

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

Audit Report

Consolidated financial statements as at 31 December 2023

Consolidated 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 consolidated financial statements

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

Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Inmobiliaria Colonial, SOCIMI, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the financial statement as at 31 December 2023, and the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the equity and financial position of the Group as at 31 December 2023, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

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

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements 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

Valuation of Investment Properties

The Group has real estate assets which are recognized mainly under the heading Investment properties, at an amount of EUR 10,869,018 thousand at 31 December 2023, using the fair value model in accordance with IAS 40 Investment properties, and represent 92% of total assets.

Similarly, in 2023 the heading Changes in value of investment properties reflects a loss of EUR 1,425,820 thousand in respect mainly of these assets, having a significant impact on consolidated results for the year. Information on the assets included in this heading is disclosed in notes 4.4, 9 and 19.7 to the accompanying consolidated financial statements. In order to obtain the fair value of these assets, the Group requests independent expert valuations. The fair value is determined according to the discounted cash flow method in accordance with standard market practice.

These valuations are based on significant judgements and estimates. We therefore focused on this area given the materiality of investment properties with respect to total assets and the effect of its valuation on the Group's results and the significant judgements and estimates assumed by management. Changes in such assumptions could lead to a significant variation in the fair value of those assets and their impact on the consolidated income statement, the consolidated statement of comprehensive income and the consolidated financial statement.

We obtained the valuations of all investment properties performed at year end by independent experts and assessed them in terms of the requirements of competence and independence.

We checked that the valuations were performed in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors (RICS) of Great Britain and in accordance with the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC). In this regard, we held meetings with the valuers together with our internal experts, analyzing for a sample of those valuations the reasonableness of the variables used, such as the discount rate, rent and the rent increase considered, as well as other variables necessary to complete the valuations 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 through 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 4.4, 9 and 19.7 to the accompanying consolidated financial statements.

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 Group's investment properties.



Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2023 financial year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated financial statements.

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

- a) Verify only that the certain information included in the Annual Corporate Governance Report 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 consolidated management report and the consolidated financial statements as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the consolidated management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the consolidated management report is consistent with that contained in the consolidated financial statements for the 2023 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 consolidated financial statements

The Parent company's directors are responsible for the preparation of the accompanying consolidated financial statements, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the aforementioned directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Parent company's audit and control committee is responsible for overseeing the process of preparation and presentation of the consolidated financial statements.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company's directors.
- Conclude on the appropriateness of the Parent company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent company's audit and control committee 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 Parent company's audit and control committee 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 Parent company's audit and control committee, we determine those matters that were of most significance in the audit of the consolidated 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 files of the European single electronic format (ESEF) of Inmobiliaria Colonial, SOCIMI, S.A. and its subsidiaries for the 2023 financial year that comprise an XHTML file which includes the consolidated financial statements for the financial year and XBRL files with tagging performed by the entity, 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 2023 financial year in accordance with the formatting and markup 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 consolidated management report.

Our responsibility is to examine the digital files prepared by the Parent 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 consolidated financial statements included in the aforementioned digital files completely agrees with that of the consolidated financial statements that we have audited, and whether the format and markup of these accounts and of the aforementioned files has been affected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital files examined completely agree with the audited consolidated financial statements, and these are presented and have been marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.



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

Report to the audit and control committee of the Parent company

The opinion expressed in this report is consistent with the content of our additional report to the audit and control committee of the Parent company dated 29 February 2024.

Appointment period

The General Ordinary Shareholders' Meeting held on 21 June 2022 appointed us as auditors of the Group for a period of one year, for the year ended 31 December 2023.

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

Services provided

Services provided to the Group for services other than the audit of the accounts are disclosed in note 24 to the consolidated financial statements.

PricewaterhouseCoopers Auditores, S.L. (S0242)

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Original in Spanish signed by
Alfredo Aguilera Sanz (22290)

29 February 2024

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries

Consolidated financial statements for the year ended 31 December 2023, prepared in accordance with international rules on financial information adopted by the European Union and consolidated management report

Translation of Consolidated financial statements for the year ended 31 December 2023, prepared in accordance with international financial reporting standards and consolidated management report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries

Consolidated financial statements for the year ended 31 December 2023

ASSETS	Note	Thousands of Euros	
		31 December 2023	31 December 2022
Intangible assets		5,226	4,882
Right-of-use assets	7	14,557	16,899
Property, plant and equipment	8	56,675	55,310
Investment property	9	10,869,018	12,231,952
Non-current financial assets	10	25,703	29,360
Derivative financial instruments	15	3,024	277,249
Non-current deferred tax assets	18	504	510
Other non-current assets	12	148,595	83,865
NON-CURRENT ASSETS		11,123,302	12,700,027
Inventories	11	94,677	87,128
Trade and other receivables	12	35,766	36,763
Financial assets		679	9
Derivative financial instruments	15	676	13
Tax assets	18	19,534	19,236
Cash and cash equivalents	14	437,790	159,957
CURRENT ASSETS		589,122	303,106
Assets classified as held for sale	23	122,173	466,480
TOTAL ASSETS		11,834,597	13,469,613

EQUITY AND LIABILITIES	Note	Thousands of Euros	
		31 December 2023	31 December 2022
Share Capital		1,349,039	1,349,039
Share premium		1,463,600	1,491,773
Treasury shares		(64,928)	(66,374)
Other reserves		462,272	523,648
Retained earnings		1,725,573	2,861,375
Equity attributable to shareholders of the Parent		4,935,556	6,159,461
Non-controlling interests		1,011,646	1,183,199
EQUITY	13	5,947,202	7,342,660
Bank borrowings and other financial liabilities	14	420,483	511,722
Issue of debentures and similar securities	14	4,361,616	4,475,897
Derivative financial instruments	15	7,672	--
Lease liabilities	7	14,585	16,162
Non-current deferred tax liabilities	18	305,992	348,156
Long-term provisions	17	1,355	1,555
Other non-current liabilities	16	82,262	80,921
NON-CURRENT LIABILITIES		5,193,965	5,434,413
Liabilities associated with assets classified as held for sale	23	--	75,700
Bank borrowings and other financial liabilities	14	1,870	2,139
Issue of debentures and similar securities	14	203,505	17,494
Issue of promissory notes	14	292,000	409,000
Derivative financial instruments	15	5,067	233
Lease liabilities	7	1,867	3,404
Trade and other payables	16	176,365	168,954
Tax liabilities	18	9,219	11,421
Current provisions	17	3,537	4,195
CURRENT LIABILITIES		693,430	692,540
TOTAL LIABILITIES AND EQUITY		11,834,597	13,469,613

The accompanying Notes 1 to 25 and the Appendix are an integral part of the consolidated statement of financial position for the year ended 31 December 2023.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries

Consolidated income statement and consolidated statement of comprehensive income for the year ended 31 December 2023

INCOME STATEMENT	Note	Thousands of Euros	
		2023	2022
Revenue	19.1	387,282	361,613
Other revenue	19.2	12,400	9,304
Personnel expenses	19.3	(31,098)	(36,219)
Other operating expenses	19.4	(55,974)	(55,298)
Depreciation and amortisation		(8,828)	(8,988)
Net gain/(loss) on sales of assets	19.5	3,542	5,938
Changes in value of investment property	19.7	(1,425,820)	(147,493)
Gains/(losses) on changes in value of assets due to impairment	19.6	(883)	(631)
Operating profit		(1,119,379)	128,226
Finance income	19.8	5,922	657
Finance costs	19.8	(101,798)	(86,891)
Profit/(Loss) before tax		(1,215,255)	41,992
Company tax	18	37,678	7,626
Net consolidated income		(1,177,577)	49,618
Net profit for the year attributable to the Parent	5	(1,018,973)	7,979
Net result attributed to non-controlling interests	13.6	(158,604)	41,639
Basic earnings per share (euros)	5	(1.92)	0.02
Diluted earnings per share (euros)	5	(1.92)	0.02

STATEMENT OF COMPREHENSIVE INCOME	Note	Thousands of Euros	
		2023	2022
Net consolidated income		(1,177,577)	49,618
Other components of comprehensive income recognised directly in equity		(78,909)	277,074
Gains/(losses) on financial instrument hedges	13.4	(75,148)	279,650
Transfer to the statement of comprehensive income of financial instrument hedges	13.4	(3,930)	(2,124)
Tax effect on prior years' profit or loss	13.4	169	(452)
Consolidated comprehensive income		(1,256,486)	326,692
Comprehensive profit/(loss) for the year attributable to the Parent		(1,097,173)	283,972
Comprehensive income attributable to non-controlling interests		(159,313)	42,720

The accompanying Notes 1 to 25 and the Appendix are an integral part of the consolidated income statement and consolidated global statement of financial position for the year ended 31 December 2023.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries

Consolidated statement of changes in equity for the year ended 31 December 2023

(Thousands of Euros)	Note	Share Capital	Share premium	Treasury shares	Other reserves	Retained earnings	Equity attributable to shareholders of the Parent	Non-controlling interests	Equity
Balance at 31 December 2021		1,349,039	1,584,454	(66,657)	239,398	2,892,540	5,998,774	1,185,655	7,184,429
Total recognised income and expense for the year		--	--	--	275,993	7,979	283,972	42,720	326,692
Transactions with shareholders:									
Own share portfolio		--	--	283	--	(789)	(506)	--	(506)
Distribution of profit/(loss)		--	(92,681)	--	3,873	(38,728)	(127,536)	(40,938)	(168,474)
Share-based remuneration payments		--	--	--	5,071	--	5,071	72	5,143
Changes in scope		--	--	--	(687)	--	(687)	(4,313)	(5,000)
Other changes		--	--	--	--	373	373	3	376
Balance at 31 December 2022	13	1,349,039	1,491,773	(66,374)	523,648	2,861,375	6,159,461	1,183,199	7,342,660
Total recognised income and expense for the year		--	--	--	(78,200)	(1,018,973)	(1,097,173)	(159,313)	(1,256,486)
Transactions with shareholders:									
Own share portfolio		--	--	1,446	--	(237)	1,209	--	1,209
Distribution of profit/(loss)		--	(28,173)	--	11,633	(116,333)	(132,873)	(10,362)	(143,235)
Share-based remuneration payments		--	--	--	4,678	--	4,678	61	4,739
Changes in scope		--	--	--	477	(14)	463	(1,944)	(1,481)
Other changes		--	--	--	36	(245)	(209)	5	(204)
Balance at 31 December 2023	13	1,349,039	1,463,600	(64,928)	462,272	1,725,573	4,935,556	1,011,646	5,947,202

The accompanying Notes 1 to 25 and the Appendix described in the consolidated report are part of the consolidated statement of changes in equity for the year ended 31 December 2023.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries

Consolidated statement of cash flows for the year ended 31 December 2023

	Note	Thousands of Euros	
		2023	2022
CASH FLOWS FROM OPERATIONS			
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Net consolidated income		(1,177,577)	49,618
Adjustments to profit/(loss):			
Depreciation and amortisation (+)		8,828	8,988
Provisions (+/-)	19.4	5,327	520
Changes in value of investment property (+/-)	19.7	1,425,820	147,493
Gains/(losses) on changes in value of assets due to impairment (+/-)	19.6	883	631
Other		(2,305)	880
Gains/(losses) on sale of investment property (+/-)	19.5	(3,542)	(5,938)
Net financial profit (+)	19.8	95,876	86,234
Company tax (+/-)	18	(37,678)	(7,626)
Adjusted profit/(loss)		315,632	280,800
Taxes refunded / (paid) (+/-)		(2,721)	(5,157)
Interest received (+)		5,922	657
Increase/(decrease) in current assets and liabilities			
Inventories (+/-)		(7,167)	(26,049)
Increase / (decrease) in receivables (+/-)		14,986	5,260
Increase / (decrease) in payables (+/-)		1,745	8,126
Increase/(decrease) in other assets and liabilities (+/-)		(63,389)	(8,244)
Total net cash flows in operating activities		265,008	255,393
2. CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in (-)			
Intangible assets		(3,533)	(2,145)
Property, plant and equipment	8	(5,851)	(4,043)
Investment property	9	(197,255)	(703,098)
Non-current financial assets and others	10	(3,172)	(3,064)
		(209,811)	(712,350)
Divestments in (+)			
Investment property and assets classified as held for sale	9 and 23	475,285	81,936
Financial assets	10	6,829	--
Receipts from government grants		5	--
		482,119	81,936
Total net cash flows from investing activities		272,308	(630,414)
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid (-)	13	(143,235)	(168,474)
Debt repayment (-)	14	(392,700)	(505,300)
Interest paid (+/-)		(116,801)	(106,309)
Redemption of financial instruments (-)		214,754	15,135
Purchase of non-controlling interests (-)		(1,481)	(5,000)
Own share transactions (+/-)	13.4 and	1,446	283
Obtainment of new financing (+)	14	179,200	1,085,701
Other proceeds/(payments) for current financial investments and other (+/-)		(666)	--
Total net cash flows in financing activities		(259,483)	316,036
4. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS			
Cash flow for the year	14	277,833	(58,985)
Cash or cash equivalents at beginning of year	14	159,957	218,942
Cash or cash equivalents at end of year	14	437,790	159,957

The accompanying Notes 1 to 25 and the Appendix are an integral part of the consolidated statement of cash flows for the year ended 31 December 2023.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries

Notes to the consolidated financial
statements for the year ended
31 December 2023

1 Colonial Group business activity

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

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

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

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

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

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

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

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

Inmobiliaria Colonial, SOCIMI, S.A. and Subsidiaries (“the Group”) carry out their activities in Spain (mainly in Barcelona and Madrid) and in France (Paris) through the Group of which it is the parent Société Foncière Lyonnaise, S.A. (hereinafter referred to as the “SFL subgroup” or “SFL” for the subsidiary) 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 2023, the Parent maintains the credit rating obtained from *Standard & Poor's Rating Credit Market Services Europe Limited*, "BBB+" at long term and "A-2" at short term, both with a stable outlook. In addition, the Parent obtained a "Baa2" credit rating with a positive outlook from Moody's. In 2023, the subsidiary SFL also maintained its credit rating of "BBB+" with a stable outlook, and the "A-2" short-term credit rating.

Given its business activity, the Group has no environmental expenses, assets, provisions or contingencies that might be significant with respect to its equity, financial position and results. Therefore, no specific disclosures relating to environmental issues are included in these explanatory notes. However, the Group does apply an active environmental policy in relation to urban processes of construction and maintenance and the preservation of its property portfolio.

2 Basis of presentation of the consolidated financial statements

2.1 Basis of presentation

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (EU-IFRSs) as adopted by the European Union, taking into account all mandatory accounting policies and rules and measurement bases, the Spanish Code of Commerce, the Spanish Limited Liability Companies Law, the Spanish Securities Markets Law and other applicable company law, as well as regulations laid down by the Spanish National Securities Market Commission (CNMV), to present a true and fair view of the Group's consolidated equity and financial position at 31 December 2023 and of the income from its operations, the changes in consolidated equity and the consolidated cash flows for the year then ended.

The consolidated financial statements of Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries for the year ended 31 December 2023 were prepared from the accounting records kept by the Parent and by the other Group companies, and they were authorised for issue by the Parent's directors at the Board of Directors' meeting held on 29 February 2024.

However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements at 31 December 2023 may differ from those used by certain Group companies, the required adjustments and reclassifications were made on consolidation to unify the policies and bases used and to make them compliant with EU-IFRSs.

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

The Group's consolidated financial statements for the year ended 31 December 2022 were approved by the shareholders of the Parent at the General Meeting held on 15 June 2023.

2.2 Adoption of International Financial Reporting Standards

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

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

2.2.1 Standards and interpretations effective this year -

New accounting standards came into force in 2023 and were accordingly taken into account when preparing these consolidated financial statements. These new standards are as follows:

- IFRS 17 "Insurance Contracts" (replaces IFRS 4 "Insurance Contracts").
- IFRS 17 (Amendment) "Initial Application of IFRS 17 and IFRS 9 - Comparative Information".
- IAS 1 (Amendment) "Breakdown of accounting policies".
- IAS 8 (Amendment) "Definition of accounting estimates".
- IAS 12 (Amendment) 'Deferred tax relating to assets and liabilities arising from a single transaction'.
- IFRS 12 (Amendment) "International Tax Reform: Second Pillar model standards".

These standards were taken into account with effect from 1 January 2023, and their impact on these consolidated financial statements was not material.

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

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

- IFRS 16 (Amendment) 'Lease liability on a sale and leaseback'. The effective date of this amendment is 1 January 2024, though their early application is permitted.
- IAS 1 (Amendment) "Classification of liabilities as current or non-current" and IAS 1 (Amendment) "Non-current liabilities with conditions". This amendment is effective for periods beginning on or after 1 January 2024 and is applied retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Early adoption is allowed.

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

2.2.3 Standards, interpretations and amendments to existing standards which cannot be adopted in advance or which have not been adopted by the European Union –

At the date of preparation of these consolidated financial statements, the following standards, amendments and interpretations have been published by the IASB and the IFRS Interpretations Committee and are pending adoption by the European Union:

- IFRS 10 (Amendment) and IAS 28 (Amendment) "Sale or contribution of assets between an investor and its associate or joint venture". The IASB took the decision to postpone the effective date and there is still no concrete date.
- IAS 7 (Amended) and IFRS 7 (Amended) "Supplier financing arrangements (reverse factoring)". Amendment effective for years beginning on or after 1 January 2024. Earlier application of the amendment is permitted, although approval by the European Union is pending.
- IAS 21 (Amendment) 'Lack of Interchangeability'. This amendment effective for years beginning on or after 1 January 2025. Earlier application of the amendment is permitted, although approval by the European Union is pending.

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

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

2.3 Functional currency

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

2.4 Responsibility for the information provided and accounting estimates and judgements made

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

- The market value of property for own use, investment properties and inventories (Notes 8, 9 and 11). The market value was obtained from the appraisals periodically made by independent experts. These appraisals were prepared on 31 December 2023 and 2022, applying the methods described in Notes 4.3, 4.4 and 4.21.
- Measurement of deferred tax liabilities recognised in the consolidated statement of financial position (Notes 4.14 and 18).
- The classification and measurement of assets classified as held for sale (Notes 4.20 and 23).
- Market value of derivative financial instruments (Notes 4.12, 4.22 and 15).

