**	**(96,586)**	**(21,012)**	**(180,869)**

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

	Thousands of euros	
	2022	2021
Investment property charges	(48,883)	(15,623)
Allocation of assets held for sale	--	(178)
Amounts used for property, plant and equipment	6,919	23,376
Total	**(41,964)**	**7,575**

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	
	2022	2021
Gains/(losses) on disposals:		
Investment property	5,722	5,558
Non-current assets held for sale	838	(704)
Total gains/(losses) on asset disposals	**6,560**	**4,854**
Other (disposal due to replacement):		
Intangible assets (Note 5)	--	(30)
Property, plant and equipment (Note 6)	--	(17)
Investment property (Note 7)	(16)	(171)
Total other (replacement disposals)	**(16)**	**(218)**
Total	**6,544**	**4,636**

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

	Thousands of euros	
	2022	2021
Sale price	56,545	85,597
Net asset value (Notes 7 and 13)	(49,468)	(78,829)
Indirect and other costs	(517)	(1,914)
Net result from asset sales	**6,560**	**4,854**

f) Income and financial expenses

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

	Thousands of euros	
	2022	2021
Financial income and other	188	4
Financial income from group companies and associates (Note 20)	425	467
Total financial Income	**613**	**471**
Interest on debts and debentures	(52,582)	(55,242)
Arrangement costs of deferred debts (Note 16-h)	(2,780)	(3,062)
Interest on derivatives	(63)	(36)
Expenses associated with repurchase of debentures	--	(33,796)
Expenses associated with loan cancellation	(3,458)	(2,292)
Other financial costs	(219)	(600)
Capitalised financial costs (Note 7)	5,130	5,879
Total Financial Expenses	**(53,972)**	**(89,149)**
Change in derivative instruments (Note 12)	--	8,719
Change in fair value of derivative instruments	**--**	**8,719**
Impairment of equity investment in Utopicus Innovación Cultural, S.L. (Note 10-a)	(7,532)	(2,847)
Impairment of equity investment in Colonial Tramit, S.L.U. (Note 10-a)	1	--
Impairment of financial interest Inmocol Torre Europa, S.A. (Note 10-a)	357	(357)
Impairment of financial interest Wittywood, S.L.U. (Note 10-a)	(655)	--
Impairment of equity investment in Inmocol One, S.A.U. (Note 10-a)	--	(1)
Impairment of equity investment in Inmocol Two, S.L.U. (Note 10-a)	--	(1)
Impairment of equity investment in Inmocol Three, S.L.U. (Note 10-a)	--	(1)
Impairment and gains/(losses) on disposal of financial instruments	**(7,829)**	**(3,207)**
Total financial result	**(61,188)**	**(83,166)**

20. Transactions and balances with related parties

a) Related-party transactions -

The breakdown of related party transactions is as follows:

2022

	Thousands of euros		
	Services provided	Dividends received	Interest income
Inmocol Torre Europa, S.A.	227	--	--
Peñalvento, S.L.U.	66	--	390
Wittywood, S.L.	24	--	35
Utopicus Innovación Cultural, S.L.	8,998	--	--
Société Foncière Lyonnaise, S.A.	--	177,022	--
Total	**9,315**	**177,022**	**425**

2021

	Thousands of euros			
	Services provided	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**

b) Balances with related parties -

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

2022

	Thousands of euros				
	Current accounts receivable	Non-current loans granted	Current loans granted	Deposits received	Current accounts payable
Colonial Tramit, S.L.U.	--	--	73	--	--
Inmocol Torre Europa, S.A.	23	--	--	--	--
Peñalvento, S.L.U.	7	--	62,292	--	(4)
Wittywood, S.L.	2	3,340	--	--	--
Inmocol One, S.A.U.	--	--	--	--	(58)
Inmocol Two, S.L.U.	--	--	--	--	(10)
Inmocol Three, S.L.U.	--	--	--	--	(10)
Utopicus Innovación Cultural, S.L.	29	--	--	(1,397)	(55)
Total	**61**	**3,340**	**62,365**	**(1,397)**	**(137)**

2021

	Thousands of euros				
	Current accounts receivable	Non-current loans granted	Current loans granted	Deposits 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)**

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.

The Company has reclassified all balances held with the subsidiary Peñalvento, S.L.U. to current items as it expects to sell it in 2023 (Note 10-a).

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

a) Composition of the Board of Directors of the Company

At 31 December 2022, the Board of Directors of the Company consists of 7 men and 4 women (8 men and 3 women at 31 December 2021).

At 31 December 2022, its composition was as follows:

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

In accordance with the provisions of Article 229 of the Spanish Limited Liability Companies Law, at the end of 2022 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.

On 22 February 2022, the Company reported that the Chairman of the Board of Directors, Juan Brugera Clavero, reached, in April 2022, the maximum age set in France to hold the position of Chairman of the Board of Directors and, therefore, on that date, he ceased to hold the position of Chairman of the Board of Directors of SFL. In this regard, the Board of Directors of the Company, following a favourable report from the Appointments and Remuneration Committee ("ARC" hereinafter), has also resolved, effective 30 April 2022, to terminate his executive duties as Chairman of the Board of Directors of the Company and to continue as a non-executive chairman with the status of "other external".

In addition, with effect from 30 April 2022, the Board of Directors of the Company, following a report from the ARC, has considered that the figure of the coordinating director required by law is not necessary for those cases in which the Chairman of the Board of Directors is an executive director. Therefore, Luis Maluquer Trepat continues as an independent director.

On 30 August 2022, the director Javier López Casado left the Board due to death.

On 27 September 2022, Begoña Orgambide García was appointed director in place of Javier López Casado.

b) Remuneration of the Board of Directors

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

Activities	Thousands of euros	
	2022	2021
Remuneration accrued by executive directors (*):	**6,313**	**3,541**
Allowances:	**831**	**871**
Fixed remuneration:	**1,105**	**778**
Director remuneration.	838	525
Additional compensation of members of the audit and control committee	117	103
Additional compensation of members of the appointments and remuneration committee	150	150
Total	**8,249**	**5,190**
Amount of compensation earned by executive directors (*):	**6,313**	**3,541**

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

At 31 December 2022 and 2021, the Company had taken out a civil liability insurance policy covering all of its directors, executives and employees, for a total of 620 thousand euros and 500 thousand euros, respectively. The aforementioned amount includes, for both years, the civil liability insurance premium paid for 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 150 thousand euros and 225 thousand euros in 2022 and 2021, respectively.

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

At 31 December 2022, a member of the board of directors had signed golden parachute clauses in the event of certain cases of termination or change of control, all of which were approved at the General Shareholders' Meeting (two members at 31 December 2021).

With effect from 30 April 2022 Juan José Brugera Clavero's employment relationship with the Company was terminated, resulting in the payment of an indemnity of 3,000 thousand euros, which is included under the heading "Remuneration accrued by executive directors".

In 2021 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) Compensation to senior management

The senior management of the Company, excluding the Chief Executive Officer and other executive directors whose remuneration is included in the remuneration of the members of the board of directors, consists of all senior executives and other persons other than the Chief Executive Officer who, reporting directly to the Chief Executive Officer, assume the management of the Company. At 31 December 2022, senior management comprised three men and three women (three men and two women at 31 December 2021).

Monetary remuneration received by senior management in 2022 amounted to 2.237 thousand euros (1.519 thousand euros in 2021). Furthermore, in 2021 received 998 thousand euros corresponding to the long-term incentives plan.

The Board of Directors held on 27 July 2016 approved awarding a member of senior management a defined contribution scheme that covers retirement contingencies and, where appropriate, disability and death. At 31 December 2022 and 2021, the Company recognised an annual contribution for this item under "Staff costs" in the income statement of 67 thousand euros and 63 thousand euros, for both years.

At 31 December 2022 and 2021, 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 compensation plan linked to compliance with various 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 in execution of this plan may not be disposed of or transmitted by the beneficiaries thereof until three years have elapsed from the date of delivery, except those required to pay the taxes derived from their accrual.

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 2021, which stood at 296,337 shares. On that date, the shares were delivered to their beneficiaries. Of these shares, 131,861 were delivered to members of the Board of Directors and 164,476 to members of senior management with a market value of 1,364 thousand euros and 1,702 thousand euros, respectively.

New long-term remuneration plan of the Company

On 30 June 2021, the General Shareholders' Meeting approved a new long-term incentive plan consisting of the delivery of shares in the Company, aimed at executives, including the Company's executive directors, and other employees of the Colonial Group (the "Plan").

The 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.

Exceptionally, on 17 July 2022, following a resolution of the Board of Directors of the Company, 41,691 shares were delivered in advance to Juan José Brugera Clavero as accrual of the first cycle of the new plan while he had maintained his employment relationship with the Company, including 14,592 shares earmarked for the fulfilment of the tax obligations of payment on account. These shares had a market value at the time of delivery of 252 thousand euros.

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 2022, the Company recognised an expense of 983 thousand euros (Note 19-b) under "Staff costs" (670 thousand euros in 2021), to cover the incentives plan approved on 30 January 2021.

22. Other information

a) Staff

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

	Headcount at 31 December				Average no. of employees			
	2022		2021		2022		2021	
Professional category	Men	Women	Men	Women	Men	Women	Men	Women
General and area managers	5	4	5	4	5	4	5	4
Qualified technicians and middle managers	13	10	10	9	11	10	10	9
Office clerks	26	49	25	49	25	48	25	49
Other	3	--	3	--	3	--	3	--
Total	**47**	**63**	**43**	**62**	**44**	**62**	**43**	**62**
	110		**105**		**106**		**105**	

In addition, at 31 December 2008, the Company employed 2022, 1 man and 1 woman with a disability greater than or equal to 33% (1 woman as of 31 December 2021).

b) *Audit fees*

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

Description	Thousands of euros	
	2022	2021
Audit services	309	279
Other verification services	99	141
Total audit and related services	**408**	**420**
Other services	68	55
Total professional services	**476**	**475**

Fees for other verification services include 99 thousand euros 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 (141 thousand euros in 2021).

At 31 December 2022, the principal auditor's fees for other professional services rendered to the Company amount to 68 thousand euros and correspond to reviews of ESG indicators contained in the integrated Annual Report, the Green Bonds report, the greenhouse gas inventory (55 thousand euros at 31 December 2021).

The non-audit services provided to the Company's subsidiaries are detailed in Note 24 to the consolidated financial statements of Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries. The main auditor's fees represent less than 1% of its turnover in Spain.

c) *Capital management: Policy and objectives*

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

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

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

Financial risk management policy -

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

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

  To achieve this objective, interest rate hedging instruments are contracted, if necessary, to cover possible financial cost fluctuations. The Group's policy is to contract instruments that comply with the provisions of the accounting regulations to be considered as efficient accounting coverage, and thus record its market value variations directly in the Group's other consolidated result. At 31 December 2022, the percentage of hedged or fixed-rate debt as a proportion of total debt stands at 97% in Spain (93% at 31 December 2021).

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

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

Occasionally there may be excess cash making it possible to have undrawn credit facilities or highly-liquid deposits with no risk. At 31 December 2022, the Group has sufficient financing facilities to meet its short-term maturities. The Group does not arrange high-risk financial products as a method of investing cash surpluses.

- Counterparty risk: The Group mitigates this risk by carrying out financial operations with leading institutions, as well as accessing the debt market through bond issues.

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

23. Average period of payment to suppliers

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

	2,022	2,021
Supplier payment period	43	28
Ratio of transactions paid	43	27
Ratio of outstanding transactions	41	35
	Amount (in thousands of euros)	
Total payments made	127,357	219,061
Total outstanding payments	9,072	11,463

In addition, Law 18/2022 of 29 September on the creation and growth of companies requires the submission of the following information table.

	2,022		
	Total Payments	Within the legal period	Ratio of operations within the legal period
Number of invoices	15,627	14,066	90.01
Amount (in thousands of euros)	127,357	95,866	75.27

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

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

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

24. Events after the reporting date

From 31 December 2022 to the date on which these financial statements were authorised for issue, no significant events took place with the exception of:

- On 19 January 2023, the Company signed a sale and purchase agreement for the sale of three properties located in Madrid for a total sale price of 315,000 thousand euros, which gave rise to a profit of 93,170 thousand euros, including indirect selling costs (Note 13). In addition, the mortgage loan associated with one of these assets was repaid early in the amount of 75,700 thousand euros (Note 16-d).

- On 29 January 2023, the Company cancelled the bilateral loan drawn down in the amount of 100,000 thousand euros, reducing the financial liabilities indexed to ESG indicators to 0.4% (Note 16-e).

APPENDIX I- INVESTMENTS IN GROUP COMPANIES

FY 2022	Address	Thousands of euros				% shareholding	Thousands of euros
		Capital	Reserves, share premium and interim dividend	Result	Dividend (Note 20)		Net Book Value (Note 10)
Colonial Tramit, S.L.U.	Avda. Diagonal 532, Barcelona (Spain)	3	4	1	--	100.00	23
Inmocol Torre Europa, S.A. (*)	Avda. Diagonal 532, Barcelona (Spain)	20,000	1,583	(156)	--	50.00	12,080
Peñalvento, S.L.U.	Pº de la Castellana 52, Madrid (Spain)	2,400	(141)	(128)	--	100.00	20,755
Wittywood, S.L.	Avda. Diagonal 532, Barcelona (Spain)	6	8,017	(407)	--	100.00	9,647
Inmocol One, S.A.U.	Pº de la Castellana 52, Madrid (Spain)	60	(3)	--	--	100.00	60
Inmocol Two, S.L.U.	Pº de la Castellana 52, Madrid (Spain)	3	7	--	--	100.00	13
Inmocol Three, S.L.U.	Pº de la Castellana 52, Madrid (Spain)	3	7	--	--	100.00	13
Utopicus Innovación Cultural, S.L. (*)	c/ Principe vergara 112, Madrid (Spain)	83	22,087	(8,379)	--	100.00	51,733
Société Foncière Lyonnaise, S.A. (**)	42, rue Washington, Paris (France)	85,729	1,104,306	58,233	177,022	98.37	2,627,072