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

2.5 Basis of consolidation

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

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

All accounts receivable and payable and other transactions between the consolidated companies have been eliminated on consolidation.

Where necessary, the financial statements of the subsidiaries are adjusted to ensure uniformity with the accounting policies applied by the Parent. All subsidiaries have the same reporting date as the Parent, i.e., 31 December.

All Group companies were fully consolidated, as outlined below:

- Subsidiaries are fully consolidated and are considered to be all entities in which the Group directly or indirectly controls the financial and operating policies such that power is exercised over the investee. This is generally accompanied by an ownership interest of more than half of an entity's voting rights. In addition, to evaluate whether the Group controls another entity, it considers the power over the investee; the exposure or rights to variable returns of the investment; and the ability to use this power over the investee to affect the amount of the investor's returns. When evaluating whether the Group exercises control over an entity, the existence and the effect of any potential voting rights, both those held by the Parent and by third parties, are taken into consideration, provided they are of a substantive nature.
- Subsidiaries are accounted for using the acquisition method. The acquisition cost is the fair value of the assets delivered, the equity instruments issued and the liabilities incurred or assumed at the acquisition date. Identifiable assets acquired and identifiable liabilities and contingencies incurred in a business combination are measured initially at fair value at the acquisition date, regardless of the effect of non-controlling interests. When the acquisition cost is higher than the fair value of the Group's interest in the identifiable net assets acquired, the difference is recognised as goodwill. If the acquisition cost is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement (details of the companies consolidated at 31 December 2023 and 2022 and are included in the Appendix).

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

Non-controlling interests are stated at the proportion of the fair values of the identifiable assets and liabilities recognised. Non-controlling interests in:

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

2.6 Changes in the scope of consolidation

The following changes occurred in the scope of consolidation in 2023:

- During October 2023, the Parent Company acquired a total of 20,350 SFL shares, giving it a 98.38% interest (Note 21).

The following changes occurred in the scope of consolidation in 2022:

- On 25 April 2022, SFL acquired all the shares of SCI Pasteur 123, owner of the property 91 Boulevard Pasteur of almost 40,000 square metres, located in the centre of Paris (15th arrondissement) for 485,145 thousand euros (Note 9).
- On 3 June 2022, the Parent acquired 50% of the share capital of the subsidiary Wittywood, S.L. amounting to 5,000 thousand euros, to hold 100% of the share capital of that subsidiary (Note 13.6).

At 31 December 2023, the subsidiaries Colonial Trámit, S.L.U., Inmocol One, S.A.U., Inmocol Two, S.L.U., SAS SB2, SAS SB3 and SCI SB3 are dormant. At 31 December 2022, the subsidiaries Colonial Trámit, S.L.U., Inmocol One, S.A.U., Inmocol Two, S.L.U., Colonial LAB, S.L.U (previously Inmocol Three, S.L.U.), SAS SB2, SAS SB3 and SCI SB3 are dormant.

2.7 Comparison of information

The information relating to 2023 included in these notes to the consolidated financial statements is presented, for comparison purposes, with the information relating to 2022.

2.8 Aggregation of items

Certain items in the consolidated statement of financial position, the income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows are grouped together to make them easier to understand; however, whenever the amounts involved are material, the information is broken down in the related notes to the consolidated financial statements.

2.9 Correction of errors

No significant errors have been found in the preparation of the consolidated financial statements that would require a restatement of the amounts included in the consolidated financial statements for 2022.

2.10 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 that imply radical transformations, framed within the framework of European pacts and regulations, also resulting from the different conferences organised by the United Nations and agreements at international level with the aim of aligning commitments and action plans to mitigate the effects of climate change, the latest being the one held in Dubai (COP28) in November 2023.

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

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

The property sector accounts for a significant share of greenhouse gas emissions in Spain and France. For this reason, the Group 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 consolidated annual accounts linked to climate-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 Group'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 consolidated accounts

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

- Risks associated with financial instruments (IFRS 7): At the closing date of these consolidated financial statements, all of the Group's bonds are rated as green bonds amounting to 4,580 million euros (31 December 2022: 4,510 million euros).
- In addition, as of 31 December 2023, the Group has 8.1% of its remaining drawn down financial liabilities indexed to ESG indicators (8.9% as at 31 December 2022), the interest rates of which may vary depending on the development of these indicators. During 2023, the Group repaid 176 million euros of two loans and drew down 105 million euros of a credit facility, all of which are indexed to sustainability indicators.
- Fees and taxes related to environmental regulation (IAS37): the investments made by the Group have enabled it to be in line with the regulations in force regarding climate change. As a result, the Group has not received any sanctions for non-compliance with these regulations. The Group 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 2023, no provision has been recorded for penalties for non-compliance with current environmental regulations.
- The depreciation of assets (IAS36) or the re-estimation of the useful lives and residual values of fixed assets (IAS16): the Group's assets are mainly recorded at fair value and therefore the Group's financial statements do not include any significant impact arising from these standards.

3 Distribution of Parent's profit

The proposal for application of the profit for 2023 formulated by the board of directors of the parent company to be submitted for approval by the general meeting of shareholders consists of (i) the allocation of the legal minimum of 10% to the legal reserve, in the amount of 21,287 thousand euros, (ii) the proposed distribution of a dividend of 0.27 euros per share, which, based on the current number of shares issued, would mean a maximum total dividend of 145,696 thousand euros, with the remaining amount going to reserves. The final amount of the dividend and reserves would be determined prior to the shareholders' meeting on the basis of the shares outstanding at that time.

The proposed appropriation of profit for 2022 approved by the shareholders' meeting held on 15 June 2023 was approved without amendment.

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

Thousands of euros	2018	2019	2020	2021	2022
Amounts distributed	101,567	101,551	111,087	127,536	132,873

4 Measurement bases

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

4.1 Business combinations

Business combinations are accounted for by applying the acquisition method.

The cost of the business combination is allocated at the acquisition date by recognising, at fair value, all assets, liabilities and contingent liabilities of the acquired entity that meet the criteria for recognition established in IFRS 3. The excess of the cost of a business combination over the acquiree's allocated assets, liabilities and contingent liabilities is recognised as goodwill, which, accordingly, represents advance payments made by the Colonial Group for future economic benefits generated by the assets of the acquiree that are not individually and separately identifiable and recognisable.

The negative difference, if any, between the cost of the business combination and the allocation to assets, liabilities and contingent liabilities of the acquired entity is recognised as a gain or loss in the year in which it arises.

If a business combination is achieved in stages, the acquirer remeasures its previously held equity interest in the acquiree at fair value at the acquisition date and recognises any resulting gain or loss in the consolidated statement of comprehensive income or under other consolidated comprehensive income, where appropriate.

4.2 Intangible assets

As a general rule, intangible assets are initially measured at their acquisition or production cost. They are then measured at cost less the corresponding accumulated amortisation and, where applicable, less any impairment losses. These assets are amortised over their useful life.

4.3 Property, plant and equipment

Land and buildings intended for own use as well as other property, plant and equipment are recognised at historical cost less accumulated depreciation and impairment losses.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset only when they can be measured reliably and it is probable that future economic benefits associated with them will flow to the entity. The remaining costs of day-to-day servicing of assets are charged to the consolidated income statement in the year in which they are incurred.

Group companies depreciate their property, plant and equipment for own use and other property, plant and equipment using the straight-line method, distributing the cost of the assets over the years of estimated useful life and provided that the residual value does not change or changes insignificantly.

The Parent has revised the estimated useful lives of certain items of property, plant and equipment by extending their useful lives. The breakdown of the useful life of property for own use located in Spain and France is as follows:

	Years of estimated useful life	
	Spain	France
Property for own use:		
Buildings	50 to 100	105 to 118
Facilities	10 to 20	5 to 29
Other tangible fixed assets	10 to 20	2 to 20

Gains or losses arising on the sale (Note 19.5) or derecognition of an asset (Note 19.6) under this heading are determined as the difference between the selling price and its carrying amount and are recognised in the consolidated income statement.

4.4 Investment property

"Investment property" in the consolidated statement of financial position reflects the values of the land, buildings, considered in whole or in part or both and other constructions held to earn rents or for capital appreciation upon disposals due to future increases in their respective market prices.

The acquisition of an asset or group of assets through a partnership that does not represent a business combination as defined in IFRS 3 - Business Combinations shall be recognised in the statement of financial position as investment property.

In accordance with the option provided by IAS 40 - Investment Property, the Group chooses to present the investment property is presented at fair value at the end of the reporting period and is not depreciated.

Profit or loss arising from changes in the fair value of investment property is included in the profit of the period in which it occurs and recognised under "Changes in value of investment property" in the consolidated income statement (Note 19.7).

Gains or losses resulting from the derecognition or disposal of an investment property are determined as the difference between the net proceeds from the transaction and the carrying amount of the asset and are recognised in the consolidated income statement for the period in which the derecognition occurs (Note 19.5).

When the Group recognises as an increase in fair value of an investment property the cost of an asset that replaces another already included in such amount, the Group reduces the value of the property by the fair value of the asset replaced, recognising the impact under "Gains/(losses) on changes in value of assets due to impairment" in the consolidated income statement (Note 19.6). When the fair value of the replaced asset cannot be identified, it is recorded by increasing the fair value of the property, and subsequently revalued periodically by reference to independent external valuations 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).

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.

Investment property whose disposal is highly probable is reclassified as "Assets classified as held for sale" and measured at fair value in accordance with IFRS 5 - Non-current assets held for sale and discontinued operations.

In accordance with IAS 40, the Group determines the fair value of investment property every half year, i.e. at 30 June and 31 December of each period. This fair value is determined by taking as reference values the valuations carried out by independent third party experts (level 3 fair value hierarchy) at the date of the consolidated statement of financial position, CB Richard Ellis Valuation and Cushman & Wakefield for the financial years 2023 and 2022 in both Spain and France, such that, at the end of each period, the fair value reflects the market conditions of the investment property elements at that date. The valuation reports prepared by independent experts contain only the standard warnings and/or disclaimers concerning the scope of the findings of the appraisals carried out, referring to the comprehensiveness and accuracy of the information provided by the Group.

The *Discounted Cash Flow* (hereinafter "DCF") method was primarily used to determine the market value of the Group's investment property in 2023 and 2022.

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

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

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

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

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

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

The most relevant key inputs of this method for the purposes of sensitivity analysis are the determination of net income and the rate of return, especially as it is a 10-year discounted cash flow model. The other variables considered, although they are taken into account in determining fair value, are not considered to be key, and therefore no quantitative information is included, nor are they sensitised, since any possible reasonable variations would not entail a significant change in the fair values of the assets.

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

The yields and other assumptions used in determining future cash flows in 2023 and 2022 are set out in the tables below:

Weighted Yields (%) - Offices	Gross	
	31 December 2023	31 December 2022
Barcelona – Prime Yield		
Operating portfolio	4.97	4.44
Total portfolio	5.02	4.46
Madrid – Prime Yield		
Operating portfolio	4.74	4.26
Total portfolio	4.61	4.22
Paris – Prime Yield		
Operating portfolio	4.13	3.30
Total portfolio	4.14	3.27

Assumptions made at 31 December 2023					
Rent increases (%) – Offices	1	2	3	4	Year 5 and thereafter
Barcelona –					
Operating portfolio	0.5	1.80	2.5	2.5	2.5
Total portfolio	0.5	1.80	2.5	2.5	2.5
Madrid –					
Operating portfolio	1.3	2.0	2.5	2.5	2.5
Total portfolio	1.3	2.0	2.5	2.5	2.5
Paris –					
Operating portfolio	2.0	2.0	2.0	2.0	2.0
Total portfolio	2.0	2.0	2.0	2.0	2.0

Assumptions made at 31 December 2022					
Rent increases (%) – Offices	1	2	3	4	Year 5 and thereafter
Barcelona –					
Operating portfolio	2.0	2.75	2.5	2.5	2.5
Total portfolio	2.0	2.75	2.5	2.5	2.5
Madrid –					
Operating portfolio	2.0	3.0	2.5	2.5	2.5
Total portfolio	2.0	3.0	2.5	2.5	2.5
Paris –					
Operating portfolio	3.0	2.0	2.0	2.0	2.0
Total portfolio	3.0	2.0	2.0	2.0	2.0

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

Sensitivity analysis of the hypotheses

A change of one-quarter of one point in yields has the following impact on the valuations used by the Group at 31 December 2023 and 2022, to determine the value of its property assets (Property, plant and equipment - own use, Investment property, inventories and assets classified as held for sale):

Sensitivity of valuations to a change of one quarter of a point in rates of return	Thousands of Euros		
	Measurement	Decrease of one quarter of a point	Increase of one quarter of a point
December 2023	11,336,299	714,497	(635,145)
December 2022	13,005,183	960,997	(826,582)

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

(Thousands of euros)	31 December 2023	31 December 2022
<i>Headings of the consolidated statement of financial position -</i>		
Property, plant and equipment – Own use (Note 8)	37,502	37,538
Investment property (Note 9)	10,869,018	12,231,952
Inventory (Note 11)	94,677	87,128
Assets classified as held for sale (Note 23)	122,173	466,480
Lease incentives (Note 12)	149,473	104,437
Trade and other receivables - Acquired lease rights	47	73
Total headings of the consolidated statement of financial position	11,272,890	12,927,608
Other adjustments made to the valuation	4,940	18,600
Unrealised gains on assets recognised in property, plant and equipment	45,045	44,603
Unrealised gains on assets recognised in Inventory	13,424	14,372
Measurement	11,336,299	13,005,183

The income earned in 2023 and 2022 from the rental of investment property in the property segment (traditional business) amounted to 369,512 thousand euros and 347,287 thousand euros (Note 19.1), respectively, and are recognised under “Revenue” in the consolidated income statement.

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

Direct operating expenses associated with investment properties which generated rental income in 2023 and 2022, included under “Operating profit” in the consolidated income statement amounted to 101,835 thousand euros and 100,742 thousand euros, respectively, prior to deducting the costs passed on to the lessees. Expenses incurred in connection with investment properties that did not generate rental income were not material.

4.5 Impairment of plant, property and equipment

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

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

4.6 Financial assets and liabilities

4.6.1 Financial assets

Classification

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

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

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

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

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

Recognition and derecognition

Conventional purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group undertakes to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets expire or are transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

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

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

Debt instruments

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

- Amortised cost: Assets held for the collection of contractual cash flows when those cash flows represent only principal and interest payments are measured at amortised cost. Interest income on these financial assets is included in interest income in accordance with the effective interest rate method. Any gain or loss arising when they are derecognised is recognised directly in profit and loss. Impairment losses are presented as a separate line item in the consolidated income statement.
- Fair value through other comprehensive income: Assets held for the collection of contractual cash flows and for the sale of financial assets, when the cash flows from the assets represent only principal and interest payments, are measured at fair value through other comprehensive income. Changes in the carrying amount are taken to other comprehensive income, except for the recognition of impairment losses, interest income and exchange gains or losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit and loss and recognised in finance costs. Interest income on these financial assets is included in interest income in accordance with the effective interest rate method. Exchange gains and losses are presented in finance costs and the impairment expense is presented as a separate line item in the consolidated income statement.
- Fair value through profit or loss: Assets that do not meet the criteria for measurement at amortised cost or at fair value through other comprehensive income are recognised at fair value through profit or loss. A profit or loss on a debt investment that is subsequently recognised at fair value through profit or loss is recognised in profit or loss and presented net in the consolidated income statement within finance costs in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. When Group management has chosen to present gains and losses in the fair value of investments in equity in other comprehensive income, there is no subsequent reclassification of gains and losses in the fair value to income following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive the payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in finance costs in the consolidated income statement when applicable. Impairment losses (and reversals of impairment losses) on investments in equity measured at fair value through other comprehensive income are not presented separately from other changes in fair value.

Impairment

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

For trade receivables, given the composition of the Group's portfolio, which is made up of companies of acknowledged prestige and proven financial solvency, the low history of losses from debtor balances over the last 10 years, including the years of financial crisis, the Group has considered that the expected impairment of these financial assets is immaterial (Note 12).

4.6.2 Financial liabilities

Financial liabilities are accounts payable by the Group that have arisen from the purchase of goods and services in the course of the Company's business and those which, not arising from trading activities, cannot be considered to be derivative financial instruments.

Classification

The Group classifies its financial liabilities in the following valuation categories:

- Financial liabilities at amortised cost: accounts payable are initially recognised at the fair value of the consideration received, adjusted for directly attributable transaction costs. These liabilities are subsequently carried at amortised cost.
- Financial liabilities at fair value through profit or loss: these are liabilities that are acquired for the purpose of selling them in the short term. These financial liabilities are initially and subsequently measured at fair value, with changes in fair value recognised in the consolidated income statement for the year.

Recognition and derecognition

The Group derecognises financial liabilities when the obligations giving rise to them cease to exist.

The Group classifies as short-term trade payables the retentions made to regular suppliers in construction projects, which are normally due within 12 months from the completion of the projects, as they are considered to be liabilities that are incurred in the normal operating cycle of the Group's business.

4.7 Receivables

Trade receivables are carried at recoverable value, i.e., net, where applicable, of the allowances recognised to cover balances of a certain age (Note 4.6), whose circumstances reasonably warrant their consideration as doubtful receivables.

4.8 Cash and cash equivalents

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

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

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

4.9 Own equity instruments

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

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

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

4.10 Provisions and contingent liabilities

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

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

The consolidated financial statements include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised, but are disclosed in Note 17.

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

4.11 Employee benefits

4.11.1 Termination benefits -

Under current Spanish legislation, the Group is required to pay termination benefits to employees terminated under certain conditions. Severance payments which can be reasonably quantified are recorded as an expense in the year in which the decision to terminate the contract is taken and a valid expectation regarding termination is transmitted to third parties. On 31 December 2023 and 2022, the Group did not record any provisions in this connection.

4.11.2 Pension obligations -

The Parent 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.

SFL maintains several defined benefit pension plans. Defined benefit obligations are calculated on a regular basis by independent actuarial experts. The actuarial assumptions used to calculate these liabilities are adapted to the situation and to applicable French legislation, in accordance with IAS 19. The actuarial cost recorded in the consolidated statement of comprehensive income in relation to these plans is the sum of the service costs for the period, the interest expense and actuarial gains and losses.