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

APPENDIX I- INVESTMENTS IN GROUP COMPANIES

FY 2021	Address	Thousands of euros				% shareholding	Thousands of euros
		Capital	Reserves, share premium and interim dividend	Result	Dividend (Note 20)		Net Book Value (Note 10)
Colonial Tramit, S.L.U.	Avda. Diagonal 532, Barcelona (Spain)	3	4	--	--	100.00	23
Inmocol Torre Europa, S.A. (*)	Avda. Diagonal 532, Barcelona (Spain)	20,000	1,670	(86)	--	50.00	12,080
Peñalvento, S.L.U.	Pº de la Castellana 52, Madrid (Spain)	2,400	39	(180)	--	100.00	20,755
Wittywood, S.L.	Avda. Diagonal 532, Barcelona (Spain)	6	8,085	(68)	--	50.00	4,647
Inmocol One, S.A.U.	Pº de la Castellana 52, Madrid (Spain)	60	(2)	(1)	--	100.00	60
Inmocol Two, S.L.U.	Pº de la Castellana 52, Madrid (Spain)	3	8	(1)	--	100.00	13
Inmocol Three, S.L.U.	Pº de la Castellana 52, Madrid (Spain)	3	8	(1)	--	100.00	13
Utopicus Innovación Cultural, S.L. (*)	c/ Principe vergara 112, Madrid (Spain)	41	7,542	(8,414)	--	100.00	28,733
Société Foncière Lyonnaise, S.A. (**)	42, rue Washington, Paris (France)	85,729	190,983	1,093,151	79,838	98.37	2,627,072

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

– **Company situation**

Rental Market Situation

Barcelona

Take-up in the Barcelona office market stood at 331,000 sqm in 2022, in line with the last 10-year average. Demand polarization for city centre products has decreased the CBD vacancy rate to 5.4%. Demand continues to be led by technology and professional services sector, capturing 50% of the market. Prime rents remained at a high of €28/sqm/month.

In Barcelona, the investment volume reached 1,100 million euros, with 80% of the transactions taking place in 22@. High economic uncertainty has pushed prime yields to 4%.

Madrid

In the office market in Madrid, 507,000 sqm were signed in 2022, up +23% compared to the previous year. More than 50% of the contracts were signed on assets in city centre locations, within the M-30. This dynamic has reduced the vacancy rate to 11.3% (12.3% in December 2021). The vacancy rate in the CBD decreased to 5.5% and for Grade A product it was down to 1.9%. This high volume and number of letting transactions in the CBD has settled prime rents at €37/sqm/month in 2022.

In Madrid investment increased by +99% in 2022 compared to 2021, reaching €1,188m. Prime yields stood at 4%.

Organisational structure and operation

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

The company has a market capitalisation of approximately 3,300 million euros with a free float of around 60% and manages an asset volume of more than 13,000 million euros.

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

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

- A business model focused on the transformation and creation of high-quality offices in prime locations, mainly central business districts (CBD).
- Maximum commitment in creating offices that respond to the best demands in the market, with special emphasis on efficiency and sustainability.
- A diversified pan-European strategy in the Barcelona, Madrid and Paris office markets.
- An investment strategy that combines core acquisitions with prime factory acquisitions and value-added components.
- A clearly industrial real estate approach to capture above-market-average value creation.

Today Colonial is 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.

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

In recent years, the Colonial Group has made significant divestments of non-core assets for more than 2 billion euros, with ongoing valuation premiums.

Furthermore, as part of the improvement of the Group's Prime portfolio, Colonial has acquired more than 4,000 million euros of core CBD properties since 2015, identifying assets with added value potential in market segments with solid fundamentals.

At the end of 2022, the Colonial Group has a robust capital structure with a solid “Investment Grade” rating. The Group's LTV (Loan to value) is 38.7% at December 2022 (36.9% post divestments).

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

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

Staff management

Colonial professionals are the Company’s main asset. At year end 2022, the Company team comprised a total of 110 employees, divided into 4 categories.

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

	Headcount at 31 December				Average no. of employees			
	2022		2021		2022		2021	
Professional category	Men	Women	Men	Women	Men	Women	Men	Women
General and area managers	5	4	5	4	5	4	5	4
Qualified technicians and middle managers	13	10	10	9	11	10	10	9
Office clerks	26	49	25	49	25	48	25	49
Other	3	--	3	--	3	--	3	--
Total	**47**	**63**	**43**	**62**	**44**	**62**	**43**	**62**
	110		**105**		**106**		**105**	

Of the total number of employees of the Company, the number of employees with a disability of 33% or more as at 31 December 2022 is 2 (2021:1).

– **Business performance and results**

Introduction

At 31 December 2022, the Company’s turnover amounted to 328 million euros, 177 million euros of which correspond to dividends from subsidiaries.

Pursuant to the independent valuation carried out by CB Richard Ellis and Cushman & Wakefield in Spain at the end of the year, have led to the recognition of an impairment loss of (42) million euros. The impairment, which has been recorded, does not represent a cash outflow.

The Company’s net financial result amounted to (61) million euros.

Profit/(loss) before tax at year-end 2022 amounts to 116 million euros.

Finally, the Company’s profit after tax amounted to 116 million euros.

2022 results

Recurring net income (APM) per share of 29.8 cents of euro exceeding the upper range of guidance

1. Recurring net income (APM) of 161 million euros, +26% compared to the previous year

The Colonial Group closed 2022 with a strong increase in the recurring results driven by the double-digit growth in rental income.

- Analytical rental income of 354 million euros, +13% over the previous year.
- Recurring net income of 161 million euros, +26% compared to the previous year.
- Recurring net income per share of €29.8cts, +21% compared to the previous year.

The significant increase in the Recurring Net Profit is mainly due to the growth in rental income driven by Colonial's asset portfolio. Thanks to its prime positioning, it is able to capture the indexation impacts, as well as a growth in rental prices on signed contracts. In addition, the successful project delivery has enabled the Company to obtain significant additional income.

The efficient management of operating costs has resulted in an EBITDA growth of +14% year-on-year which, together with controlled financial costs, has led to an increase of +26% in the net recurring profit, reaching 161 million euros for 2022.

The Gross Asset Value amounted to 13,005 million euros at 31 December 2022 and remained stable in like-for-like terms (1+% like-for-like), consequently the net profit of the Colonial Group amounted to 8 million euros.

2. Analytical rental income of 354 million euros, +13% vs last year

Colonial closes 2022 with Analytical Rental Income of 354 million euros, +13% vs 2021 thanks to the high Pricing Power of the Colonial portfolio and the successful delivery of projects together with a clear Prime focus on quality in Paris, Madrid and Barcelona.

Income growth: Pricing Power & Projects

Three growth drivers delivered +56 million euros in additional rents compared to 2021, contributing +18% to income growth:

1. Pricing Power - contribution of +6% to overall growth
   The Core portfolio contributed +20 million euros to income growth based on a solid like-for-like growth of +7% due to the strong Pricing Power, enabling to fully capture the indexation impact and to achieve maximum market rents.

2. Projects delivered - contribution of +7% to overall growth
   Project deliveries and the renovation program have contributed +22 million euros to income growth (a contribution of +7% to overall growth). Highlighted is the income contribution from Marceau and Biome in Paris, as well as from Velázquez 86D, Miguel Ángel 23 and Ortega & Gasset in Madrid.