4.11.3 Share-based payments -

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

In the case of transactions settled with equity instruments, both the services rendered and the increase in equity are measured at the fair value of the services received, unless that of the equity instruments transferred is more reliable, by reference to the grant agreement date. If, on the other hand, they are settled in cash, the goods and services received and the corresponding liability are recognised at the fair value of the goods and services received as of the date on which the recognition requirements are met. In the case of the plans described in Note 20, it has been decided to measure them at the amount of the equity instruments transferred.

4.12 Derivative financial instruments

The Group uses financial derivatives to manage its exposure to variations in interest rates. All derivative financial instruments, whether or not they are designated as hedging instruments, are carried at fair value, market value in the case of listed securities, or using option valuation methods or discounted cash flow analysis for non-listed securities. The fair value of the derivative financial instruments is determined based on the valuations made by independent experts (Solventis A.V., S.A. in 2023 and 2022).

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

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

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

- Cash flow hedges: positive or negative changes in the valuation of transactions with hedge accounting treatment are recognised, net of tax, directly in "Other reserves" in equity until the committed or expected transaction occurs, at which time they are reclassified to "Finance costs" in the consolidated income statement. Any valuation gains and losses on the ineffective portion of the hedge are recognised directly as financial profit or loss in the consolidated income statement.

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

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

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

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

The method used to determine the effectiveness of hedging 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.

4.13 Current/non-current

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

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

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

4.14 Company tax

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

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

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

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

In accordance with IAS 12, when measuring deferred tax liabilities the Group reflects the tax consequences that would arise from the manner in which the carrying amount of its assets is expected to be recovered or settled. In this regard, for deferred tax liabilities that arise from investment properties that are measured using the IAS 40 fair value model, there is a rebuttable presumption that their carrying amount will be recovered through their sale (Note 18.6).

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

4.14.1 REIT regime

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

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

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

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

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

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

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

The term will be calculated:

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

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

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

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

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

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

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).

4.14.2 SIIC regime – SFL subgroup

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

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

This regime affords the SFL subgroup an exemption from taxes on earnings generated from its rental business and on capital gains obtained from the sale of properties, provided that 95% of profit from that activity, 70% of the capital gains obtained from property sales of companies under this regime are distributed each year in the form of dividends and 100% of dividends.

4.15 Income and expense

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

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

Interest income is accrued on a time proportion basis, according to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts the future cash receipts estimated over the expected life of the financial asset from the asset's carrying amount.

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established, i.e. when shareholders at the Annual General Meetings of the subsidiaries approve the distribution of the corresponding dividend.

4.15.1 Property leases

In accordance with IFRS 16, leases are classified as finance leases whenever their terms imply that substantially all the risks and rewards incidental to ownership of the leased asset have been transferred to the lessee. Other leases are classified as operating leases. On 31 December 2023 and 2022, all of the Group's leases qualify as operating leases.

4.15.2 Property leases-Lessor

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

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

In relation to the amendment to IFRS 16 arising from the situation generated by the pandemic, the Group has considered the aid granted to lessees as amendments to the initial contract, recording them as a rent incentive, except for minor cases, in which they have been recorded directly against the consolidated income statement, reducing the net amount of the turnover.

4.15.3 Specific lease terms and conditions: lease incentives

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

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

4.15.4 Property leases-Lessee

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

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

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

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

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

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

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

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

4.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of property developments or inventory (Notes 9, 11 y 19.8.1), which require preparation during a significant period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

4.17 Consolidated statement of cash flows (indirect method)

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

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

4.18 Costs passed on to lessees

In accordance with EU-IFRS, the Group does not consider the costs incurred by lessees from its investment properties as revenue and they are recognised, less the corresponding costs, in the consolidated income statement. The amounts charged for these items in 2023 and 2022 amounted to 73,916 thousand euros and 67,726 thousand euros, respectively.

4.19 Transactions with related parties

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

4.20 Assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, the assets are available for immediate sale and the sale is highly probable and will occur no more than twelve months after classification of the asset as held for sale. The Group classifies assets classified as held for sale when there is a formal decision by the board of directors or the executive committee and the sale is expected to be completed within 12 months.

They are measured at the lower of carrying amount and fair value less costs to sell, except for deferred tax assets, assets arising from employee benefits, financial assets, investment property carried at fair value and contractual rights under insurance contracts, which are specifically exempted from this requirement.

Non-current assets (including those that are part of a disposal group) are not depreciated while they are classified as held for sale, but interest and other expenses attributable to the liabilities of a disposal group that is classified as held for sale continue to be recognised.

Non-current assets (or disposal groups) are presented separately from other assets in the consolidated statement of financial position, both assets classified as held for sale and assets of a disposal group classified as held for sale under "Assets classified as held for sale". Liabilities that form part of a disposal group classified as held for sale are also presented separately from other liabilities in the consolidated statement of financial position under "Liabilities associated with assets classified as held for sale". These assets and liabilities shall not be offset or presented as a single amount.

4.21 Inventories

Inventories, consisting of land, developments in progress and completed developments, are stated at cost, with appropriate impairment losses recognised when the net realisable value is lower than cost.

The cost includes the acquisition costs and the direct and indirect costs necessary for their construction, as well as the finance costs incurred in the financing of the works while they are under construction, provided that this process lasts more than one year.

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

The market value is determined periodically through independent expert valuations. Possible valuation results are recorded according to the same valuation assumptions as described in Note 4.4.

4.22 Fair value hierarchy

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

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

In accordance with IFRS 13, the Group estimated the bilateral credit risk in order to reflect both its own risk and the counterparty risk on the fair value of its derivatives (Note 4.12). Credit risk on 31 December 2023 and 2022 was not considered to be material.

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

31 December 2023	Thousands of Euros		
	Level 1	Level 2	Level 3
Assets			
Other L/T financial instruments (Note 10)	--	--	3,711
Derivative financial instruments (Note 15):			
Classified as hedges	--	3,700	--
Not classified as hedges	--	--	--
Total assets	--	3,700	3,711
Liabilities			
Derivative financial instruments:			
Classified as hedges	--	12,739	--
Not classified as hedges	--	--	--
Total liabilities (Note 15)	--	12,739	--

31 December 2022	Thousands of Euros		
	Level 1	Level 2	Level 3
Assets			
Other L/T financial instruments (Note 10)	--	--	2,760
Derivative financial instruments (Note 15):			
Classified as hedges	--	277,262	--
Not classified as hedges	--	--	--
Total assets	--	277,262	2,760
Liabilities			
Derivative financial instruments:			
Classified as hedges	--	233	--
Not classified as hedges	--	--	--
Total liabilities (Note 15)	--	233	--

5 Earnings per share

Basic earnings per share are calculated by dividing profit or loss attributable to ordinary equity holders of the Parent (after tax and non-controlling interests) by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares.

Diluted earnings per share are calculated by dividing profit or loss attributable to ordinary equity holders of the Parent (after tax and non-controlling interests) by the weighted average number of shares outstanding plus all dilutive effects inherent in potential ordinary shares.

Both at 31 December 2023 and 2022, there were no instruments that may have had a significant diluting effect on the Parent's average number of ordinary shares.

The long-term remuneration plans of the Parent Company are settled with shares that the Parent Company holds as treasury shares in advance. Such deliveries of shares have no relevant or material effect on diluted earnings per share (Note 20).

Details of the calculation of basic and diluted earnings per share are as follows:

	2023	2022
Net consolidated profit attributable to the Parent (Thousands of euros)	(1,018,973)	7,979
Average number of ordinary shares outstanding excluding treasury shares (Thousands)	531,476	531,429
Basic earnings per share (in euros)	(1.92)	0.02
Net consolidated profit attributable to the Parent (Thousands of euros)	(1,018,973)	7,979
Average number of potential common shares outstanding (Thousands)	531,476	531,429
Diluted earnings per share (in euros)	(1.92)	0.02

The calculation of the average number of ordinary shares outstanding or potential shares outstanding is as follows:

	Thousands of shares	
	2023	2022
Ordinary shares outstanding at the beginning of the period (Note 13.1)	539,616	539,616
Average adjustment of treasury shares	(8,140)	(8,187)
Average adjustment for outstanding ordinary shares (excluding treasury shares)	--	--
Average number of ordinary shares outstanding excluding treasury shares	531,476	531,429
Impact of dilution on the average number of ordinary shares	--	--
Average number of potential common shares outstanding	531,476	531,429

There have been no transactions involving ordinary shares or potential ordinary shares other than those recorded between the closing date at 31 December 2023 and the preparation of the consolidated financial statements that would significantly change the number of ordinary shares or potential ordinary shares outstanding at the end of the period.

6 Segment reporting

6.1 Segmentation criteria

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

The business lines described below have been defined in line with the Group's organisational structure at 31 December 2023 and 2022, which has been used by the Group's management to analyse the financial performance of the various operating segments.

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

6.2 Basis and methodology for business segment reporting

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

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

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

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

Segment information for these businesses is as follows:

2023 segment reporting	Thousands of Euros							
	Rentals (Traditional business)					Flexible business	Corporate unit	Total Group
	Barcelona	Madrid	Paris	Remainder	Total rentals			
Income								
Net turnover (Note 19.1)	42,729	92,363	234,420	--	369,512	17,770	--	387,282
Other income (Note 19.2)	--	2	9,092	--	9,094	--	3,306	12,400
Net gain/(loss) on sales of assets (Note 19.5)	13	3,687	(158)	--	3,542	--	--	3,542
Changes in value of investment property (Note 19.7)	(211,885)	(253,658)	(960,277)	--	(1,425,820)	--	--	(1,425,820)
Gains/(losses) on changes in the value of assets and impairment (Note 19.6)	(245)	(750)	--	--	(995)	112	--	(883)
Operating profit/(loss)	(176,366)	(166,016)	(733,924)	--	(1,076,306)	10,080	(53,153)	(1,119,379)
Financial profit (Note 19.8)	--	--	--	--	--	--	(95,876)	(95,876)
Profit/(Loss) before tax	--	--	--	--	--	--	(1,215,255)	(1,215,255)
Net consolidated income	--	--	--	--	--	--	(1,177,577)	(1,177,577)
Net profit attributable to non-controlling interests (Note 13.6)	--	--	--	--	--	--	158,604	158,604
Net profit/(loss) attributable to shareholders of the Parent (Note 5)	--	--	--	--	--	--	(1,018,973)	(1,018,973)

The most significant transactions between segments in the year 2023 were as follows:

	Thousands of Euros			
	Traditional business	Flexible business	Corporate unit	Total Group
Revenue	7,583	--	--	7,583
Operating profit/(loss)	9,410	(9,410)	--	--

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

	Thousands of Euros							
	Rentals (Traditional business)					Flexible business	Corporate unit	Total Group
	Barcelona	Madrid	Paris	Remainder	Total rentals			
Assets								
Intangible assets, right-of-use assets, property, plant and equipment, investment property, assets classified as held for sale and inventories (Notes 7, 8, 9, 11 and 23)	1,306,655	2,622,594	7,157,992	--	11,087,241	26,561	48,524	11,162,326
Financial assets	8,419	12,933	849	--	22,201	1,736	443,935	467,872
Other non-current assets	--	--	--	--	--	--	149,099	149,099
Trade receivables and other current assets	--	--	--	--	--	--	55,300	55,300
Total assets	1,315,074	2,635,527	7,158,841	--	11,109,442	28,297	696,858	11,834,597

	Thousands of Euros							
	Rentals (Traditional business)					Flexible business	Corporate unit	Total Group
	Barcelona	Madrid	Paris	Remainder	Total rentals			
Liabilities								
Bank borrowings and other financial liabilities (Note 14)	--	--	--	--	--	--	422,353	422,353
Bonds and similar securities issued (Note 14)	--	--	--	--	--	--	4,565,121	4,565,121
Issuance of promissory notes (Note 14)	--	--	--	--	--	--	292,000	292,000
Derivative financial instruments (Note 15)	--	--	--	--	--	--	12,739	12,739
Lease liabilities (Note 7)	--	--	--	--	--	16,452	--	16,452
Operating liabilities (suppliers and payables)	--	--	--	--	--	--	176,365	176,365
Liabilities associated with assets classified as held for sale (Note 23)	--	--	--	--	--	--	--	--
Other liabilities	--	--	--	--	--	--	402,365	402,365
Total liabilities	--	--	--	--	--	16,452	5,870,943	5,887,395

	Thousands of Euros							
	Rentals (Traditional business)					Flexible business	Corporate unit	Total Group
	Barcelona	Madrid	Paris	Remainder	Total rentals			
Other information								
Investments in non-current assets, intangible assets, property, plant and equipment, investment property, inventories and assets classified as held for sale	37,709	110,464	66,492	--	214,665	1,139	7,227	223,031
Depreciation and amortisation	(34)	(12)	(191)	--	(237)	(4,626)	(3,965)	(8,828)
Expenses that do not entail outflows of cash other than the depreciation and amortisation for the year:								
- Changes in provisions (Note 19.4)	(193)	93	(5,471)	--	(5,571)	(9)	253	(5,327)
- Changes in value of investment property (Note 19.7)	(211,885)	(253,658)	(960,277)	--	(1,425,820)	--	--	(1,425,820)
- Gains/(losses) on changes in the value of assets and impairment (Note 19.6)	(245)	(750)	--	--	(995)	112	--	(883)

2022 segment reporting	Thousands of Euros							
	Rentals (Traditional business)					Flexible business	Corporate unit	Total Group
	Barcelona	Madrid	Paris	Remainder	Total rentals			
Income								
Net turnover (Note 19.1)	44,569	98,201	204,517	--	347,287	14,326	--	361,613
Other income (Note 19.2)	--	101	6,065	--	6,166	--	3,138	9,304
Net gain/(loss) on sales of assets (Note 19.5)	2	6,376	(440)	--	5,938	--	--	5,938
Changes in value of investment property (Note 19.7)	(75,842)	(110,287)	38,636	--	(147,493)	--	--	(147,493)
Gains/(losses) on changes in the value of assets and impairment (Note 19.6)	(40)	(657)	--	--	(697)	(677)	743	(631)
Operating profit/(loss)	(38,141)	(19,300)	238,209	--	180,768	4,914	(57,456)	128,226
Financial profit (Note 19.8)	--	--	--	--	--	--	(86,234)	(86,234)
Profit/(Loss) before tax	--	--	--	--	--	--	41,992	41,992
Net consolidated income	--	--	--	--	--	--	49,618	49,618
Net profit attributable to non-controlling interests (Note 13.6)	--	--	--	--	--	--	(41,639)	(41,639)
Net profit/(loss) attributable to shareholders of the Parent (Note 5)	--	--	--	--	--	--	7,979	7,979

The most significant transactions between segments in 2022 were as follows:

	Thousands of Euros			
	Traditional business	Flexible business	Corporate unit	Total Group
Revenue	7,185	--	--	7,185
Operating profit/(loss)	8,814	(8,814)	--	--

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

	Thousands of Euros							
	Rentals (Traditional business)					Flexible business	Corporate unit	Total Group
	Barcelona	Madrid	Paris	Remainder	Total rentals			
Assets								
Intangible assets, right-of-use assets, property, plant and equipment, investment property, assets classified as held for sale and inventories (Notes 7, 8, 9, 11 and 23)	1,481,172	3,195,551	8,109,831	--	12,786,554	31,235	44,862	12,862,651
Financial assets	8,654	17,127	15,351	--	41,132	1,988	423,468	466,588
Other non-current assets	--	--	--	--	--	--	84,375	84,375
Trade receivables and other current assets	--	--	--	--	--	--	55,999	55,999
Total assets	1,489,826	3,212,678	8,125,182	--	12,827,686	33,223	608,704	13,469,613

	Thousands of Euros							
	Rentals (Traditional business)					Flexible business	Corporate unit	Total Group
	Barcelona	Madrid	Paris	Remainder	Total rentals			
Liabilities								
Bank borrowings and other financial liabilities (Note 14)	--	--	--	--	--	--	513,861	513,861
Bonds and similar securities issued (Note 14)	--	--	--	--	--	--	4,493,391	4,493,391
Issuance of promissory notes (Note 14)	--	--	--	--	--	--	409,000	409,000
Derivative financial instruments (Note 15)	--	--	--	--	--	--	233	233
Lease liabilities (Note 7)	--	--	--	--	--	19,566	--	19,566
Operating liabilities (suppliers and payables)	--	--	--	--	--	--	168,954	168,954
Liabilities associated with assets classified as held for sale (Note 23)	--	75,700	--	--	75,700	--	--	75,700
Other liabilities	--	--	--	--	--	--	446,248	446,248
Total liabilities	--	75,700	--	--	75,700	19,566	6,031,687	6,126,953

	Thousands of Euros							
	Rentals (Traditional business)					Flexible business	Corporate unit	Total Group
	Barcelona	Madrid	Paris	Remainder	Total rentals			
Other information								
Investments in non-current assets, intangible assets, property, plant and equipment, investment property, inventories and assets classified as held for sale	34,090	103,239	116,587	--	253,916	2,800	2,916	259,632
Depreciation and amortisation	(32)	(11)	(326)	--	(369)	(4,629)	(3,990)	(8,988)
Expenses that do not entail outflows of cash other than the depreciation and amortisation for the year:								
- Changes in provisions (Note 19.4)	(49)	(19)	304	--	236	21	(777)	(520)
- Changes in value of investment property (Note 19.7)	(75,842)	(110,287)	38,636	--	(147,493)	--	--	(147,493)
- Gains/(losses) on changes in the value of assets and impairment (Note 19.6)	(40)	(657)	--	--	(697)	(677)	743	(631)

7 Leases

The subsidiary Utopicus rents several offices as a lessee. The duration of rental contracts, from the date of signature of the contract and taking into account maximum extensions, is 4 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. Leases do not impose covenants, but the leased assets cannot be used as collateral for loans.