3. Acquisition of Prime Assets – a contribution of +4% to global growth
   The acquisitions of the Amundi headquarters in Paris and the Danone headquarters in the CBD of Barcelona have contributed +14 million euros to income growth.

4. Disposal program - Flight to Quality
   The disposal of non-strategic assets and other non-comparable impacts have led to a (5%) decrease year-on-year in the rental income of 2022.

Income growth: Polarization and Prime Pan-European Positioning

The Group's annual revenue growth is solid both in total terms with +13%, as well as in comparable terms with an increase of +7% like-for-like demonstrating the strength of Colonial's positioning.

The like-for-like revenue increase of +7% is among the highest in the sector and is a clear reflection of the polarisation of the market towards the best branch product.

1. The largest growth in rental income was in the Paris market, with an increase of +17% in total terms and +8% like-for-like. This increase is mainly due to the higher rents and occupancy levels in the Édouard VII, #Cloud and Washington Plaza assets, as well as higher rents in the 92 Champs Elysées asset.

2. In the Madrid portfolio, the rental revenue increased +8% in absolute terms. The comparable perimeter of assets registered an increase of +6% like-for-like. This like-for-

like increase is mainly due to the José Abascal 45, Castellana 163, Serrano 73 and Estébanez Calderón assets, based on a combination of higher rents and higher occupancy levels.

3. In Barcelona, the rental revenue increased +8% for the entire portfolio, driven by a strong increase of +9% like-for-like, mainly due to higher rents on the Parc Glories, Diagonal 609-615, Dau Retail, Diagonal 682 and Diagonal 197 assets.

3. Disposal program of more than 500 million euros – Flight to Quality

At the closing date of this document, the Colonial Group is finalizing a disposal program of more than 500 million euros with prices in line with the appraisal.

Of the total disposal program, 84 million euros was made in 2022. Additionally, during the first half of 2023, the disposal of 6 assets is expected to be finalized amount 420 million euros. It is important to highlight that 3 of the assets have already been sold and the rest of the disposals program is expected to be finalized during the 1H 2023.

The disposal program includes 10 assets with a total surface area of 98,215 sqm with no further value creation potential. Of the almost 100,000 sqm of the disposal program, 27% corresponds to land plots of land and/or non-strategic assets with high vacancy levels, another 35% to buildings in secondary locations and the rest correspond to mature assets without long-term value creation potential.

The sale price of the program implies an initial yield (EPRA Net Initial Yield) below 2.5% and the CBD assets in Madrid were disposed of for a capital value of more than €9,000/sqm

The disposal program is part of the flight to quality strategy, which, through the active management of the portfolio, divests mature and/or non-strategic assets in order to recycle capital for new opportunities of value creation and to continually improve the risk return profile of the Group.

4. Resilient asset values - Polarization & Prime Positioning

The gross asset value of the Colonial Group at the close of 2022 amounted to 13,005 million euros (13,727 million euros including transfer costs), showing an increase of +5% compared to the previous year. In like-for-like terms, Colonial's portfolio was revalued by +1% compared to the previous year.

Polarization & Prime Pan-European Positioning

In a highly volatile environment with interest rate hikes, the value of the asset portfolio has shown defensive performance, thanks to its Pan-European Prime Positioning. The Colonial Group's successful bet on Paris is reflected in the solid results. The Paris portfolio has registered the best growth in the Group's portfolio with year-on-year growth of +2% like-for-like. Madrid and Barcelona have remained stable thanks to the focus in CBD and city centre locations, which have shown a much more defensive nature than secondary areas.

Alpha Value Creation: "Pricing Power" & Projects

In a market environment of interest rate hikes, the valuation of Colonial's assets have been impacted by an expansion in the valuation yields1 (24bps1 in 12 months). However, it is important to highlight that those impacts have been offset by two Alpha value creation drivers: (1) Pricing Power: the improvement in the cash flows due to the capture of the indexation impact, as well as higher market rents (ERVs) and (2), the successful delivery and progress of projects that have enabled the crystallization of double-digit value creation margins.

Resilient Net Asset Value (NAV)

The Net Asset Value as of 31 December 2022 amounted to €6,384 million euros corresponding to €11.83/share. Including the dividend paid of €0.24/share, the Net Asset Value for Colonial's shareholders was €12.07/share, in line with the NTA 2021 of €12.04/share.

In an environment with high volatility and an energy crisis, the quality positioning together with the active management of Alpha value creation has enabled Colonial to maintain a stable Net Asset Value.

Significant acceleration in the operating fundamentals

1. Record take-up volume – Polarization and greater market

At the close of 2022, the Group has signed more than 176,000 sqm, reaching the second highest take-up volume in its history and exceeding by +4% the previous year, which already was a record year in letting activity.

The solid results are a clear evidence of the polarization trend in the office markets, characterized by a demand that prioritizes top-quality Grade A products in the best locations. Colonial's prime portfolio clearly benefits in this context and is capturing additional market share in the rental markets in which it operates.

In economic terms (sqm signed multiplied by signed rents), contracts were signed for an annualized rent amount of 75 million euros.

61% of the total letting activity (107,419 sqm) corresponds to new contracts signed, spread across the three markets in which the Group operates. Regarding contract renewals, a total of 69,476 sqm were signed, highlighting 54,443 sqm renewed in Madrid.

2. Sound occupancy levels

The occupancy of the Colonial Group stands at 96%. Of special mention is the Paris market with almost full occupancy at 99.8%.

A large part of the current office vacancy corresponds to the recently delivered renovation programs and the corresponding entries into operation, highlighting in Barcelona the Torre Marenostrum and Diagonal 530 assets. At the current date, advanced conversations are taking place for various floors plant in the Diagonal 530 building, one of the best assets in the Barcelona market.

3. Rent Increases - Polarisation & Pricing Power

Pricing Power – Capturing the highest rental prices on the market

In an environment of rental demand polarization and given the scarcity of Grade A product, Colonial's prime portfolio attracts clients that sign at maximum rental prices.

The maximum rents signed in the portfolio of the Group reached €1,000/sqm/year in Paris, as well as €40/sqm/month in Madrid and €28/sqm/month in Barcelona.

With these pricing levels, Colonial's portfolio clearly sets the benchmark for prime assets in each of the markets in which it operates.

Pricing Power - Indexation captured in all contracts with an average growth of +5%

The Colonial Group's asset portfolio captures the impact of the indexation on rents: The Colonial Group has applied in all the contracts the corresponding indexation of the rental price. As a result of the indexation on the contract portfolio in 2022, the annualized passing rents of the corresponding contracts have increased by +5% (+7% in Spain and +3% in Paris).

These results show the strong Pricing Power of Colonial's Prime portfolio. Both the quality of the clients and the nature of the Colonial Group's contracts enable the full indexation impact to be captured, providing clear protection over the cash flow of the assets in an inflationary environment such as the current one.

Pricing Power – Rental income growth above market rents

The Colonial Group closed 2022 with a growth of +5% in rental prices compared to the market rents (ERV) as of December 2021.

The greatest increases in rental prices were signed on the Paris portfolio with a +5% increase (+6% for the office portfolio), and in Madrid, prices were signed +5% higher than the market rents of 31/12/21.