7.1 Right-of-use assets

	Thousands of Euros	
	31 December 2023	31 December 2022
Property, plant and equipment	14,557	16,899
Right-of-use assets	14,557	16,899

7.2 Deferred taxes relating to rights of use

	Note	Thousands of Euros	
		31 December 2023	31 December 2022
Deferred tax assets relating to rights of use	18.5	474	289
Deferred taxes relating to rights of use		474	289

7.3 Lease liabilities

	Thousands of Euros	
	31 December 2023	31 December 2022
Non-current lease liabilities	14,585	16,162
Current lease liabilities	1,867	3,404
Lease liabilities	16,452	19,566

7.4 Operating leases as lessee

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

	Thousands of Euros	
	2023	2022
Up to 12 months	2,518	2,463
Between 1 and 5 years	5,148	4,177
More than 5 years	--	--
Total minimum operating lease payments - as lessee	7,666	6,640

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

7.5 Impacts on consolidated income statement

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

	Thousands of Euros	
	2023	2022
Depreciation and amortisation	(2,906)	(2,780)
Finance costs for updating	(1,139)	(1,233)
Total	(4,045)	(4,013)

8 Property, plant and equipment

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

	Note	Thousands of Euros		
		Property for own use	Other tangible fixed assets	Total
Balance on 31 December 2021		37,241	17,921	55,162
<i>Acquisition cost</i>		43,404	31,831	75,235
<i>Accumulated depreciation and amortisation</i>		(5,420)	(13,910)	(19,330)
<i>Accumulated impairment</i>		(743)	--	(743)
Additions		115	3,928	4,043
Depreciation charge		(561)	(3,374)	(3,935)
Disposals acquisition cost		--	(2,414)	(2,414)
Disposals accumulated depreciation		--	2,414	2,414
Impairment	19.6	743	(703)	40
Balance on 31 December 2022		37,538	17,772	55,310
<i>Acquisition cost</i>		43,519	33,345	76,864
<i>Accumulated depreciation and amortisation</i>		(5,981)	(14,870)	(20,851)
<i>Accumulated impairment</i>		--	(703)	(703)
Additions		302	5,549	5,851
Depreciation charge		(338)	(2,273)	(2,611)
Disposals acquisition cost		--	(4,165)	(4,165)
Disposals accumulated depreciation		--	1,709	1,709
Transfers acquisition cost		--	(122)	(122)
Impairment	19.6	--	703	703
Balance on 31 December 2023		37,502	19,173	56,675
<i>Acquisition cost</i>		43,821	34,607	78,428
<i>Accumulated depreciation and amortisation</i>		(6,319)	(15,434)	(21,753)
<i>Accumulated impairment</i>		--	--	--

On 31 December 2023 and 2022, the Group used two floors of the building located at Avenida Diagonal, 530, in Barcelona, one floor of the building located at Paseo de la Castellana, 52, in Madrid and one floor of the building located at 42 rue Washington in Paris for its own use, while the rest of these buildings were destined for leasing purposes. The cost of buildings earmarked for the Group's own use is recognised under "Property for own use".

On 31 December 2023, it became evident that an impairment reversal in the amount of 703 thousand euros had to be recognised, evidenced by the appraisals performed by independent experts (Note 4.3). In 2022, an impairment loss of 40 thousand was recognised on the value of the assets.

9 investment property

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

	Note	Thousands of Euros	
		2023	2022
Beginning balance		12,231,952	12,183,368
Additions for subsequent capitalised disbursements		205,037	226,970
Additions to the scope of consolidation	2.6	--	485,145
Sale or disposal by other means	19.5	(33,659)	(26,136)
Transfers to and from "Assets classified as held for sale".	23	(120,488)	(489,205)
Net gain/(loss) from fair value adjustments	19.7	(1,413,381)	(147,493)
Other transfers		552	--
Other entries	19.6	(995)	(697)
Ending balance		10,869,018	12,231,952

9.1 Movements in 2023

Additions for subsequent capitalised disbursements correspond to investments made in real estate assets, both in development and in operation, amounting to 205,037 thousand euros, including 8,842 thousand euros of capitalised financial expenses (Note 19.8.1).

During 2023, the Parent disposed of an office building in Madrid, two office floors in a building in Madrid and premises in Barcelona for a total sale price of 38,873 thousand euros, which resulted in a gain of 4,158 thousand euros, including indirect costs of sale, being recognised in the consolidated income statement.

In 2023, properties were reclassified to and from the “Assets classified as held for sale” heading in the condensed consolidated statement of financial position, for a net total of 120,488 thousand euros.

The other entries correspond to assets amounting to a total of 995 thousand euros being derecognised due to being replaced.

9.2 Movements in 2022

Additions for subsequent capitalised disbursements corresponded to investments made in real estate assets, both in development and in operation, amounting to 226,970 thousand euros, including 9,017 thousand euros of capitalised financial expenses (Note 19.8.1).

In February, SFL acquired 100% of the shares of SCI Pasteur 123, owner of a property in Paris, resulting in a capital gain of 485,145 thousand euros.

In 2022, the Parent disposed of two properties and one premises in Madrid for a total sale price of 31,624 thousand euros, which resulted in a gain of 4,809 thousand euros in the consolidated income statement, including the indirect costs of the sale.

In 2022, properties were reclassified to the “Assets classified as held for sale” heading in the condensed consolidated statement of financial position, for a total of 489,205 thousand euros.

The other entries corresponded to assets amounting to a total of 697 thousand euros being derecognised due to being replaced.

9.3 Changes in value of investment property

The “Changes in value of investment property” heading in the consolidated income statement includes the results from the revaluation of investment property, according to valuations by independent experts as of 31 December 2023 and 2022 (Notes 4.4 and 19.7).

9.4 Other information

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

	Total surface area (m ²) of investment property					
	Investment property		Investment property in progress (**)		Total	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Barcelona (*)	338,586	356,748	51,449	33,390	390,035	390,138
Madrid	531,695	553,118	146,246	157,997	677,941	711,115
Paris (*)	410,003	391,249	55,625	73,871	465,628	465,120
	1,280,284	1,301,115	253,320	265,258	1,533,604	1,566,373

(*) For 2023 and 2022, 100% of the surface area of the properties whose companies have been consolidated using the full consolidation method is included.

(**) They do not include 20,276 m² of surface area of the subsidiary Peñalvento, since the asset is classified under “Inventories” (Note 11), and the areas of 30,353 m² and 101,501 m², relating to 2023 and 2022, respectively, of property assets recorded under “Assets classified as held for sale” (Note 23).

As of 31 December 2023, the Group has no assets pledged as collateral for mortgage loans. As at 31 December 2022, the book value of the asset delivered, as collateral for a mortgage loan of 75,700 thousand euros, amounted to 185,000 thousand euros.

10 Non-current financial assets

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

	Thousands of Euros			
	31 December 2022	Inclusions	Disposals	31 December 2023
Deposits and guarantees given	26,600	2,221	(6,829)	21,992
Total non-current financial assets at amortised cost	26,600	2,221	(6,829)	21,992
Other financial instruments	2,760	951	--	3,711
Total non-current financial assets at fair value	2,760	951	--	3,711
Total non-current financial assets	29,360	3,172	(6,829)	25,703

	Thousands of Euros			
	31 December 2021	Inclusions	Disposals	31 December 2022
Deposits and guarantees given	26,296	304	--	26,600
Total non-current financial assets at amortised cost	26,296	304	--	26,600
Other financial instruments	--	2,760	--	2,760
Total non-current financial assets at fair value	--	2,760	--	2,760
Total non-current financial assets	26,296	3,064	--	29,360

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

11 Inventories

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

	Thousands of Euros	
	31 December 2023	31 December 2022
Beginning balance	87,128	60,689
Additions	7,549	26,439
Ending balance	94,677	87,128

Inventories correspond to the office building that the Group is developing for a third party. On 3 October 2018, the Parent entered into a sale and purchase agreement, subject to a condition precedent, for 100% of the shares in the subsidiary Peñalvento. The contract provides for the sale and purchase to be completed during 2024, provided that the conditions precedent have been fulfilled. The Group received a total of 28,287 thousand euros in prepayments (see Note 16.3).

The detail of financial costs capitalised as plus cost of inventories included in additions for disbursements amounts to 382 thousand euros in 2023 (2022: 390 thousand euros) (Note 19.8.1).

12 Trade receivables and other non-current assets

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

	Note	Thousands of Euros			
		31 December 2023		31 December 2022	
		Current	Non-Current	Current	Non-Current
Trade receivables for sales and services	12.1	20,295	--	19,220	--
Trade receivables for sale of properties	12.2	119	21,181	225	--
Accrual of lease incentives	12.3	22,059	127,414	20,572	83,865
Other receivables		1,206	--	2,266	--
Other assets		2,840	--	1,941	--
Impairment of receivables -					
- Trade receivables for sales and services		(9,838)	--	(6,595)	--
- Other receivables		(915)	--	(866)	--
Total trade and other receivables		35,766	148,595	36,763	83,865

12.1 Trade receivables for sales and services

This mainly includes the amounts receivable from customers, fundamentally from the Group's rentals business, that are billed monthly, quarterly or yearly with no significant overdue balances not provided for at 31 December 2023 and 2022.

12.2 Trade receivables for sales of properties

This mainly includes amounts receivable arising from asset sales that are duly collateralised.

12.3 Accrual of lease incentives

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

In 2023, 637 thousand euros relating to the accrual of rental incentives for a property classified as held for sale was transferred to "Assets classified as held for sale" in the consolidated income statement (2022: 789 thousand euros) (Note 23).

13 Equity

13.1 Share capital

On 31 December 2023 and 2022 the share capital comprised 539,615,637 shares, each with a par value of 2.5 euros, fully subscribed and paid up, amounting to 1,349,039 thousand euros.

According to the detail included in section A.2 of the Annual Corporate Governance Report of the Parent for 2023, shareholders owning significant stakes in the Parent's share capital, both direct and indirect, as of 31 December 2023 and 2022, were as follows:

	31 December 2023		31 December 2022	
	Number of shares*	% ownership	Number of shares*	% ownership
Name or corporate name of the shareholder:				
Qatar Investment Authority (**)	102,675,757	19.03%	102,675,757	19.03%
Fernández González, Carlos	80,028,647	14.83%	82,488,909	15.29%
Puig, S.A.	39,795,000	7.37%	39,795,000	7.37%
Aguila Ltd.	28,880,815	5.35%	28,880,815	5.35%
Corporación financiera Alba, S.A.	27,012,839	5.01%	--	--
Credit Agricole, S.A.	22,494,701	4.17%	22,494,701	4.17%
BlackRock Inc	16,283,952	3.02%	15,956,812	2.96%

* Does not include certain financial instruments linked to shares of the Parent.

** Qatar Investment Authority is responsible for managing 21,782,588 shares of the Parent owned by DIC Holding, LLC.

On 31 December 2023 and 2022, Aguila Ltd. and BlackRock Inc. had formally obtained financial instruments associated with the Parent's shares that, in the event the instruments are exercised, could give rise to an additional interest in the share capital of Colonial. These financial instruments do not and cannot involve the issue of new shares of the Parent.

The Parent has no knowledge of other significant equity interests.

The Annual General Meeting held on 30 June 2021 resolved to authorise the Board of Directors to issue, on behalf of the Parent and on one or more occasions and for a maximum period of five years, bonds convertible into new shares of the Parent or other similar securities that may give the right, directly or indirectly, to subscribe shares of the Parent, with the express power to exclude the pre-emptive 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 Annual 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.

13.2 Share premium

On 15 June 2023, the General Shareholders' Meeting resolved to distribute dividends with a charge to the share premium amounting to 28,173 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 92,681 thousand euros, which were paid to shareholders.

On 31 December 2023, the share premium amounted to 1,463,600 thousand euros (2022: 1,491,773 thousand euros).

13.3 Treasury shares

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

	31 December 2023		31 December 2022	
	No. of shares	Thousands of euros	No. of shares	Thousands of euros
Free tranche	7,784,518	63,417	7,915,908	64,494
Liquidity contracts	209,247	1,511	302,462	1,880
Ending balance	7,993,765	64,928	8,218,370	66,374

13.3.1 Treasury shares – Free tranche

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

	Note	31 December 2023		31 December 2022	
		No. of shares	Thousands of euros	No. of shares	Thousands of euros
Beginning balance		7,915,908	64,494	7,943,007	64,745
Delivery of incentives plan shares	20	(43,824)	(213)	(27,099)	(251)
Other acquisitions		17,729	(6)	--	--
Other share deliveries		(105,295)	(858)	--	--
Ending balance		7,784,518	63,417	7,915,908	64,494

13.3.2 Treasury shares - Liquidity contracts

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

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

	31 December 2023		31 December 2022	
	No. of shares	Thousands of euros	No. of shares	Thousands of euros
Beginning balance	302,462	1,880	229,500	1,912
Liquidity contract dated 4 January 2022				
Purchase	18,906,010	110,706	17,945,849	116,688
Sale	(18,999,225)	(111,075)	(17,872,887)	(116,720)
Ending balance	209,247	1,511	302,462	1,880

On 4 January 2022, the Parent communicated the termination of the old liquidity contract and replaced it with a new one signed with Banco Sabadell, S.A. The contract is valid for 12 months and can be extended. As at 31 December 2023, this contract has been extended.

13.4 Other reserves

The following table shows details of the consolidated statement of financial position item "Other reserves" and of the movements in these reserves during the year:

	Note	Thousands of Euros					Total
		Legal reserve	Other reserves	Measurement of financial instrument hedges	Share-based payments	Transactions with non-controlling interests	
On 31 December 2021		54,767	141,973	17,122	12,779	12,757	239,398
Revaluation – gross		--	--	279,650	--	--	279,650
Deferred tax		--	--	(452)	--	--	(452)
Non-controlling interest in revaluation - gross		--	--	(1,117)	--	--	(1,117)
Deferred tax		--	--	--	--	--	--
Reclassification to profit - gross		--	--	(2,124)	--	--	(2,124)
Non-controlling interest in reclassification to profit/(loss) - gross		--	--	36	--	--	36
Deferred tax		--	--	--	--	--	--
Other comprehensive income		--	--	275,993	--	--	275,993
Transfer to/from retained earnings		3,873	--	--	--	--	3,873
<i>Transactions with owners in their capacity as such:</i>							
Share-based payments	20	--	--	--	4,710	361	5,071
Transactions with non-controlling interests		--	--	--	--	(687)	(687)
On 31 December 2022		58,640	141,973	293,115	17,489	12,431	523,648

	Note	Thousands of Euros					Total
		Legal reserve	Other reserves	Measurement of financial instrument hedges	Share-based payments	Transactions with non-controlling interests	
At 31 December 2022		58,640	141,973	293,115	17,489	12,431	523,648
Revaluation – gross		--	--	(75,148)	--	--	(75,148)
Deferred tax		--	--	169	--	--	169
Non-controlling interest in revaluation - gross		--	--	655	--	--	655
Deferred tax		--	--	--	--	--	--
Reclassification to profit - gross		--	--	(3,930)	--	--	(3,930)
Non-controlling interest in reclassification to profit/(loss) - gross		--	--	54	--	--	54
Deferred tax		--	--	--	--	--	--
Other comprehensive income		--	--	(78,200)	--	--	(78,200)
Transfer to/from retained earnings		11,633	--	--	--	--	11,633
Subsidies		--	36	--	--	--	36
<i>Transactions with owners in their capacity as such:</i>							
Share-based payments	20	--	--	--	4,678	--	4,678
Transactions with non-controlling interests		--	--	14	--	463	477
At 31 December 2023		70,273	142,009	214,929	22,167	12,894	462,272

13.4.1 Legal Reserve

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

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

On 15 June 2023, a general shareholders' meeting was held at which it was approved to transfer 11,633 thousand euros from the profit for the year 2022 to the legal reserve. On 21 June 2022, a general shareholders' meeting was held at which it was approved to transfer 3,873 thousand euros from the profit for the year 2021 to the legal reserve.

On 31 December 2023 and 2022, the legal reserve is not fully constituted.

13.4.2 Other reserves

On 31 December 2023 and 2022, the Parent Company holds 169,439 thousand euros of voluntary reserves. This item also includes the merger reserve generated by the operations carried out in 2019, with a debit balance of 27,466 thousand euros.

13.5 Retained earnings

The changes in retained earnings are as follows:

	Note	Thousands of Euros	
		2023	2022
Balance on 31 December of the previous year		2,861,375	2,892,540
Net profit for the year attributable to the Parent	5	(1,018,973)	7,979
To legal reserve	13.4.1	(11,633)	(3,873)
Transfer to/from other reserves		--	--
<i>Other items of comprehensive income recognised directly in retained earnings:</i>			
Losses due to transactions using treasury shares		(237)	(789)
Dividends		(104,700)	(34,855)
Changes in scope		(14)	--
Other gains/(losses)		(245)	373
Balance on 31 December		1,725,573	2,861,375

Gains/(losses) on transactions with treasury shares relate to the deliveries of treasury shares to the beneficiaries of the long-term incentives plan (Note 20), calculated as the difference between the carrying amount of the shares delivered and the amount of the obligation assumed by the Parent (Note 4.11), as well as for transactions carried out by the financial intermediary under the liquidity contract.

13.6 Non-controlling interests

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

	Thousands of Euros			
	Inmocol Torre Europa, S.A.	SFL Subgroup	Wittywood, S.L.	Total
Balance at 31 December 2021	11,722	1,169,568	4,365	1,185,655
Income for the financial year (Note 19.10)	1,107	40,584	(52)	41,639
Dividends and other	--	(40,863)	--	(40,863)
Changes to scope (Note 2.6)	--	--	(4,313)	(4,313)
Financial instrument hedges	678	403	--	1,081
Balance at 31 December 2022	13,507	1,169,692	--	1,183,199
Income for the financial year (Note 19.10)	(54)	(158,550)	--	(158,604)
Dividends and other	--	(10,296)	--	(10,296)
Changes to scope (Note 2.6)	--	(1,944)	--	(1,944)
Financial instrument hedges	(318)	(391)	--	(709)
Balance at 31 December 2023	13,135	998,511	--	1,011,646

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

	Thousands of Euros	
	31 December 2023	31 December 2022
Dividend paid by the SFL subgroup to non-controlling interests	(7,351)	(3,007)
Dividend paid by subsidiaries of the SFL subgroup to non-controlling interests	(3,011)	(37,931)
Other	66	75
Total	(10,296)	(40,863)

The SFL subgroup has the following shareholders agreements with Prédica:

- SFL holds non-controlling interests of 49% in the companies SCI Paul Cézanne, SCI 103 Grenelle, SAS Cloud and SAS Champs-Élysées, for which SFL and Prédica have signed a new shareholders' agreement. On the basis of the shareholders' agreement, in which the conditions for qualifying these shareholdings as controlling interests are met (the decisions that most significantly affect the companies are controlled by SFL), SFL has sole control over the four companies. As a result, the Group has fully consolidated the four subsidiaries.

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

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

Non-controlling	% non-controlling	Thousands of Euros							
		Non-current assets	Current assets	Non-current liabilities	Current liabilities	Ordinary income	Profit/(loss) for the year	Total comprehensive income	Cash flows
SFL Group	1.6%	7,294,112	135,410	2,207,686	739,695	234,420	(786,872)	(810,734)	27,344
Inmocol Torre Europa (*)	50%	46,638	3,102	25,015	1,967	2,068	613	(25)	(2,518)

(*) Pursuant to the shareholders' agreement signed between the parties.

14 Bank borrowings, other financial liabilities and bonds and similar securities issued

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

31 December 2023	Thousands of Euros								
	Current	Non-current						Total 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			
Bank borrowings:									
Lines of credit	375	--	--	--	--	--	--	375	
Loans	--	--	--	24,200	300,000	--	324,200	324,200	
Syndicated financing	--	--	--	105,000	--	--	105,000	105,000	
Interest	1,914	--	--	--	--	--	--	1,914	
Debt arrangement costs	(2,892)	(2,836)	(2,746)	(2,380)	(755)	--	(8,717)	(11,609)	
Total debts with credit institutions	(603)	(2,836)	(2,746)	126,820	299,245	--	420,483	419,880	
Other financial liabilities	2,473	--	--	--	--	--	--	2,473	
Total other financial liabilities	2,473	--	--	--	--	--	--	2,473	
Total debts with credit institutions and other financial liabilities	1,870	(2,836)	(2,746)	126,820	299,245	--	420,483	422,353	
Issue of debentures and similar securities:									
Bond issues	187,200	1,000,000	700,000	599,000	1,099,000	995,000	4,393,000	4,580,200	
Interest	27,046	--	--	--	--	--	--	27,046	
Debt arrangement costs	(10,741)	(9,938)	(8,470)	(6,990)	(4,091)	(1,895)	(31,384)	(42,125)	
Total issue of debentures and similar securities	203,505	990,062	691,530	592,010	1,094,909	993,105	4,361,616	4,565,121	
Issue of promissory notes	292,000	--	--	--	--	--	--	292,000	
Total issuance of promissory notes	292,000	--	--	--	--	--	--	292,000	
Total	497,375	987,226	688,784	718,830	1,394,154	993,105	4,782,099	5,279,474	

31 December 2022	Thousands of Euros								
	Current	Non-current						Total 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			
Bank borrowings:									
Loans	--	--	--	--	420,000	--	420,000	420,000	
Syndicated financing	--	100,000	--	--	--	--	100,000	100,000	
Interest	2,354	--	--	--	--	--	--	2,354	
Debt arrangement costs	(2,688)	(2,544)	(2,164)	(2,016)	(1,554)	--	(8,278)	(10,966)	
Total debts with credit institutions	(334)	97,456	(2,164)	(2,016)	418,446	--	511,722	511,388	
Other financial liabilities	2,473	--	--	--	--	--	--	2,473	
Total other financial liabilities	2,473	--	--	--	--	--	--	2,473	
Total debts with credit institutions and other financial liabilities	2,139	97,456	(2,164)	(2,016)	418,446	--	511,722	513,861	
Issue of debentures and similar securities:									
Bond issues	--	187,200	1,000,000	700,000	599,000	2,024,000	4,510,200	4,510,200	
Interest	26,957	--	--	--	--	--	--	26,957	
Debt arrangement costs	(9,463)	(9,419)	(8,607)	(7,150)	(5,667)	(3,460)	(34,303)	(43,766)	
Total issue of debentures and similar securities	17,494	177,781	991,393	692,850	593,333	2,020,540	4,475,897	4,493,391	
Issue of promissory notes	409,000	--	--	--	--	--	--	409,000	
Total issuance of promissory notes	409,000	--	--	--	--	--	--	409,000	
Total	428,633	275,237	989,229	690,834	1,011,779	2,020,540	4,987,619	5,416,252	

The changes in net financial debt in 2023, which arose from cash flows, are detailed in the table below:

	Thousands of Euros		
	31 December 2022	Cash flows	31 December 2023
Lines of credit	--	375	375
Loans	420,000	(95,800)	324,200
Liabilities associated with assets classified as held for sale (Note 23)	75,700	(75,700)	--
Syndicated financing	100,000	5,000	105,000
Issue of promissory notes	409,000	(117,000)	292,000
Bond issues	4,510,200	70,000	4,580,200
Gross financial debt (nominal gross debt)	5,514,900	(213,125)	5,301,775
Cash and cash equivalents	(159,957)	(277,833)	(437,790)
Net financial debt	5,354,943	(490,958)	4,863,985

In 2022, the Parent reclassified a mortgage loan of 75,700 thousand euros to "Liabilities associated with assets classified as held for sale" (Note 23.2). This liability has been cancelled in the 2023 financial year.

14.1 Issues of the Parent's straight bonds

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

Issue date	Duration	Maturity	Fixed coupon payable annually	Thousands of Euros		
				Issue amount	31 December 2023	31 December 2022
28-10-16	8 years	10-2024	1.450%	600,000	187,200	187,200
10-11-16	10 years	11-2026	1.875%	50,000	50,000	50,000
28-11-17	8 years	11-2025	1.625%	500,000	500,000	500,000
28-11-17	12 years	11-2029	2.500%	370,000	370,000	300,000
17-04-18	8 years	04-2026	2.000%	650,000	650,000	650,000
14-10-20	8 years	10-2028	1.350%	500,000	500,000	500,000
22-06-21	8 years	06-2029	0.750%	625,000	625,000	625,000
Total issues					2,882,200	2,812,200

A TAP (Takedown Allocation Process) bond issue is the process of issuing new bonds, based on existing bond issues, to an investor or group of investors. This issue maintains the same maturity date, par value and coupon rate as the original issue, but issued at a price at current market conditions. In November 2023, the parent company has formalised a TAP on the issue of bonds maturing in November 2029 for an amount of 70,000 thousand euros.

The bond issues dated 14-10-20 and 22-06-21 were admitted to trading on the regulated market (AIAF Fixed Income Securities Market) of the Madrid Stock Exchange (CNMV) and the remaining bond issues on the regulated market (Main Securities Market) of the Irish Stock Exchange. All outstanding bond issues are subject to the Green Financing Framework, the pillars of which are energy efficiency, prevention and reduction of carbon emissions from the Group's assets.

On 31 December 2023 and 2022, the fair value of the bonds issued by the Parent was 2,706,549 thousand euros and 2,440,714 thousand euros, respectively.

14.1.1 European Medium Term Note Programme -

On 5 October 2016, the Parent registered a 12-month European Medium Term Note programme for 3,000,000 thousand euros, which can be extended to 5,000,000 thousand euros, on the Irish Stock Exchange. On 11 July 2023, the Irish Stock Exchange approved the registration of the programme renewal in the official registers of the Parent's Euro Medium Term Note Programme.

14.1.2 Compliance with financial ratios -

The simple obligations currently in force stipulate that certain financial ratios must be met by 30 June and 31 December of each year. These ratios had been met at 31 December 2023 and 2022.

14.2 Issuance of straight SFL bonds

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

Issue date	Duration	Maturity	Fixed coupon payable annually	Thousands of Euros		
				Issue amount	31 December 2023	31 December 2022
29-05-18	7 years	05-2025	1.500%	500,000	500,000	500,000
05-06-20	7 years	06-2027	1.500%	599,000	599,000	599,000
21-10-21	6.5 years	04-2028	0.500%	599,000	599,000	599,000
Total issues					1,698,000	1,698,000

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

On 31 December 2023 and 2022, the fair value of the bonds issued by SFL was 1,599,576 thousand euros and 1,470,152 thousand euros, respectively.

14.3 Issue of promissory notes by the Parent

The parent company registered a European Commercial Paper programme on the Irish Stock Exchange in December 2018 for a maximum limit of 300,000 thousand euros with a short-term maturity, subsequently extended to 500,000 thousand euros. This programme has been renewed on 25 October 2023. As of 31 December 2023 and 2022, there are no current issuances.

14.4 Issuing promissory notes by SFL

In September 2018, SFL registered a short-term promissory note (NEU CP) issuance programme for a maximum amount of 500,000 thousand euros with a short-term maturity. This programme was renewed in May 2023. As at 31 December 2023, outstanding issues amounted to 292,000 thousand euros (31 December 2022: 409,000 thousand euros).

14.5 Syndicated financing of the Parent

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

Thousands of euros	Maturity	31 December 2023		31 December 2022	
		Limit	Nominal drawn down	Limit	Nominal drawn down
Syndicated financing	11-2027	1,000,000	105,000	1,000,000	--
Total parent company syndicated financing		1,000,000	105,000	1,000,000	--

This line of financing has the status of sustainable as its margin is linked to the rating obtained by the GRESB agency. The fixed interest rate is variable with a margin referenced to the EURIBOR.

14.5.1 Compliance with financial ratios -

On 31 December 2023 and 2022, the Parent complied with all financial ratios.

14.6 SFL syndicated financing

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

Thousands of euros	Maturity	31 December 2023		31 December 2022	
		Limit	Nominal drawn down	Limit	Nominal drawn down
Syndicated financing	06-2024	--	--	390,000	100,000
Syndicated financing	06-2028	835,000	--	--	--
Total SFL syndicated financing		835,000	--	390,000	100,000

In June 2023, SFL formalised a new syndicated credit line for 835,000 thousand euros maturing in June 2028 and extendable to 2030. This sustainable rated facility includes three ESG performance indicators. SFL, in turn, has cancelled the 390,000 thousand euro credit line maturing in June 2024.

The interest rate set for the new credit line is variable with a margin linked to EURIBOR.

14.6.1 Compliance with financial ratios -

On 31 December 2023 and 2022, SFL complied with the financial ratios stipulated in its financing agreement.

14.7 Other loans

The Group holds unsecured loans. The total limits and balances provided are detailed below:

Thousands of euros	Society	Maturity	31 December 2023		31 December 2022	
			Limit	Nominal drawn down	Limit	Nominal drawn down
Bilateral loans 1	SFL	06.2025	145,000	--	175,000	--
Bilateral loans 2	SFL	07.2027	140,000	--	200,000	--
Bilateral loans 3	SFL	06.2024	--	--	75,000	--
Bilateral loans 4	SFL	05.2025	100,000	--	150,000	--
Bilateral loans 5	SFL	10.2025	100,000	--	100,000	--
Bilateral loans 6	SFL	12.2028	100,000	--	100,000	--
Bilateral loans 7	SFL	03.2027	100,000	--	100,000	--
Bilateral loans 8	SFL	11.2027	50,000	--	50,000	--
Bilateral loans (Revolving Credit Facility)			735,000	--	950,000	--
Other loan 1	Colonial	04.2027	--	--	100,000	100,000
Other loan 2	SFL	12.2027	300,000	300,000	300,000	300,000
Other loan 3	Inmocol	02.2027	24,200	24,200	20,000	20,000
Other loans			324,200	324,200	420,000	420,000
Total loans			1,059,200	324,200	1,370,000	420,000

Bilateral loans in Revolving Credit Facility (RCF) format

In January 2023, the Parent Company repaid in advance the entire loan from BBVA of 100,000 thousand euros maturing in April 2027.

During June 2023, SFL restructured its credit lines, cancelling the 75,000 thousand euro credit line with Banque Postale, reducing the limit on the BECM credit line from 200,000 thousand euros to 140,000 thousand euros and on the BNP Paribas line from 150,000 thousand euros to 100,000 thousand euros. In addition, in November 2023, the available limit of the CADIF credit line was reduced from 175,000 thousand euros to 145,000 thousand euros and the maturity of the Intesa Sanpaolo loan was extended to December 2028.

Other loans

In May 2023, the loan of the subsidiary Inmocol Torre Europa, S.A. was increased from 20,000 thousand euros to 24,200 thousand euros, with the same conditions.

14.7.1 Compliance with financial ratios

All these SFL loans are subject to compliance with certain financial ratios on a half-yearly basis. At 31 December 2023 and 2022, SFL complied with the financial ratios stipulated in the respective financing agreements.

14.8 Guarantees delivered

On 31 December 2023, the Group has granted guarantees to government bodies, customers and suppliers in the amount of 20,385 thousand euros (8,883 thousand euros at 31 December 2022). Of the total guarantees granted, the principal amount of 13,000 thousand euros corresponds to the guarantee that the parent company has granted to a buyer for the advance payment made by the latter for the future acquisition of a residential complex.

Of the rest of the collateral provided, the main guarantee granted, amounting to 4,804 thousand euros, corresponds to commitments acquired by the company Asentia. In this regard, the Parent and Asentia have signed an agreement whereby, if any of the guarantees are executed, Asentia must compensate the Parent for any loss incurred within a maximum period of 15 days.

14.9 Cash and cash equivalents

Cash and cash equivalents include cash in banks and in hand, as well as highly liquid fixed income and/or money market investments that will be readily convertible to known amounts of cash with maturities of three months or less, as well as highly liquid money market investments and bank deposits with longer maturities, but with maturities or contractual redemption periods of three months or less without penalty. Due to the high credit quality and short term nature of these investments due to their redemption terms there is a negligible risk of change in value. At 31 December 2023 and 2022, this heading includes cash and cash equivalents amounting to 437,790 thousand euros and 159,957 thousand euros, respectively, as follows:

	Thousands of Euros	
	31 December 2023	31 December 2022
Cash in banks and savings banks	181,078	99,957
Fixed income and/or money market investments and bank deposits	256,712	60,000
Total	437,790	159,957

1,923 thousand euros of the item "Cash in banks and savings banks" are restricted or pledged as at 31 December 2023 (2022: 1,382 thousand euros).

14.10 Debt arrangement costs

In 2023 and 2022, the Group recognised in the consolidated statement income 5,470 thousand euros and 8,636 thousand euros, respectively, corresponding to arrangement costs paid during the year (Note 19.8).

14.11 Financing interest

The Group's average interest rate in 2023 was 1.72% (1.44% in 2022) or 2.01% including the accrual of fees (1.73% in 2022). The average interest rate of the Group's debt at 31 December 2023 (spot) is 1.75% (1.71% at 31 December 2022).

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

	Thousands of Euros	
	31 December 2023	31 December 2022
Obligations	27,046	26,957
Bank borrowings	1,914	2,354
Total	28,960	29,311

14.12 Capital management and risk management policy

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

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

14.13 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. On 31 December 2023, the percentage of hedged or fixed-rate debt as a percentage of the Group's total debt was 100% (as at 31 December 2022 was 96%).

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 2023, 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 Group analyses the exposure implied by at-risk accounts receivable on an ongoing basis, monitoring their settlements and recognising charges whenever its receivables are deemed impaired.

15 Derivative financial instruments

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

						(Thousands of Euros)	
	Society	Interest rate	Early settlement	Maturity	Nominal	Fair value - Assets / (Liabilities) (*)	
Cash flow hedges-							
Swap	Inmocol	0.8400%	--	2027	20,000	1,126	
Swap	Inmocol	3.0273%	--	2027	4,200	(61)	
Swap	SFL	2.6250%	--	2027	100,000	(810)	
Swap	SFL	2.4920%	--	2029	100,000	(829)	
Swap	SFL	2.4240%	--	2029	100,000	(451)	
Swap	SFL	2.4925%	--	2029	200,000	(1,662)	
Cash flow hedges of planned future transactions-							
Swap	Colonial	2.4550%	2024	2029	173,000	(1,730)	
Swap	Colonial	2.4562%	2024	2029	165,700	(1,666)	
Swap	Colonial	2.4535%	2024	2029	168,050	(1,671)	
Swap	Colonial	2.2790%	2025	2030	747,500	(1,818)	
Swap	Colonial	2.4500%	2027	2032	173,500	278	
Swap	Colonial	2.4173%	2027	2032	173,300	408	
Swap	Colonial	2.4820%	2028	2033	213,500	423	
Swap	Colonial	2.4709%	2028	2033	213,350	522	
Swap	Colonial	2.6400%	2028	2033	102,750	(235)	
Swap	Colonial	2.4995%	2028	2033	101,470	327	
Swap	SFL	2.3750%	2025	2030	100,000	(1,190)	
Total at 31 December 2023					2,856,320	(9,039)	

(*) Including accrued interest on cash flow hedges.

					(Thousands of Euros)	
	Society	Interest rate	Early settlement	Maturity	Nominal (Thousands of euros)	Fair value - Assets / (Liabilities)(*) Thousands of Euros
Cash flow hedges-						
CAP	SFL	2.0000%	--	2023	100,000	13
Swap	SFL	2.6250%	--	2027	100,000	1,762
Swap	SFL	2.4920%	--	2029	100,000	3,162
Swap	SFL	2.4240%	--	2029	100,000	3,603
Swap	SFL	2.4925%	--	2029	200,000	6,322
Collar	Inmocol	0.8400%	--	2027	20,000	1,829
Cash flow hedges of planned future transactions-						
Swap	Colonial	0.3460%	2023	2033	25,000	5,841
Swap	Colonial	0.3490%	2023	2033	150,000	35,010
Swap	Colonial	0.5730%	2024	2029	173,000	18,510
Swap	Colonial	0.5673%	2024	2029	165,700	17,752
Swap	Colonial	0.5695%	2024	2029	168,050	17,979
Swap	Colonial	0.6190%	2025	2030	747,500	76,868
Swap	Colonial	0.7075%	2027	2032	173,500	16,035
Swap	Colonial	0.7040%	2027	2032	173,300	16,059
Swap	Colonial	0.7600%	2028	2033	213,500	19,140
Swap	Colonial	0.7570%	2028	2033	213,350	19,188
Swap	Colonial	0.8000%	2028	2033	102,750	8,982
Swap	Colonial	0.7900%	2028	2033	101,470	8,974
Total at 31 December 2022					3,027,120	277,029

(*) Including accrued interest on cash flow hedges.