Pricing Power - Increase in rent renewals, release spreads of +6%

Rent increases in renewals: Colonial has increased the rents with current clients by +6% compared to the previous rents (release spreads). These ratios highlight the reversionary potential of Colonial's contract portfolio with significant room for improvement on the current rents.

The increases compared to the previous rents (release spreads) were significant in the three markets in which the Group operates. Worth mentioning are the asset portfolios in Madrid and Paris, with a release spread of +6%. In Barcelona, the release spread was at +5%.

These increases highlight the pricing power of Colonial's assets to unlock the reversionary potential of Colonial's contract portfolio.

Project Pipeline and Renovation Program

1. Pipeline of projects practically delivered and pre-leased

The Colonial Group has a project pipeline of 184,455 sqm across 8 assets.

At the date of publication of these results, the pre-let levels and the levels of project delivery on the pipeline were both very high:

1. High level of pre-letting of the portfolio: 7 of 8 projects

- Of the 8 projects of the project pipeline, 7 are already pre-let (6 projects at 100% and Velázquez at 86%), with the Campus in Méndez Álvaro being the only asset pending to be pre-let. At the end of 2022, the commercialization of this unique project began generating high interest in the Madrid market.
- In Barcelona, an agreement has been reached to rent 100% of the Plaza Europa 34 asset.
- The current pre-let volume is at 55 million euros, corresponding to 67% of the total income from the project portfolio, amounting to 82 million euros. These pre-lets ensure significant future income increases that will be completely crystallized in the profit and loss accounts of 2023 and 2024.

2. High degree of progress in delivery/entry into operation

   The degree of progress in the project portfolio is very high; to date, 6 out of 8 projects are all practically delivered.

- Marceau and Diagonal 525 were delivered at the end of 2021.
- Velázquez 86D and Miguel Angel 23 in Madrid & Biome in Paris entered into operation by the end of 2022.
- In the coming weeks, the Plaza Europa 34 project in Barcelona will be delivered.
- The Méndez Álvaro and Louvre Saint Honoré projects are progressing according to the expected timeline.

2. Renovation program successfully executed

The Colonial Group's renovation program counts on 108,294 sqm spread over 9 assets, 4 assets located in Paris (103 Grenelle, Charles de Gaulle, Washington Plaza and Cézanne St. Honoré), 2 assets in Madrid (Cedro and Ortega y Gasset) and 3 assets in Barcelona (Torre Marenostrum, Diagonal 530 and Parc Glories II).

Of the entire renovation program, 8 assets (with a total surface area of 90,434 sqm) have been delivered and pre-let with significant rental price increases. The project portfolio in renovation has potential rents of 46 million euros.

The renovation program on the Parc Glories II building in Barcelona is currently under analysis.

Capital structure

1. A strong balance sheet for future growth

At the close of 2022, the Colonial Group had a solid balance sheet, both in terms of LTV and liquidity, specifically taking into account the disposal program.

Including the disposal program impact for more than 500 million euros, the debt profile of the Colonial Group considerably improves in all metrics:

- Net debt would be reduced by 421 million euros to 4,934 million euros and liquidity would increase to 2,645 million euros.
- Pro forma LTV would decrease by (180bp) to 36.9% (post divestments).

The current liquidity, between cash and undrawn credit lines, enables the Colonial Group to cover all their debt maturities until 2027.

Likewise, the Colonial Group's debt has a high level of interest rate coverage thanks to a high volume of fixed-rate bonds together with hedging instruments contracted for long-term maturities.

- 100% of the Group's net debt is a fixed interest rate (post disposals).
- 70% of the Colonial Group's debt has maturities from 2025 onwards.
- 53% of the future issues of the Group's debt have interest rate pre-hedging instruments at a 0.6% strike rate, significantly limiting the impact of the interest rate hikes after the bond maturities.
- At the close of 2022, the market value (Mark-to-Market) of the interest rate coverage contracted by the Colonial Group amounts to 277 million euros.

Thanks to the successful hedging strategy, the Colonial Group closed the year with a Net Disposal Value (NDV) of 6,862 million euros corresponding to 12.72 euros/share, an increase of +15% vs the previous year, driven by the positive mark-to-market impact in the debt.

The Group's strong financial profile is reflected in a BBB+ credit rating from Standard & Poor's, the highest in the Spanish real estate sector.

– **Liquidity and capital resources**

See "Average payment period to suppliers" "Note 22-c" to the annual accounts for the year ended 31 December 2022.

The Company's Average Payment Period (APP) to its suppliers for the financial year 2022 is 43 days. In relation to payments made outside the maximum legal term set, these correspond mainly to payments related to contracting works and real estate renovation, which are paid within the term established in the corresponding contracts signed with the contractors.

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

– **Objective and risk management policies**

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

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

The main responsibilities in relation to the RMCS correspond to the board of directors, the audit and control committee and the internal audit unit. The RCMS also explicitly determines the responsibilities of senior management, operational management and risk owners in relation to risk management.

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

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

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

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

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

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

- Economic risks arising from the political and macroeconomic climate in the countries in which it operates and changes in investors' own expectations and capital markets.
- Market risks, derived from transformation in the industry and the business model itself, the greater complexity to develop the investment/divestment strategy, and the fluctuation of the real estate market with an impact on the valuation of real estate assets.
- Financial risks, related with restrictions on capital markets, fluctuating interest rates, the impact of changes in tax regulations and those of the counterparty of the main clients.
- Environmental risks, such as those related to crisis management, those arising from regulation and more stringent ESG demands, and mainly those related to physical and transition risks caused by climate change with consequences for the Group's activity.

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

- Strategic risks in relation with the Group's size and diversification, with the asset portfolio breakdown.
- Diverse operating risks related with the maintenance of occupancy levels of properties and the level of rental agreements, with the cost of the works projects, as well as the timeframe for their execution, 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 applicable regulations and contractual obligations, including tax risks related to the loss of the status of REIT by Colonial and the loss by its French subsidiary Société Foncière Lyonnaise of its status as a Real Estate Investment Trust (REIT).

With regard to the main materialised risks to be highlighted in 2022, in which the effects of the pandemic began to stabilise, the outbreak of the war in Ukraine and the prolongation of this conflict has generated a high level of uncertainty in the economic environment worldwide and especially in Europe. Against this geopolitical and macroeconomic backdrop, the risk linked to the fluctuation of the real estate cycle has been highly impacted, mainly from the second half of the year, as a result of the historic increase in interest rates with the aim of trying to contain the high inflation that has characterised this year of 2022. In addition, given this context, the complexity of divestment operations of non-strategic assets remained high this year, as well as investment operations in new assets with attractive profitability, given that investment market strategies have been paralysed.

As a consequence of this sharp rise in interest rates, and in view of the uncertainty of a possible economic recession, the management of debt levels has continued to be a priority this year, with the aim of improving the levels of loan-to-value levels and to have a stronger financial structure to face the next financial year and to increase investment capacity in the face of opportunities that may arise in the sector.

Likewise, the increase in raw material, fuel and supply prices has had a significant impact worldwide and also on the real estate sector, especially on the execution and development of the Group's construction projects.