During the second half of 2022, the Parent 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 Parent 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 had a cancellation cost recorded in the consolidated income statement of 1,992 thousand euros (Note 19.8).

During the second half of 2023, the Parent cancelled forward starting hedging instruments for a nominal amount of 2,232,120 thousand euros, maturing in 2024, 2025, 2027 and 2028 (and 5-year terms). The Parent applied hedge accounting to these instruments based on forecasted future debt issuance transactions. As the forecast transactions remain probable, the Parent has retained in equity the amount recorded for the change in market value of these hedges up to the time of cancellation. This amount will be reclassified to the consolidated income statement as of the date on which the initially hedged debt issues were planned.

In 2023, the Parent collected a total of 211,774 thousand euros for the value of the cancelled forward starting swap and for the maturity of the Natwest hedging instruments for a nominal amount of 175,000 thousand euros. This amount is included in "Cash flows from financing activities" in the consolidated cash flow statement.

In parallel, the Parent has contracted new derivatives with a notional amount of 2,232,120 thousand euros and maturing in 2024, 2025, 2027 and 2028 (all with a term of 5 years).

In addition, SFL has contracted five cash flow hedges for a total nominal amount of 600,000 thousand euros, maturing in 2023, 2027 and 2029. These hedges have an average rate of 2.42%.

On 31 December 2023, 3,930 thousand euros of income was recognised under “Finance costs” in the consolidated income statement for the recycling of cancelled forward starting hedges (see Note 19.8 “Finance costs and similar expenses”) and 3,834 thousand euros of income corresponding to interest on hedges in force, as well as 151 thousand euros of costs in cancelling and advising on hedging transactions (see Note 19.8 “Results from derivative financial instruments”).

15.1 Hedge accounting

On 31 December 2023 and 2022, the Parent and SFL applied hedge accounting to different derivative financial instruments.

On 31 December 2023, the cumulative impact recognised directly in equity in the consolidated statement of financial position due to hedge accounting amounted to a credit balance of 214,929 thousand euros, after recognition of the tax impact and consolidation adjustments. At 31 December 2022, the impact recorded amounted to a credit balance of 293,115 thousand euros (Note 13.4).

15.2 Fair value of derivative financial instruments

The fair value of the derivatives was calculated by discounting estimated future cash flows based on an interest rate curve and on assigned volatility at 31 December 2023, using the appropriate discount rates established by an independent expert.

Changes of +/- 25 basis points in the interest rate curve have an effect on the fair value of derivative financial instruments of 32,096 thousand euros and -32,293 thousand euros, respectively.

16 Trade creditors and other non-current liabilities

The breakdown of these headings by nature and due dates of the consolidated financial statements is as follows:

	Note	Thousands of Euros			
		31 December 2023		31 December 2022	
		Current	Non-Current	Current	Non-current
Trade and other payables		45,470	--	42,533	--
Payables for real estate purchases		19,985	--	34,991	--
Advances	11	76,475	--	59,956	--
Guarantees and deposits received		4,200	82,003	4,005	80,562
Debts with Social Security		2,531	--	2,885	--
Advanced income		1,978	--	2,187	--
Other payables and liabilities		25,726	259	22,397	359
Total		176,365	82,262	168,954	80,921

16.1 Trade and other payables

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

16.2 Payables for real estate purchases

Collects debts derived from acquisitions of shares and/or real estate. As of 31 December 2023 and 2022, the amount included in this item corresponds mainly to payments for refurbishment or renovation works on various properties in the development of SFL. The effect of updating deferred payments is not significant.

16.3 Customer advances

Non-current advances mainly include the amount of 28,287 thousand euros on account of the price of the asset being promoted by the Group under the sale and purchase agreement subject to suspensive conditions signed by the Parent and a third party (Note 11), 13,985 thousand euros on account of the price for the sale of two assets recorded under assets classified as held for sale, as well as amounts collected in advance from SFL's customers amounting to 30,970 thousand euros.

16.4 Guarantees and deposits received

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

16.5 Advanced income

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

16.6 Average payment period to suppliers and trade creditors

The information required by Law 18/2022, of 28 September, on the incorporation and growth of companies, and by the second final provision of Law 31/2014, of 3 December, which amends the Companies Act to improve corporate governance, and by the third additional provision of Law 15/2010, of 5 July, which amends Law 3/2004, of 29 December, which establishes measures to combat late payment in commercial transactions, is detailed below, all in accordance with the provisions of the Resolution of 29 January 2016 of the Spanish Institute of Chartered Accountants (ICAC) on the information to be included in the notes to the consolidated financial statements regarding the average payment terms to suppliers in commercial transactions of the various Spanish companies that make up the Group.

	2023	2022
	Days	Days
Average period of payment to suppliers	39	41
Ratio of transactions paid	40	41
Ratio of outstanding transactions	31	43
	Amount (in thousands of euros)	
Total payments made	188,646	178,185
Total number of invoices paid	20,523	29,008
Total outstanding payments	13,882	10,230
Total payments made within the maximum legal deadline	156,634	145,671
Total payments made within the maximum legal deadline over total payments made	83.00%	82.00%
Total invoices paid within the maximum legal deadline	19,746	26,732
Total invoices paid within the maximum legal deadline as a percentage of total invoices paid	96.00%	92.00%

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

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

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

17 Provisions and contingent assets and liabilities

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

	Thousands of Euros	
	Non-current	Current
	Staff provisions	Provisions for risks and other provisions
Beginning balance	1,555	4,195
Provisions	851	--
Provisions against equity	(132)	--
Other disposals	(71)	(1,494)
Application	(12)	--
Transfers	(836)	836
Ending balance	1,355	3,537

17.1 Long-term provisions

17.1.1 Personal provision –

Includes amounts corresponding to retirement indemnities and long-service bonuses for SFL employees (Note 4.11) amounting to 997 thousand euros on 31 December 2023 (1,036 thousand euros at 31 December 2022).

17.2 Current provisions

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

18 Tax situation

18.1 Option for SOCIMI and SIIC Tax Regime

On 30 June 2017, the parent company opted for the REIT tax regime (Note 1). Since 1 January 2003, SFL has been subject to the French tax regime applicable to listed real estate investment companies (hereinafter referred to as the SIIC regime).

18.2 Balances held with public administrations

Details of “Tax assets” and “Deferred and non-current tax assets” in the consolidated statement of financial position are as follows:

	Note	Thousands of Euros			
		Current		Non-current	
		31 December 2023	31 December 2022	31 December 2023	31 December 2022
Public Treasury, debtor for tax concepts		3	9	--	--
Public Treasury, debtor for corporate taxes		10,641	606	--	--
Public Treasury, VAT debtor		8,890	18,621	--	--
Deferred tax assets	18.5	--	--	504	510
Total		19,534	19,236	504	510

Details of “Tax liabilities” and “Deferred and non-current tax liabilities” in the consolidated statement of financial position are as follows:

	Note	Thousands of Euros			
		Current		Non-current	
		31 December 2023	31 December 2022	31 December 2023	31 December 2022
Public Treasury, company tax credit		1,952	374	--	--
Public Treasury, creditor for tax concepts		2,835	3,327	--	--
Public Treasury, VAT creditor		4,432	7,720	--	--
Deferred tax liabilities	18.6	--	--	305,992	348,156
Total		9,219	11,421	305,992	348,156

18.3 Reconciliation of income tax results

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

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

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

	Thousands of Euros	
	2023	2022
Income tax expense	227	(3,647)
Deferred tax revaluation assets at fair value (IAS 40)	38,281	13,208
Other non-main components	(830)	(1,935)
Company tax	37,678	7,626

18.4 Reconciliation between income tax expense and prima facie tax

	Thousands of Euros	
	2023	2022
Profit from continuing activities before tax	(1,215,255)	41,992
	(1,215,255)	41,992
Taxed at the Spanish tax rate of 25%	303,813	(10,498)
Tax effect of amounts that are not deductible (taxable) in the calculation of the tax benefit:		
IAS 40 application (revaluations and redemptions of depreciation)	(310,138)	4,127
Other adjustments	(2,796)	(2,198)
Subtotal	(9,121)	(8,569)
Difference in tax rates by REIT and SIIC regime	41,178	19,921
Difference in foreign tax rates	(633)	(971)
Adjustments to current tax for previous years	--	1
Unrecognised tax losses previously used to reduce deferred tax expense	773	773
Unrecognised tax losses previously recovered now to reduce current tax expense	(637)	(637)
Tax losses for the year not recognised in accounting	6,118	(2,892)
Income tax expense	37,678	7,626

18.5 Deferred tax assets

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

	Note	Thousands of Euros			
		Recognised in accounting			
		31 December 2022	Inclusions	Write-offs	31 December 2023
Leases	7.2	289	586	(401)	474
Other		221	--	(191)	30
Total		510	586	(592)	504

18.5.1 Prior years tax losses pending offset –

The tax loss carryforwards of Spanish companies accumulated on 31 December 2023 amount to 5,355,277 thousand euros.

The recent ruling of the Constitutional Court of 18 January 2024 (question of unconstitutionality 2577/2023) has declared unconstitutional certain measures on corporate income tax introduced by this Royal Decree-Law. Based on the information available at the date of preparation of the accounts, the Parent estimates that it will obtain a refund of the amount paid in excess of approximately 9 million euros, but classifies this asset as contingent because it does not consider it virtually certain that it will be obtained.

18.5.2 Deferred assets for tax credits through deductions -

The Group has various deductions pending application on 31 December 2023 due to insufficient tax liability amounting to a total of 1,858 thousand euros not activated.

18.6 Deferred tax liabilities

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

	Thousands of Euros			
	31 December 2022	Inclusions	Write-offs	31 December 2023
Asset revaluation	343,006	(28,957)	(12,848)	301,201
Asset revaluation-Spain-	139,512	1,582	(12,848)	128,246
Asset revaluation-France-	203,494	(30,539)	--	172,955
Deferral for reinvestment	4,222	(188)	--	4,034
Hedge Instruments	452	(169)	--	283
Other	476	(2)	--	474
Total	348,156	(29,316)	(12,848)	305,992

18.6.1 Deferred liability for asset revaluation -

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

Asset revaluation - Spain -

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

Following the adoption of the SOCIMI tax regime during 2017, the changes in deferred taxes recorded at the effective rate relate mainly to the properties owned by the companies that did not choose to operate under this regime, i.e. Inmocol Torre Europa, S.A., as well as the deferred taxes prior to the SOCIMI properties opting for this regime. In the calculation of deferred tax liabilities, the Group considers the application of 42,727 thousand euros of deferred tax assets arising from tax loss carryforwards.

Asset revaluation - France -

Includes the amount of the deferred taxes associated with the Group's investment property located in France, which would accrue if those assets are sold. It should be recalled that almost all assets in France are subject to the SIIC regime (Note 4.14-m), so they will not generate additional tax at the time of transmission. Only the assets of the companies forming part of the Parholding subgroup would fall outside of that tax regime at 31 December 2023 and 2022.

18.7 Tax years pending verification and inspection actions

The Group has the last four tax years open for inspection for all taxes applicable to it in Spain and France, except for corporate income tax of Spanish companies with negative tax bases to be offset or deductions pending application, in which case the verification period extends to 10 tax years.

On 2 November 2022, the Parent 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.

No significant additional liabilities are expected to accrue to the Group as a result of ongoing inspections or inspections for the remaining years.

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

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

18.9 Adherence to the code of good tax practices –

On 10 December 2015, the Board of Directors of the Parent agreed to adhere to the Code of Best Tax Practices (“CBPT” hereinafter). This agreement was communicated to management on 8 January 2016. During 2023, the Parent presented the Annual Tax Transparency Report for companies adhering to the CBPT for 2022, 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.

19 Income and expense

19.1 Revenue

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

	Thousands of Euros	
	2023	2022
Barcelona	42,729	44,569
Madrid	92,363	98,201
Paris	234,420	204,517
Total assets (traditional business)	369,512	347,287
Total flexible business	17,770	14,326
Total net turnover	387,282	361,613

The income for 2023 and 2022 include the effect of rental incentives throughout the minimum duration of the contract (Note 4.15). Revenue also includes the accrued amounts received in connection to rights of entry (Note 16.5). At 31 December 2023, the impact of the above accruals led to an increase in turnover of 46,098 thousand euros (25,493 thousand euros for 2022).

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

	Thousands of Euros	
	Nominal Value (*)	
	31 December 2023	31 December 2022
<i>Less than one year</i>	303,935	288,975
Spain	128,086	132,192
France	175,849	156,783
<i>Between one and five years</i>	944,304	821,644
Spain	240,336	220,234
France	703,968	601,410
<i>More than five years</i>	667,875	665,585
Spain	31,212	40,323
France	636,663	625,262
Total	1,916,114	1,776,204
<i>Spain</i>	399,634	392,749
<i>France</i>	1,516,480	1,383,455

(*) Nominal value without taking into account the effect of rental incentives.

19.2 Other operating income

They correspond, fundamentally, to the provision of real estate services, and amounted to 12,400 thousand euros and 9,304 thousand euros on 31 December 2023 and 2022, respectively.

19.3 Personnel expenses

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

	Thousands of Euros	
	2023	2022
Wages and salaries	19,543	19,017
Compensation	327	4,790
Social Security expenses borne by the Company	5,952	6,252
Other welfare expenses	6,506	7,388
Contributions to defined benefit plans	183	217
Internal reallocation	(1,413)	(1,445)
Total Employee costs	31,098	36,219
<i>Spain</i>	15,584	17,836
<i>France</i>	15,514	18,383

The item "Other employee benefit expenses" includes the amounts corresponding to the costs accrued in 2023 arising from the cost of the Parent Company's long-term remuneration plan (Note 20.1) and the SFL stock option plan (Note 20.2), for a combined amount of 4,739 thousand euros (5,320 thousand euros in the year 2022).

Contributions to defined benefit plans made by the Parent in 2023 and 2022 amount to 183 thousand euros and 217 thousand euros, respectively. At the end of both years, there are no outstanding amounts to contribute to the mentioned pension plan.

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

	No. employees				Average headcount, 2023		Average headcount, 2022	
	2023		2022		Men	Women	Men	Women
	Men	Women	Men	Women				
General and Area Management	11	7	11	8	11	7	11	8
Qualified technicians and middle managers	43	50	39	45	38	45	36	43
Office clerks	36	90	36	98	39	97	34	94
Other	4	--	5	1	4	1	5	1
Total employees by gender	94	147	91	152	92	150	86	146
Total Group employees	241		243		242		232	

Of the total number of employees of the Group, the number of employees with a disability of 33% or more as at 31 December 2023 is 3 (2022: 4 people).

19.4 Other operating expenses

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

	Thousands of Euros	
	2023	2022
External services and other expenses	24,189	27,935
Taxes	31,785	27,363
Total Other operating expenses	55,974	55,298

19.4.1 Net change in provisions

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

	Thousands of Euros	
	2023	2022
Net provision for insolvencies and other provisions	1,644	1,488
Other allocations/(reversals) of provisions	3,683	(968)
Total Net variation of provisions	5,327	520

19.5 Net gain/(loss) on sales of assets

The breakdown of the Group's net gains/(losses) on sales of assets, and their geographical distribution, is detailed as follows:

	Thousands of Euros					
	Spain		France		Total	
	2023	2022	2023	2022	2023	2022
Sale price	445,363	56,624	58,296	26,872	503,659	83,496
Asset derecognition (Notes 9 and 23)	(429,680)	(49,650)	(58,033)	(27,035)	(487,713)	(76,685)
Write-off of waiting periods	(251)	(2)	--	--	(251)	(2)
Indirect and other costs	(11,732)	(594)	(421)	(277)	(12,153)	(871)
Net gain/(loss) on sales of assets	3,700	6,378	(158)	(440)	3,542	5,938

19.6 Gains/(losses) on changes in value of assets due to impairment

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

	Note	Thousands of Euros	
		2023	2022
Impairment / (Reversal) of property for own use	8	703	40
Substitute write-offs	9	(995)	(697)
Right-of-use assets		(591)	26
Impairment charges and net gains/(losses) on assets		(883)	(631)

19.7 Changes in value of investment property

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

	Note	Thousands of Euros	
		2023	2022
Investment property	9	(1,413,381)	(147,493)
Assets classified as held for sale – Investment property	23	(12,439)	--
Changes in value of investment property		(1,425,820)	(147,493)
Spain		(465,543)	(186,129)
France		(960,277)	38,636

19.8 Income and finance costs

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

	Note	Thousands of Euros	
		2023	2022
Finance income:			
Other interests and similar income		5,922	657
Total Financial Income		5,922	657
Finance costs:			
Finance costs and similar expenses		(106,574)	(82,525)
Capitalised financial costs		9,224	9,407
Finance costs for updating	7 and 18	(1,139)	(1,233)
Finance costs associated with debt cancellation and restructuring		(1,522)	(1,912)
Finance costs associated with arrangement costs	14.10	(5,470)	(8,636)
Gains/(losses) on derivative financial instruments	15	3,683	(1,992)
Total Finance Costs		(101,798)	(86,891)
Total Financial Result (Loss)		(95,876)	(86,234)

19.8.1 Capitalised interest costs

The detail of financial costs capitalised as plus cost of investment property and inventories is shown in the table below:

	Thousands of Euros		
	Capitalised in the period		Average interest rate
	Investment property (Note 9)	Inventory (Note 11)	
FY 2023			
Inmobiliaria Colonial, SOCIMI, S.A.	5,665	--	1.84%
Inmocol Torre Europa, S.A.	298	--	1.77%
Peñalvento, S.L.	--	382	1.84%
SFL Subgroup	2,879	--	1.82%
Total 2023	8,842	382	
FY 2022			
Inmobiliaria Colonial, SOCIMI, S.A.	5,130	--	1.88%
Inmocol Torre Europa, S.A.	274	--	1.49%
Peñalvento, S.L.	--	390	1.88%
Wittywood, S.L.	37	--	1.88%
SFL Subgroup	3,576	--	1.13%
Total 2022	9,017	390	

19.9 Transactions with related parties

As a result of the restrictions provided for in French legislation in relation to the obligation to hold shares received under SFL stock option plans for a certain period of time, Juan José Brugera Clavero was unable to take part in the tender offer for SFL shares made by Colonial in 2021. During 2023, Juan José Brugera exchanged 14,550 SFL shares for 75,284 shares of the Parent plus 679 thousand euros in cash, applying the same conditions as those agreed for the public tender offer.

There were no significant additional related party transactions in 2023 and 2022.

19.10 Result by company

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

	Thousands of Euros					
	Net consolidated income		Net result attributed to non-controlling interests		Net profit for the year attributable to the Parent	
	2023	2022	2023	2022	2023	2022
Inmobiliaria Colonial, SOCIMI, S.A.	(396,266)	(134,719)	--	--	(396,266)	(134,719)
SFL Subgroup	(786,871)	181,616	(158,550)	40,584	(628,321)	141,032
Inmocol Torre Europa, S.A.	(108)	2,213	(54)	1,107	(54)	1,106
Peñalvento, S.L.U.	(662)	(127)	--	--	(662)	(127)
Colonial Trámit, S.LU	(2)	1	--	--	(2)	1
Utopicus Innovación Cultural, S.L.	7,088	1,151	--	--	7,088	1,151
Wittywood, S.L.	(751)	(517)	--	(52)	(751)	(465)
Inmocol One, S.A.U.	(2)	--	--	--	(2)	--
Inmocol Two, S.L.U.	(2)	--	--	--	(2)	--
Colonial LAB, S.L.U.	(1)	--	--	--	(1)	--
Total	(1,177,577)	49,618	(158,604)	41,639	(1,018,973)	7,979

20 Stock option plans

20.1 Long-term remuneration plan of the Parent

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

The plan has a duration of five years and is divided into three overlapping annual cycles of three years each, independent of each other. The first cycle of the Plan corresponds to the three-year period between 1 January 2021 and 31 December 2023, the second cycle of the Plan to the three-year period between 1 January 2022 and 31 December 2024 and the third cycle of the 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 Plan is 170,196 shares for the executive vice-chairman of the board of directors of the Parent Company and 340,392 shares for the chief executive officer of Colonial.

As a general rule, the maximum total number of shares of the Parent 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 Parent'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 Parent's shares under the first cycle of the 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 Parent (Note 22.1), 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 Parent, 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 year of receiving them, except as required to pay any taxes chargeable in this regard.

In 2023, an expense of 984 thousand euros (an expense of 1,019 thousand euros in 2022) has been recorded under the heading "Staff costs" in the consolidated income statement (Note 19.3).

20.2 SFL stock option plans

The subsidiary SFL maintains a free share allocation plan on 31 December 2023, whose details are as follows:

	Plan 5	Plan 6	Plan 6	Plan 7
Meeting date	20.04.2018	15.04.2021	15.04.2021	15.04.2021
Board of Directors Date	11.02.2021	18.02.2022	14.02.2023	14.02.2023
Initial target number	33,460	30,624	4,980	22,500
% initially expected	100%	100%	100%	100%
Number initially expected	33,460	30,624	4,980	22,500
Value per share (euros)	54,59	73,37	72,91	72,91
Options cancelled / outflows	(896)	(584)	(512)	--
% expected at closing	200%	100%	100%	100%
Estimated number at closing	65,128	30,040	4,468	22,500

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

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

On 31 December 2023, the expected percentage at year-end for the 2021 plan was 200%, while for the 2022 and 2023 plan it was 100%.

During the first half of the financial year 2023, 67,760 bonus shares of the Plan number 5 with board date February 2020 have been delivered.

On 31 December 2023 and 2022, a total of 3,755 thousand euros and 4,301 thousand euros were recognised in the consolidated statement of income relating to these bonus share plans (Note 19.3).

21 Balances with related parties and associated companies

On 31 December 2023 and 2022 the Group did not have any balances outstanding with related parties and associates, with the exception of those detailed below.

The Parent has recorded guarantees received for leases from companies related to Puig, S.A. (Note 13.1), amounting to 498 thousand euros (2022: 281 thousand euros).

22 Director and senior management compensation and other benefits

22.1 Composition of the Parent's Board of Directors

On 31 December 2023, the Board of Directors of the Parent consists of 8 men and 5 women (7 men and 4 women in 2022).

On 31 December 2023, the composition of the Parent's Board of Directors is as follows:

	Position	Director Type
Mr Juan José Brugera Clavero	Chairman	Other external
Mr Pedro Viñolas Serra	Vice-chairman	Chairman
Mr Sheikh Ali Jassim M. J. Al-Thani	Director	Proprietary
Mr Giuliano Rotondo	Director	Proprietary
Mr Carlos Fernández González	Director	Proprietary
Mr Juan Carlos García Cañizares	Director	Proprietary
Mr Manuel Puig Rocha	Director	Proprietary
Ms. Begoña Orgambide García	Director	Proprietary
Mr Luis Maluquer Trepát	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. Miriam González Amézqueta	Director	Independent

On 15 June 2023, Miriam González Amézqueta was appointed independent director and Manuel Puig Rocha was appointed proprietary director.

In addition, on 18 October 2023, Adnane Mousannif resigned from his position as proprietary director and was replaced by Giuliano Rotondo.

Pursuant to Article 229 of the Spanish Limited Liability Companies Law, at the close of 2023, the directors of the Parent reported that neither they nor any parties related thereto have any direct or indirect conflict with the interests of the Parent.

22.2 Remuneration of the Board of Directors

The breakdown of the remuneration received in 2023 and 2022 by the members of the Board of Directors of the Parent, by item, is as follows:

	Thousands of Euros					
	31 December 2023			31 December 2022		
	Parent	Other group companies	Total	Parent	Other Group companies	Total
Remuneration accrued by executive directors (*):	1,566	--	1,566	6,313	--	6,313
Non-executive directors per diems:	1,030	12	1,042	831	27	858
Fixed remuneration for non-executive directors:	1,337	20	1,357	1,105	25	1,130
Directors' remuneration	1,055	20	1,075	838	25	863
Additional compensation audit and control committee	137	--	137	117	--	117
Additional remuneration for the Nomination and remuneration	145	--	145	150	--	150
Remuneration executive directors (*):	--	--	--	--	--	--
Total	3,933	32	3,965	8,249	52	8,301

Amount of the remuneration obtained by the executive directors (*):	1,566	--	1,566	6,313	--	6,313
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(* The amount corresponding to the accrued expense associated with the long-term incentive plan described in Note 20 is not included.

On 31 December 2023 and 2022, the Parent had a civil liability insurance policy covering all of its directors, executives and staff, with a premium of 400 thousand euros and 620 thousand euros, respectively. The aforementioned amount includes, for both years, the civil liability insurance premium paid for damages caused by acts or omissions.

The Annual General Meeting held on 28 June 2016 approved granting the executive directors a defined contribution scheme that covers retirement contingencies and, where appropriate, disability and death. At 31 December 2023 and 2022, the Parent recognised 112 and 150 thousand euros, respectively, in this connection under "Staff costs" in the consolidated statement of income.

On 21 March 2023, following a resolution of the Board of Directors of the Parent Company, a total of 43,824 shares were exceptionally and equally delivered to Mr Brugera Clavero and Mr Pedro Viñolas Serra, as an extraordinary variable, including 17,729 shares earmarked for compliance with the tax obligations of the payment on account. These shares had a market value at the time of delivery of 339 thousand euros.

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

On 31 December 2023 and 2022, one 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.

On 30 April 2022, Juan José Brugera Clavero terminated his employment relationship with the Parent, resulting in the payment of an indemnity of 3,000 thousand euros, which is included under the heading "Remuneration accrued by executive directors" in 2022.

In 2023 and 2022, there were no finalisations, modifications or early terminations of contracts outside of the normal business activities between the Parent and the members of the Board of Directors or any other person acting on their behalf.

22.3 Compensation to senior management

The senior management of the Parent, excluding the Chief Executive Officer, 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. The Company's senior management team was made up of three men and three women at 31 December 2023 and 2022.

Monetary remuneration received by senior management in 2023 amounted to 2,331 thousand euros (2,375 thousand euros in 2022).

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 2023 and 2022, the Parent recognised 71 and 67 thousand euros, respectively, in this connection under "Staff costs" in the consolidated statement of income.

On 31 December 2023 and 2022, one member of senior management had signed a golden parachute clause, in the event of termination under certain circumstances or a change of control.

23 Assets classified as held for sale and liabilities associated with assets classified as held for sale

23.1 Assets classified as held for sale

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

	Note	Thousands of Euros	
		Investment property	
		31 December 2023	31 December 2022
Beginning balance		466,480	27,000
Additions for subsequent capitalised disbursements		1,061	35
Transfers	9 and 12.3	121,125	489,994
Sale or disposal by other means	19.5	(454,054)	(50,549)
Net gain/(loss) from fair value adjustments	19.7	(12,439)	--
Ending balance		122,173	466,480

23.1.1 Movements in 2023 –

In 2023, a property in Paris owned by SFL and 6 properties (5 in Madrid and 1 in Almería) owned by the Parent were sold for a total amount of 464,786 thousand euros. The Group recorded a loss of 116 thousand euros in the consolidated income statement, including indirect costs of sale (note 19.5).

In 2023, the Group transferred two assets and one plant from the consolidated statement of financial position heading "Investment property" in the amount of 173,544 thousand euros, one asset to the consolidated statement of financial position heading "Investment property" in the amount of 53,056 thousand euros, as well as 637 thousand euros from "Trade and other receivables" corresponding to the accrual of lease incentives.

23.1.2 Movements in 2022 -

In 2022, a property in Paris owned by SFL was sold for 26,872 thousand euros. The Group recorded a loss of 441 thousand euros in the consolidated income statement, including indirect costs of sale.

In 2022, the Group transferred 8 assets from the consolidated statement of financial position heading "Investment property" for 489,205 thousand euros and from "Trade and other receivables" corresponding to the accrual of lease incentives for 789 thousand euros.

In addition, in October 2022, the Parent disposed of a property located in Madrid, Sagasta, 27, for a sale price of 25,000 thousand euros. The Group recorded a profit of 841 thousand euros in the consolidated income statement, including indirect costs of sale.

23.1.3 Changes in the value of investment property classified as held for sale -

The “Changes in value of investment property” heading in the consolidated income statement includes the revaluation results of assets classified as held for sale according to independent expert valuations (Note 4.4), as well as additional information available at year-end.

23.2 Liabilities associated with assets classified as held for sale

One of the assets transferred in 2022 from “Investment property” to “Assets classified as held for sale” in the consolidated statement of financial position was associated with a mortgage loan of 75,700 thousand euros and was therefore transferred from “Bank borrowings and other financial liabilities” under non-current liabilities (Note 14) to “Liabilities associated with assets classified as held for sale” in the consolidated statement of financial position. This asset has been disposed of and the associated financial liability cancelled during 2023.

24 Remuneration to auditors

Fees incurred for auditing services in 2023 and 2022 provided to the various companies composing the Group by the principal auditor and other auditors are set forth below:

	Thousands of Euros					
	2023			2022		
	Main auditor	Other companies in the PwC network	Other auditors	Main auditor	Other companies in the PwC network	Other auditors
Audit services	384	369	325	335	359	307
Other verification services	61	--	4	99	--	4
Total audit and related services	445	369	329	434	359	311
Tax advisory services	--	--	29	--	--	170
Other services	106	30	222	68	86	349
Total other professional services	106	30	251	68	86	519
Total services	551	399	580	502	445	830

The principal auditor of the Group for 2023 and 2022 is PricewaterhouseCoopers Auditores, S.L.

The principal auditor's fees for other assurance services include 61 thousand euros and relate to services provided to the Group for limited reviews, issuance of *comfort letters* and agreed-upon procedures reports on ratios linked to financing contracts (99 thousand euros in 2022).

During 2023, the principal auditor's fees for other professional services rendered to the Group amount to 106 thousand euros and correspond to reviews of ESG indicators contained in the integrated annual report, the Green Bonds report, the greenhouse gas inventory, Socimis reports and the report on the compilation of pro forma financial information (68 thousand euros in 2022).

In addition, the companies in the PwC network have provided other professional services to the Group for a total amount of 30 thousand euros corresponding to reviews of English translations of corporate information (86 thousand euros in 2022, which included both technical reviews in cybersecurity and reviews of English translations of corporate information).

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

25 Events after the reporting date

From 31 December 2023 to the date on which these consolidated financial statements were authorised for issue, no significant events took place with the exception of:

- As of 1 January 2024 the Parent Company will cease to have control over the subsidiary Inmocol Torre Europa, S.A. according to the joint venture agreement signed between the Parent Company and Inmo, S.L. As from that date, the Parent will consolidate this company using the equity method.

Appendix

Companies included in the scope of consolidation-

On 31 December 2023 and 2022, the fully consolidated subsidiaries and the information thereon were as follows:

Spanish subsidiaries

	% shareholding				Shareholder	Activity
	Direct		Indirect			
	2023	2022	2023	2022		
Colonial Trámit, S.L.U. Avda. Diagonal 532 08006 Barcelona (Spain)	100%	100%	-	-	Parent	Inmobiliaria
Inmocol Torre Europa, S.A. (*) Avda. Diagonal 532 08006 Barcelona (Spain)	50%	50%	-	-	Parent	Inmobiliaria
Wittywood, S.L. Avda. Diagonal 532 08006 Barcelona (Spain)	100%	100%	-	-	Parent	Inmobiliaria
Inmocol One, S.A.U. Pº de la Castellana, 52 28046 Madrid (Spain)	100%	100%	-	-	Parent	Inmobiliaria
Inmocol Two, S.L.U. Pº de la Castellana, 52 28046 Madrid (Spain)	100%	100%	-	-	Parent	Inmobiliaria
Colonial LAB, S.L.U. Pº de la Castellana, 52 28046 Madrid (Spain)	100%	100%	-	-	Parent	Inmobiliaria
Peñalvento, S.L.U. Pº de la Castellana, 52 28046 Madrid (Spain)	100%	100%	-	-	Parent	Inmobiliaria
Utopicus Innovación Cultural, S.L. (*) Príncipe de Vergara, 112 28002 Madrid (Spain)	100%	100%	-	-	Parent	Coworking

* Company audited in 2023 by PricewaterhouseCoopers

French subsidiaries

	% shareholding				Shareholder	Activity
	Direct		Indirect			
	2023	2022	2023	2022		
SA Société Foncière Lyonnaise (SFL) 42, rue Washington 75008 Paris (France)	98.38%	98.33%	-	-	Parent	Inmobiliaria
SNC Condorcet Holding (**) 42, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Inmobiliaria
SNC Condorcet Propco (**) 42, rue Washington 75008 Paris (France)	-	-	100%	100%	SNC Holding Condorcet	Inmobiliaria
SCI Washington (*) 42, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Inmobiliaria
SCI 103 Grenelle (*) 42, rue Washington 75008 Paris (France)	-	-	51%	51%	SFL	Inmobiliaria
SCI Paul Cézanne (*) 42, rue Washington 75008 Paris (France)	-	-	51%	51%	SFL	Inmobiliaria
SA Segpim (*) 42, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Marketing of real estate and provision of services
SAS Locaparis (*) 42, rue Washington 75008 Paris (France)	-	-	100%	100%	Segpim	Marketing of real estate and provision of services
SAS Maud (*) 42, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Inmobiliaria
SAS SB2 (*) 42, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Inmobiliaria
SAS SB3 (*) 42, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Inmobiliaria
SCI SB3 42, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Inmobiliaria
SAS Parholding (*) 42, rue Washington 75008 Paris (France)	-	-	Merged	100%	SFL	Inmobiliaria
SAS 92 Champs-Élysées (**) 42, rue Washington 75008 Paris (France)	-	-	51%	51%	SFL	Inmobiliaria
SAS Cloud (**) 42, rue Washington 75008 Paris (France)	-	-	51%	51%	SFL	Inmobiliaria
SCI Pasteur 123 (**) 42, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Inmobiliaria
SC Parchamps (*) 42, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Inmobiliaria
SC Pargal (*) 42, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Inmobiliaria
SC Parhaus (*) 42, rue Washington 75008 Paris (France)	-	-	100%	100%	SFL	Inmobiliaria

* Company audited in 2023 by PricewaterhouseCoopers

** Company audited in 2023 by Deloitte & Associés

On 31 December 2023 and 2022, the Group companies were audited by PricewaterhouseCoopers Auditores, S.L., except the SFL Group, which was jointly audited by Deloitte and PricewaterhouseCoopers.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries

Consolidated management report for
the year ended 31 December 2023

1. Group Status

Rental Market Situation

Barcelona

Take-up in the Barcelona office market reached 232,000 m² in 2023. The CBD accounted for 14% of demand, which, together with very limited stock availability (5%, 0.5% for Grade A buildings) led to an increase in prime rents to €28.50/m²/month.

In Barcelona, the volume of investment reached 261 million euros. The prime yield is 4.90%.

Madrid

The demand for office space in Madrid reached 389,000 m² in 2023. In terms of market occupancy, the gap between the central and peripheral markets has widened: while total market availability increased by 41 basis points over 2022 to 11.6%, the availability rate in the CBD and City Centre markets decreased to 4.7% and 3.5%, respectively (1.7% and 0.3% for Grade A buildings). Approximately 85% of the available office space in Madrid is located outside the M-30. Prime rent increases to €40/m²/month.

Investment in Madrid amounted to 860 million euros, with private domestic investors being the most active. The prime yield is 4.75%.

Paris

Take-up in Paris amounted to 1,932,000 m² in 2023. The CBD and the City Centre accounted for approximately 52% of market take-up, reaching 1,000,000 m². This figure, although slightly lower than in 2022, was in line with the average of the last 10 years. In addition, vacancy in the CBD remains at a low of 2.5%, with Grade A building availability at 0.3%. Prime rents, corresponding to the best buildings in the CBD, stand at €1,070/m²/year.

The investment volume in Paris reached 4.7 billion euros in 2023, representing a decrease of 57% compared to 2022. 56% of transactions took place in the City Centre and the CBD. Also noteworthy was the high number of transactions by companies acquiring their own offices, particularly in the luxury sector, which saw several major deals during the year in Paris' Golden Triangle. The prime yield is 4.25%.