The physical and transitional risks linked to climate change have led to the implementation of climate change policies and strategies, with specific actions aimed at improving the quality of buildings and measuring their energy consumption levels, as well as optimising their environmental impact. Adaptation to the growing non-financial reporting requirements of the various stakeholders has led to a review of compliance with these requirements and the definition and implementation of control systems to respond to this increasingly demanding environment with the objective of the Group's commitment and compliance in this area.

Finally, regulatory risks, which are always present, have increased significantly, particularly in the ESG area, given the uncertainty generated by the impact of the European taxonomy.

In this complex context, the Group has reviewed and monitored the evolution of these risks, showing a high level of resilience, particularly in the strategic, operational and financial areas, and the proper functioning of the control systems in place, which has enabled it to manage and mitigate these risks adequately and to guarantee operations and preserve the Group's value.

– **Events after the reporting date**

From 31 December 2022 to the date on which these consolidated financial statements were authorised for issue, no significant events took place with the exception of:

- On 19 January 2023, the Company signed a sale and purchase agreement for the sale of three properties located in Madrid for a total sale price of 315,000 thousand euros, which gave rise to a profit of 93,170 thousand euros, including indirect selling costs (Note 13). In addition, the mortgage loan associated with one of these assets was repaid early in the amount of 75,700 thousand euros.
- On 29 January 2023, the Company cancelled the bilateral loan drawn down in the amount of 100,000 thousand euros, reducing the financial liabilities indexed to ESG indicators to 0.4%.

– **Outlook**

This year has been characterised by an economic context marked by high inflation and uncertainty. The conflict between Russia and Ukraine together with the energy crisis, among other factors, have led to an economic downturn in 2022, although the second half of the year was more resilient than expected. The outlook for 2023 is weaker for growth and lower dynamics are expected than those observed during 2022.

Barcelona and Madrid-

As far as the office market in Barcelona and Madrid is concerned, the prime market remains stable and the secondary and peripheral areas show a weak profile. The demand for quality assets in prime locations continues to be the most sought after by companies, basically due to the need to attract talent in companies with high added value, to offer the best working environment to their employees and to have the best mobility options.

Regarding rents, increases are observed in the city centre. In Barcelona, the prime rental benchmark has risen slightly to €28/m^2/month. In Madrid, Prime rent has surpassed the pre-Covid levels of late 2019, standing at €37/m^2/month.

The high uncertainty in the economic environment has put upward pressure on prime yields, with yields in Madrid and Barcelona reaching 4% in 2022.

Paris-

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

As of today, the availability of office space in the city's best Grade A areas stands at 0.4%. The lack of product combined with the high demand from companies for prime products means that consultants expect office rents to remain high. In this regard, at the end of the second half of 2022, prime rents have increased to levels of €1,000/m^2/year.

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

– **Treasury Shares**

At 31 December 2022, the Company had 8,218,370 treasury shares with a nominal value of 20,546 thousand euros, which represents 1.52% of the Company's share capital.

– **Other significant information**

On 10 December 2015, the Board of Directors of the Company agreed to adhere to the Code of Best Tax Practices ("CBPT" hereinafter). This agreement was communicated to management on 8 January 2016. During 2022, the Company presented the Annual Tax Transparency Report for companies adhering to the CBPT for 2021, following the proposal for the reinforcement of good corporate tax transparency practices for companies adhering to the Code of Good Tax Practices, approved at the plenary session of 20 December 2016.

– **Annual Corporate Governance Report**

Pursuant to Article 538 of the Spanish Limited Liability Companies Law, it is hereby noted that the annual corporate governance report and annual remuneration report for 2022 are included in this Management Report in a separate section.

– **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 revised by the Parent's auditor (Deloitte, S.L.).

Alternative Performance Measure	Form of calculation	Definition/Relevance
Market Value including transaction costs or *GAV including Transfer costs*	Valuation of all assets in the Group's portfolio made by appraisers outside the Group, before subtracting transaction costs or transfer costs.	Standard analysis ratio in the real estate sector.
Market Value excluding transaction costs or *Gross Asset Value (GAV) excluding Transfer costs*	Valuation of all assets in the Group's portfolio made by appraisers outside the Group, deducting transaction costs or transfer costs.	Standard analysis ratio in the real estate sector.
***Like-for-like* Valuation**	Amount of market valuation excluding transaction costs or market valuation including transaction costs comparable between two periods. In order to obtain it, income from rentals from investments or divestitures made between both periods is excluded from both periods.	This makes it possible to compare, on a like-for-like basis, the change in the portfolio's market valuation.
EPRA[1] NTA (EPRA Net Tangible Assets)	This is calculated on the basis of Equity attributable to equity holders of the Parent and adjusted for certain items in accordance with EPRA recommendations.	Standard analysis ratio in real estate and recommended by EPRA.
EPRA[1] NDV (EPRA Net Disposal Value)	Calculated by adjusting the following items in the EPRA NTA: the market value of the financial instruments, the market value of the financial debt, the taxes that would accrue on the sale of the assets at their market value, applying the tax credits available to the Group on a going concern basis.	Standard analysis ratio in real estate and recommended by EPRA.
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"*, *"Other financial liabilities"* and *"Liabilities associated with assets classified as held for sale"* in the consolidated statement of financial position.	Relevant indicator for analysing the Group's financial position.
Net Financial Debt (NFD)	Calculated by adjusting in *gross financial debt (GFD)* the item *"Cash and cash equivalents"*.	Relevant indicator for analysing the Group's financial position.

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

Alternative Performance Measure	Form of calculation	Definition/Relevance
***Loan to Value* Group or LtV Group**	Calculated as the result of dividing *"Net financial debt (NFD)"* by the sum of the *"Market Valuation including transaction costs of the Group's asset portfolio"* plus the *"Parent's treasury shares valued at EPRA NTA"*.	This makes it possible to analyse the relationship between net financial debt and the valuation of assets in the Group's portfolio.
Holding Company LtV or Colonial LtV	Calculated as the result of dividing "*Gross financial debt"* minus the amount of the item *"Cash and cash equivalents"* of the Parent and *the wholly-owned Spanish subsidiaries,* adjusted by the amount of the commitments for *"deferrals for real estate asset purchase and sale transactions",* between the sum of "*the Market Valuation including transaction costs of the asset portfolio of the Group's parent company and wholly-owned Spanish subsidiaries", "treasury shares of the parent company" and the EPRA NTA of the remaining financial holdings in subsidiaries*".	This makes it possible to analyse the relationship between net financial debt and the valuation of assets in the Group's parent company.
***Like-for-like* Rental Income**	Amount of rental income for rentals included in "*Revenue*" comparable between two periods. In order to obtain this amount, income from investments or divestitures made between both periods, those from assets included in the project and renovation portfolio, as well as other atypical adjustments (for example, compensation for early termination of rental agreements) are excluded from both periods.	This makes it possible to compare, on a like-for-like basis, the change in rental income of an asset or group of assets.
Analytical EBITDA **(*Earnings Before Interest, Taxes, Depreciation and Amortisation*)**	Calculated as "*Operating profit*" adjusted for "*Depreciation and amortisation", "Variations in value of investment property", "Net change in provisions" and "Gains/(losses) on changes in value of assets due to impairment", as well as expenses incurred in "Depreciation and amortisation" and "Net finance income/(expense)" arising from the recording of "IFRS 16 finance leases", associated with the flexible business (co-working).*	Indicator of the Group's capacity to generate profits considering only its productive activity, eliminating depreciation allowances, the effect of indebtedness and the tax effect.
EBITDA income	Calculated by adjusting to the *analytical EBITDA* the "*general expenses" and "extraordinary expenses" not associated with the operation of property.*	Indicator of the Group's earning capacity considering only its leasing activity, before depreciation, provisions, the effect of indebtedness and the tax effect.

Alternative Performance Measure	Form of calculation	Definition/Relevance
Other analytical income	Calculated as *"Other revenue"* in the condensed consolidated income statement and adjusted by *"Other revenue relating to the corporate segment", "Revenue, Personnel expenses and Other operating expenses eliminated on consolidation associated with the flexible business", "Revenue eliminated on consolidation associated with the flexible business", "Depreciation and amortisation arising from the recognition in line with the IFRS 16 Finance lease standard"* and *"Financial profit arising from the recognition in line with the IFRS 16 Finance lease standard".*	Relevant magnitude for analysing the Group's results.
Spending structure analytics	Calculated as the sum of items *"Other revenue", "Personnel expenses"* and *"Other operating expenses"* in the condensed consolidated income statement and adjusted by *"Analytical net operating expenses"*, *"Personnel expenses and Other operating expenses associated with the generation of flexible business income"*, *"Personnel expenses and Other operating expenses not associated with flexible business", "Personnel expenses and Other extraordinary operating expenses"*, *"Net change in provisions"*, *"Other operating expenses eliminated on consolidation associated with the flexible business*" and *"Other revenue associated with the leasing business".*	Relevant magnitude for analysing the Group's results.
Analytical extraordinary expenses	Calculated as the sum of items *"Personnel expenses"* and *"Other operating expenses"* in the condensed consolidated income statement for the six months ended 30 June 2022 and adjusted by *"Analytical net operating expenses", "Personnel expenses and Other operating expenses associated with the corporate segment"*, *"Personnel expenses and Other operating expenses not associated with flexible business", "Other operating expenses eliminated on consolidation associated with the flexible business"* and *"Net change in provisions".*	Relevant magnitude for analysing the Group's results.
Revaluations and sales margin of analytical properties	Calculated as the sum of the items *"Net gains on sales of assets" and "Changes in value of investment property" in the consolidated income statement.*	Relevant magnitude for analysing the Group's results.

Alternative Performance Measure	Form of calculation	Definition/Relevance
Analytical depreciation and provisions	Calculated as the sum of *"Depreciation and amortisation"* and *"Gains/(losses) on changes in value of assets due to impairment"* in the consolidated income statement and adjusted by *"Depreciation and amortisation arising from the recognition in line with the IFRS 16 Finance lease standard"* and *"Net change in provisions"*.	Relevant magnitude for analysing the Group's results.
Analytical financial result	Calculated as the sum of *"Finance income"* and *"Finance costs"* in the consolidated income statement and adjusted by *"Financial profit arising from the recognition in line with the IFRS 16 Finance lease standard".*	Relevant magnitude for analysing the Group's results.
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 in real estate and recommended by EPRA.

Alternative Performance Measures included in the foregoing table arise from items in the consolidated financial statements and in the consolidated financial statements of Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries or from the breakdowns of the items (sub-items) included in the corresponding explanatory notes to the report, except as indicated below.

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

Market Value including transaction costs or GAV including Transfer costs

Market Value including transaction costs or GAV including Transfer costs	Millions of Euros	
	2022	2021
Total Market Value excluding transaction costs	13,005	12,436
Plus: transaction costs	722	655
Total Market Value including transaction costs	**13,727**	**13,091**
Spain	4,904	4,953
France	8,823	8,138

Market Value excluding transaction costs or GAV excluding Transfer costs

Market Value excluding transaction costs or GAV excluding Transfer costs	Millions of Euros	
	2022	2021
Barcelona	1,261	1,423
Madrid	2,733	2,518
Paris	7,525	6,633
Leased out	**11,519**	**10,574**
Projects	1,466	1,843
Other	20	20
Total Market Value excluding transaction costs	**13,005**	**12,436**
Spain	4,759	4,830
France	8,246	7,606

Like-for-like Valuation

	Millions of euros	
Like-for-like Valuation	**2022**	**2021**
Valuation at 1 January	**12,436**	**12,020**
Like for like Spain	(21)	292
Like for like France	179	411
Acquisitions and divestitures	412	(288)
Valuation at 31 December	**13,005**	**12,436**

EPRA NTA (EPRA Net Tangible Assets)

	Millions of euros	
EPRA NAV (EPRA *Net Asset Value*)	**2022**	**2021**
"Net equity attributable to the parent company's shareholders"	**6,159**	**5,999**
Includes/Excludes:		
Adjustments from (i) to (v) with respect to strategic alliance interests	--	--
Diluted NTA	**6,159**	**5,999**
Incluye:		
(ii.a) Revaluation of investment assets	--	--
(ii.b) Revaluation of assets under development	--	--
(ii.c) Revaluation of other investments	147	149
(iii) Revaluation of finance leases	--	--
(iv) Stock revaluation	14	12
Diluted NTA at Fair Value	**6,321**	**6,160**
Excluye:		
(v) Deferred taxes	339	351
(vi) Market value of financial instruments	(276)	(15)
EPRA NTA	**6,384**	**6,496**
Number of shares (millions)	539.60	539.60
EPRA NTA per share	11.83	12.04

EPRA NDV (Net Disposal Value)

	Millions of euros	
EPRA NAV (EPRA Net Disposal Value)	**2022**	**2021**
"Net equity attributable to the parent company's shareholders"	**6,159**	**5,999**
Includes/Excludes:		
Adjustments from (i) to (v) with respect to strategic alliance interests	--	--
Diluted NDV	**6,159**	**5,999**
Incluye:		
(ii.a) Revaluation of investment assets	--	--
(ii.b) Revaluation of assets under development	--	--
(ii.c) Revaluation of other investments	147	149
(iii) Revaluation of finance leases	--	--
(iv) Stock revaluation	14	12
Diluted NDV at Fair Value	**6,321**	**6,160**
Excluye:		
(v) Deferred taxes	--	--
(vi) Market value of financial instruments	--	--
Incluye:		
(ix) Market value of debt	541	(203)
EPRA NDV	**6,862**	**5,957**
Number of shares (millions)	539.6	539.6
EPRA NDV per share	12.72	11.04

Loan to Value Group or LtV Group

	Millions of euros	
Loan to Value Group or LtV Group	**2022**	**2021**
Gross financial debt	5,515	4,935
Commitments of deferrals for transactions selling real estate assets	--	--
Less: "Cash and cash equivalents"	(160)	(219)
(A) Net financial debt	**5,355**	**4,716**
Market Value including transaction costs	13,727	13,091
Plus: Shares in treasury stock of the parent company valued at EPRA NTA	98	98
(B) Market Value including transaction costs and Parent's treasury shares	**13,825**	**13,189**
Loan to Value Group (A)/(B)	**39.0%**	**36.0%**

Holding Company LtV or Colonial LtV

	Millions of euros	
LtV Holding or LtV Colonial Holding Company	**2022**	**2021**
Gross financial debt	2,988	3,028
Commitments of deferrals for transactions selling real estate assets	--	--
Less: "Cash and cash equivalents" of the parent company and the fully-owned Spanish subsidiaries	(85)	(101)
(A) Net financial debt	**2,903**	**2,927**
(B) Market Value including transaction costs	**9,971**	**10,036**
Loan to Value Holding (A)/(B)	**29.0%**	**29.0%**

Like-for-like Rental Income

Like-for-like Rental Income	*(Millions of euros)*			
	Offices			**TOTAL**
	Barcelona	**Madrid**	**Paris**	
2021 Rental Income	**44**	**95**	**175**	**314**
Like for like	4	5	12	20
Projects and inclusions	(1)	7	7	13
Investments and divestitures	1	(3)	11	9
Other and compensation	--	(1)	--	(1)
2022 Rental Income	**48**	**102**	**205**	**354**

Analytical EBITDA

Analytical EBITDA	Millions of euros	
	2022	**2021**
Operating profit	128	674
Adjustments: *"Depreciation and amortisation"*	9	8
Adjustments: *"Net gains on sales of assets"*	(6)	1
Adjustments: *"Net change in provisions"*	1	1
Adjustments: *"Changes in value of investment property"*	147	(444)
Adjustments: *"Gains/(losses) on changes in value of assets due to impairment"*	1	1
Adjustments: *"Extraordinary Income"*	6	10
Adjustments: *"Depreciation and amortisation arising from the recognition in line with the IFRS 16 Finance lease standard"*	(3)	(2)
Adjustments: *"Financial profit arising from the recognition in line with the IFRS 16 Finance lease standard"*	(1)	(1)
Analytical EBITDA	**282**	**248**

EBITDA income

EBITDA income	Millions of euros	
	2022	**2021**
Net turnover amount	362	317
Adjustments: *"Flexible business income"*	(14)	(9)
Adjustments: *"Revenue eliminated on consolidation associated with the flexible business"*	7	6
Analytical rental income	**354**	**314**
Staff costs	(36)	(37)
Other operating expenses	(55)	(44)
Adjustments: *"Personnel expenses and Other operating expenses not associated with the corporate segment"*	49	43
Adjustments: *"Personnel expenses and Other operating expenses not associated with the flexible business"*	6	5
Adjustments: *"Personnel expenses and Other extraordinary operating expenses not associated with the flexible business"*	6	10
Adjustments: *"Other operating expenses eliminated on consolidation associated with the flexible business"*	2	1
Adjustments: *"Net change in provisions"*	1	1
Analytical net operating expenses	**(28)**	**(21)**
EBITDA income	**326**	**293**

Other analytical income

Other analytical income	Millions of euros	
	2022	**2021**
Otros ingresos	9	5
Adjustments: *"Other corporate segment revenues"*	(3)	(2)
Adjustments: *"Net turnover amount and Personnel expenses and Other operating expenses eliminated on consolidation associated with the flexible business"*	10	6
Adjustments: *"Revenue eliminated on consolidation associated with the flexible business"*	(9)	(7)
Adjustments: *"Depreciation and amortisation arising from the recognition in line with the IFRS 16 Finance lease standard"*	(3)	(2)
Adjustments: *"Financial profit arising from the recognition in line with the IFRS 16 Finance lease standard"*	(1)	(1)
Other analytical income	**4**	**(1)**

Spending structure analytics

Spending structure analytics	Millions of euros	
	2022	**2021**
Otros ingresos	9	5
Staff costs	(36)	(37)
Other operating expenses	(55)	(44)
Adjustments: *“Analytical net operating expenses”*	28	21
Adjustments: *“Personnel expenses and Other operating expenses eliminated on consolidation associated with the flexible business*”	4	3
Adjustments: *“Personnel expenses and Other extraordinary operating expenses not associated with the flexible business*”	6	10
Adjustments: *“Net change in provisions*”	1	1
Adjustments: *“*Other operating expenses eliminated on consolidation associated with the flexible business*”*	2	1
Adjustments: *“Other revenue associated with the leasing business”*	(6)	(3)
Spending structure analytics	**(48)**	**(43)**

Analytical extraordinary expenses

Analytical extraordinary expenses	Millions of euros	
	2022	**2021**
Staff costs	(36)	(37)
Other operating expenses	(55)	(44)
Adjustments: *“Analytical net operating expenses”*	28	21
Adjustments: *“Personnel expenses and Other operating expenses associated with the corporate segment*”	49	43
Adjustments: *“Personnel expenses and Other operating expenses eliminated on consolidation associated with the flexible business”*	6	5
Adjustments: *“*Other operating expenses eliminated on consolidation associated with the flexible business*”*	2	1
Adjustments: *“Net change in provisions”*	1	1
Analytical extraordinary expenses	**(6)**	**(10)**

Revaluations and sales margin of analytical properties

Revaluations and sales margin of analytical properties	Millions of euros	
	2022	**2021**
Net gains on sales of assets	6	(1)
Changes in value of investment property	(147)	444
Revaluations and sales margin of analytical properties	**(142)**	**443**

Analytical depreciation and provisions

Analytical depreciation and provisions	Millions of euros	
	2022	**2021**
Depreciation and amortisation	(9)	(8)
Gains/(losses) on changes in value of assets due to impairment	(1)	(1)
Adjustments: *“Depreciation and amortisation arising from the recognition in line with the IFRS 16 Finance lease standard”*	3	2
Adjustments: *“Net change in provisions”*	(1)	(1)
Analytical depreciation and provisions	**(8)**	**(8)**

Analytical financial result

Analytical financial result	Millions of euros	
	2022	2021
Finance income	1	9
Finance cost	(87)	(120)
Adjustments: *"Financial profit arising from the recognition in line with the IFRS 16 Finance lease standard"*	1	1
Analytical financial result	**(85)**	**(110)**

EPRA Earnings and Recurring Net Income

EPRA Earnings and Recurring Net Income	Millions of euros	
	2022	2021
Resultado neto atribuible al Grupo	**8**	**474**
Net profit/(loss) attributable to the Group - Cts€/share	***1.48***	***91.10***
Includes/(excludes):		
(i) Changes in value of investments, investment projects and other interests	148	(443)
(ii) Gains or losses on sales of assets, investment projects and other interests	(6)	1
(iii) Gains or losses on sales of assets held for sale including changes in value of such assets	--	--
(iv) Tax for sale of assets	--	--
(v) Impairment to goodwill	--	--
(vi) Changes in the value of financial instruments and cancellation costs	4	30
(iv) Deferred tax for considered EPRA adjustments	(13)	(9)
(ix) Adjustments from (i) to (viii) regarding strategic alliances (except if included by proportional integration)	--	--
(x) Minority interests with respect to previous items	13	66
EPRA Earnings (pre-adjustments specific to the company)	**155**	**120**
Adjustments specific to the company:		
(a) Extraordinary contingencies and charges	6	10
(b) Non-recurring profit/(loss)	--	0
(c) Tax credits	--	--
(d) Minority interests in respect of the above items	--	(2)
Recurring Net Income (post company specific adjustments)	**161**	**128**
Average number of shares (millions)	539.6	520.1
Recurring Net Income (post company specific adjustments) - Cts€/share	***29.84***	***24.59***