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 stock market capitalisation of approximately 2,800 million euros with a free float of around 60%, and manages an asset volume of more than 11,000 million euros.

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

In particular, 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 clear industrial real estate approach to capture value creation that exceeds the market average.

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

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

In recent years, the Colonial Group has made significant divestments of non-core assets. These divestments are part of the *flight to quality* strategy which, based on active portfolio management, divests mature and/or non-strategic products in order to recycle capital for new value creation opportunities and continuously improve the Group's risk-return profile.

Furthermore, as part of the improvement of the Group's Prime portfolio, Colonial has acquired more than 4,400 million euros of core CBD properties since 2015, identifying assets with added value potential in market segments with solid fundamentals.

At the close of 2023, the Colonial Group had a robust capital structure with a solid "*Investment Grade*" rating. The Group's pro forma LTV (*Loan to value*), including the binding commitments to sell pending deeds in Q1 24 as well as the commitment to sell Méndez Álvaro, was 39.5% at December 2023 (excluding commitments to sell, LTV was 39.9%).

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 Group's main asset. At year end 2023, the Colonial Group team comprised a total of 241 employees, divided into 4 categories.

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

	No. employees				Average headcount,		Average headcount,	
	2023		2022		2023		2022	
	Men	Women	Men	Women	Men	Women	Men	Women
General and Area Management	11	7	11	8	11	7	11	8
Qualified technicians and middle managers	43	50	39	45	38	45	36	43
Office clerks	36	90	36	98	39	97	34	94
Other	4	--	5	1	4	1	5	1
Total employees by gender	94	147	91	152	92	150	86	146
Total Group employees	241		243		242		232	

Of the total number of employees of the Group, the number of employees with a disability of 33% or more as at 31 December 2023 is 3 (2022: 4 people).

2. Business performance and results

Introduction

On 31 December 2023, the Group's revenue totalled 387 million euros, of which 377 million euros relate to the recurring lease business.

According to the independent appraisals carried out by CB Richard Ellis and Cushman & Wakefield in Spain and France, the investment property and assets classified as held for sale at the end of the year were revalued at (1,426) million euros. The change in value, which occurred in both France and Spain, does not represent a cash outflow.

Net financial profit was (95) million euros.

Profit/(loss) before tax and non-controlling interests at the end of 2023 amounted to (1,215) million euros.

Lastly, after subtracting profit attributable to non-controlling interests 159 million euros, and income tax of 38 million euros, the profit after tax attributable to the Group amounted to (1,019) million euros.

2023 results

1. Recurring EPS on continued operations with +18% growth

The Colonial Group closed the 2023 with an increase in the recurring results driven by the strong growth in rental income.

- Gross Rental Income (analytical rental income) of 377 million euros, +8% like for like vs the previous year
- Group EBITDA (analytical EBITDA) of 315 million euros, +12% vs the previous year
- Recurring net income (or profit) of 172 million euros, +7% vs to the previous year
- Recurring EPS per share (recurring net income per share) of €32cts, +7% vs the previous year
- Recurring EPS on continued operations per share, +18% vs the previous year

The recurring results have increased based on solid growth in rental income. The growth in income was achieved through a combination of factors: (1) the capacity to capture the indexation impact, (2) the growth in rental prices and an increase in occupancy, complemented by (3) additional income from project deliveries.

The efficient management of operating costs has resulted in an EBITDA growth of +12% year-on-year, which has led to an increase of +7% in the recurring net profit, reaching 172 million euros.

The execution of the disposal program has meant that the increase in the net results was lower. Excluding this impact of the active management of the portfolio, the Recurring EPS of the continued operations has grown +18% compared to the previous year.

The valuation of the asset portfolio shows a *like-for-like* value adjustment, resulting in a negative result of the Group of (1,019) million euros. It is worth highlighting that the value variation does not imply a cash outflow.

2. Gross Rental Income and Net Income with strong growth

Income growth: Polarisation & Pan-European Prime Positioning

Colonial closed 2023 with analytical rental income of 377 million euros (Gross Rental Income) and Net Rental Income (EBITDA income) of 353 million euros.

The Group's income growth is solid, in absolute terms growing at +6% compared to the previous year, and in comparable terms, with an increase of +8% *like for like*, demonstrating the strength of Colonial's prime positioning.

The +8% increase in like-for-like income is among the highest in the sector and is a clear reflection of the market polarization towards the best office product.

Particularly worth highlighting are the portfolios in Madrid (+9% like-for-like) and in Paris (+8% like-for-like).

Net Rental Income (EBITDA income) increased by +8%, and on a *like-for-like* terms, it increased by +9%.

- i. The Net Rental Income in the Paris portfolio increased by +15% in absolute terms and +8% in *like-for-like* terms. The *like-for-like* increase is mainly due to the higher rents and occupancy levels in the Édouard VII, #Cloud, Louvre Saint Honoré, Washington Plaza and 103 Grenelle assets, among others.
- ii. In the Madrid portfolio, the rental income remained stable in absolute terms. In a *like-for-like* terms, the net rental income increased by +14%, mainly due to higher rents on the Recoletos 37, Ortega y Gasset 100, Castellana 163, Santa Engracia and The Window assets, among others, based on a combination of higher rents and improved occupancy levels. These increases have compensated for the fewer rents obtained as a result of the disposal program carried out in previous quarters.
- iii. In the Barcelona portfolio, the Net Rental Income decreased in absolute terms compared to the previous year, mainly due to the entry into renovation of the Parc Glories II and Diagonal 197 assets. In *like-for-like* terms, rental income increased by +4%, highlighting the increase in rental income on the Diagonal 682, Diagonal 409 and Diagonal Glories assets, among others. These increases have compensated for part of the entries into renovation of the above assets.

Income growth derived from multiple drivers

The increase in income of +23 million euros is based on a business model with multiple growth drivers.

- i. "*Pricing Power*": Growth in signed rents + capturing of indexation – a contribution of +6% to total growth. The *Core* portfolio contributed +23 million euros in income, deriving from a solid *like for like* growth of +8% due to strong *Pricing Power*, enabling the full capture of the indexation impact and maximum market rents.
- ii. Projects deliveries – a contribution of +8% to total growth
Project deliveries and the renovation program contributed + 29 million euros to income growth (a contribution of +8% to overall growth). Highlighted is the income contribution from the Biome, Cézanne Saint-Honoré, Louvre Saint Honoré and Galeries Champs-Élysées assets in Paris, the Velázquez 86D and Miguel Ángel 23 assets in Madrid, as well as the Diagonal 530, Plaza Europa 34, and Wittywood assets in Barcelona.
- iii. Acquisition of Prime Asset - a contribution of +2% to total growth
The acquisition of the Amundi headquarters in Paris in April 2022 contributed +6 million euros to income growth.
- iv. Disposal program – "*Flight to Quality*"
The disposal of non-strategic assets and other non-*like-for-like* impacts have led to a (10%) year-on-year decrease in the rental income.

Solid operating fundamentals in all segments

a) Strong letting performance

The prime asset portfolio once again captured a historic high volume of signed contracts, amounting to 105 rental contracts, corresponding to 158,225 sqm, which is 7% above the average letting figure reached in the last three years.

Of the total letting activity, highlighted is the high volume signed in the Madrid market which rose to 75,339 sqm. In the Barcelona market, 41,639 sqm were signed, of which 55% (22,743 sqm) correspond to new contracts, improving the occupancy of the portfolio.

In Paris, a total of 41,248 sqm was signed in Paris, split 50-50 between renovations and new additions.

b) Rental Increases - Polarisation & Pricing Power

"Pricing Power" - Accelerating of growth in market rents

The Colonial Group closed 2023 with a +7% growth in signed office rents compared to market rents (ERV) as at 31 December 2022.

In 2023, the growth in rental prices of the office portfolio accelerate, starting the year with a +3% increase and ending the fourth quarter of the year at +11%. The growth in rents achieved is clear evidence of the polarisation trend in the office markets, characterized by a demand that prioritizes top-quality Grade A products in the CBD.

"Pricing Power – Release spreads increase of +5%.

At the closed of 2023, the Colonial Group increased the office rents with current clients by +5% compared to the previous rents (*release spreads*).

Worth mentioning in the Paris office portfolio with a release spread of +12%.

These increases highlight the reversionary potential of Colonial's contract portfolio with significant improvement margins on the current rents.

Pricing Power – Capturing of the indexation in all contracts with an average growth of +5%.

Thanks to its prime client portfolio, the Colonial Group has captured the impact of the indexation on rental prices, applying the corresponding update on rents.

As a result of the indexation on the contract portfolio, at the close of 2023, the annualized passing rents of the corresponding contracts had increased by +5% (+4% in Spain and +6% 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 Group to capture the full indexation impact, providing clear protection of the cash flow of the assets in inflationary environments such as the current ones.

c) Solid occupancy levels

The occupancy of the Colonial Group stands at 97%, reaching one of the highest ratios in the sector. Of special mention is the Paris portfolio with full occupancy at 100%, followed by the Madrid portfolio at 96%.

In 2023, portfolio occupancy has increased by 122 bp, boosted by an improvement in occupancy in all segments.

The most significant progress took place in Barcelona with an improvement in occupancy of more than +390 bp in the last 12 months.

It is worth mentioning that the current vacancy in the Barcelona portfolio is concentrated on the entries into operation of the renovation programs of Torre Marenostrum and Illacuna, as well as the client rotation in a secondary asset located in Sant Cugat.

Excluding these three assets, the occupancy of the rest of the Barcelona portfolio is at 98%.

Project Portfolio

The project pipeline is almost delivered and pre-let

The Colonial Group has a project pipeline of 154,228 sqm across 8 assets.

In 2023, the Louvre Saint Honoré project was delivered in Paris.

This delivery took place before the estimated delivery date and at maximum profitability, thanks to the controlled construction costs and high level of rents. This historic, iconic building, with exceptional views of the Louvre, is rented to the Cartier Foundation of the Cartier Group, with a contract for 40 years, of which 20 years are of mandatory compliance and at maximum market rental prices.

In Spain, the Plaza Europa 34 project was delivered, fully let to the Puig Group, with a mandatory 10-year contract. The asset has the LEED Gold environmental certification and is considered a Nearly Zero Emissions Building (NZEB).

At the close of 2023, 7 out of the 8 projects in the project pipeline have been fully delivered and rented, confirming a yield on cost around 7%.

The only ongoing project is Méndez Álvaro Offices, located in the South of the Castellana in Madrid, a unique complex that is generating a lot of market interest, with an estimated yield on cost above 8%.

Asset Valuation and Capital Structure

a) Asset Values – Polarisation & Prime Positioning

The Gross Asset Value of the Colonial Group at the close of 2023 is 11,336 million euros (11,944 million euros including *transfer costs*), 13% less than its value as of december 2022, specifically due to the sale of non-strategic assets carried out in 2023 and the value adjustments of 9%.

In like-for-like terms, Colonial's portfolio was adjusted by 9% compared to the previous year (correction of 6% in the second half of the year).

Polarisation & Pan-European Prime Positioning

In a highly volatile environment with interest rate hikes, the value of Colonial's asset portfolio has been impacted by an increase in the valuation yields (+47 bp in the second half of the year).

Increases in rental cash flow are due to the indexation and rental growth, together with successful project delivery. The increases have led to an Alpha capital value creation partially offsetting the value adjustment due to the expansion of yields.

Likewise, the CBD and city centre locations have been much more defensive in nature than the secondary areas, resulting in the most moderate adjustments of the sector.

Resilient Net Asset Value (NAV)

The Net Asset Value at the close of 2023 amounted to 5,372 million euros corresponding to €9.95/share. Including the dividend paid of €0.25/share, the total Net Asset Value for Colonial shareholders was €10.20/share, registering an adjustment of (6%) in 6 months. In an environment with increased interest rates, the quality positioning together with the active management of Alpha value creation have enabled Colonial to maintain a resilient Net Asset Value.

b) Disposal programme - Active management of the portfolio

In the last quarter of 2023, and the beginning of 2024, the Colonial Group closed disposals for 150 million euros with a premium of +5% over the last appraisal.

The disposals were carried out in Madrid and correspond to the residential part of the Méndez Álvaro Campus (Madnum Residential) with almost 30,000 sqm (binding agreement subject to final settlement) and the sale of 3 floors in a building on the Paseo de Recoletos, asset acquired by Colonial in 2019 (disposal already completed).

These transactions are included in the Colonial Group's new disposal program that will continue in 2024 with additional asset sales, in order to recycle capital and maximize value creation for its shareholders.

Colonial launched an initial program in late 2022 with the aim of achieving disposals exceeding 500 million euros. This program has been successfully completed, reaching a total amount of 574 million euros, of which 84 million euros were realized at the end of 2022 and the rest during the first nine months of 2023.

Additionally, Colonial has initiated a second disposal program, reaching a total amount of 150 million euros to date (divestment agreed between end of 2023 and beginning of 2024). The final settlement of Méndez Álvaro is scheduled for 2024.

The total disposal volume of the disposal program amounts to 723 million euros to date.

The disposal volume of 723 million euros comprises the sale of 12 assets in Madrid, 1 small retail unit in Barcelona and 2 assets in Paris, corresponding to more than 150,000 sqm above ground.

In total, the following disposals have been carried out:

- In Madrid, the sales of 8 mature and/or secondary assets were finalised (Alcalá 506, Josefa Valcárcel 24, Sagasta 27, Almagro 9, José Abascal 56, Miguel Ángel 11, the Cedro building and Ramírez Arellano 15), the sale of a plot of land located in the sub-market of Las Tablas (Puerto Somport 10-18), the sale of the Viapark asset (commercial/logistic use), and the partial sale of various floors of the Recoletos 27 asset, as well as the sale commitment of the Méndez Álvaro residential complex.
- In Paris the sales of two mature assets were finalised: the sale of the non-strategic Le Vaisseau asset, and the sale of Hanovre, a historic building located very close to the Opera building, with a surface area of 4,600 sqm. This asset is also considered non-strategic due to its small size and real estate limitations, being less competitive than other buildings in Colonial's Paris portfolio.
- In Barcelona, the sale of a small non-strategic asset was finalised in Sant Antoni Maria Claret.

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, continually improving the risk-return profile of the Group.

c) Capital structure

As of today, the Colonial Group has a solid balance sheet with a pro-forma LTV of 39.5% (including the binding sale commitments pending to be notarised in Q1 24 as well as the Méndez Álvaro sale commitment, it stands at 39.5% as of December 2023 - excluding the sale commitments the LTV stands at 39.9%) and liquidity of 2,903 million euros.

In 2023, the Group executed a large part of its disposal program, as well as other financial protection measures that have allowed it to reduce its net debt by 491 million euros and expand its average maturity, increasing its liquidity by c. 500 million euros, totally eliminating the mortgage-secured debt, reaching a fixed/hedged debt ratio of 100% and maintaining the same financial costs in an environment of interest rate hikes by the Central European Bank.

The liquidity of the Colonial Group amounts to 2,903 million euros between cash and undrawn credit lines, enabling the Colonial Group to cover all its debt maturities until 2027.

In a market environment characterized by interest rate hikes, the Colonial Group has maintained its financial cost at very stable levels (1.75% vs 1.71% in December 2022), thanks to its interest rate risk management policy:

- Debt 100% at fixed cost or 100% hedged.
- A portfolio of interest rate hedges for debt at variable rate.
- Pre-hedged portfolio, enabling the Group to ensure a rate under 2.5% for the current debt volume over the next 3 years.

At the close of 2023, 100% of the Colonial Group's net debt was at a fixed or hedged interest rate, and the reasonable value of the derived financial instruments, registered in net equity, was positive at 215 million euros.

Leadership in ESG and Decarbonisation:

a) Leader in Sustainalytics: 1st IBEX 35 company and Top 26 out of 15,536 worldwide

- Sustainalytics score of 6.2 (top percentile)
- Top 5 of the 443 listed Real Estate companies analyzed (European REIT)
- Colonial is positioned in the Top 0.7% of the Real Estate companies rated (7th out of the 1,052 companies covered)
- Globally, Colonial is positioned in the Top 0.2% of the companies analyzed (Top 26 of the 15,536 companies in total).

b) CDP Rating A for the 3rd consecutive year: leadership in the IBEX 35 and globally

- Colonial leads the IBEX 35 with the maximum rating (only 9 companies on the IBEX have achieved this rating)
- Globally, Colonial is positioned in the top 1.5% of the companies analysed with an "A" rating (only 346 companies out of 23,000 in the world have an "A" rating)
- Only 8 Real Estate companies in Europe have achieved an "A" rating.

c) GRESB 94/100: Top 3 of the listed real estate offices in Europe

- Continuous improvement in GRESB, increasing the rating from the previous year by 4 points
- Rising to third place among the 100 listed European Real Estate companies included in the Standing Investments Benchmark.

d) Portfolio with 100% Breeam & Leed certificates

- European leadership in eco-efficient buildings
- Improvement of more than 700 bps since 2020

3. Liquidity and capital resources

See "Capital management and risk management policy" under Note 14.12 to the consolidated financial statements for the year ended 31 December 2023.

The Average Payment Period (APP) of the Group's Spanish companies to their suppliers for 2023 was 39 days. In relation to payments made outside the maximum legal term set, these correspond mainly to payments related to contracting works and real estate renovation, which are paid within the term established in the corresponding contracts signed with the contractors.

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

4. Risk management policies and objectives

Asset management is exposed to various internal and external risks and uncertainties that can impact Colonial's activity. Colonial therefore seeks to generate sustainable value through the strategic management of its business activity, taking into account the associated risks and opportunities, which helps to strengthen its leadership in the sector and consolidate its position in the long term. Risk management is a key aspect of Colonial's organisational culture, and for this reason, the Parent has developed the Colonial Risk Control and Management System (hereinafter referred to as RCMS), which establishes the basis for efficient and effective management of financial and non-financial 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 RCMS correspond to the Board of Directors, the Audit and Control Committee and the internal audit unit. The RCMS also explicitly determines the responsibilities of senior management, operational management and risk owners in relation to risk management.

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

- Submit a report on risk policy and risk management to the board for approval.
- Periodically review 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 geopolitical 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 financial 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).

The inherent risks defined in the Colonial Group's business model in accordance with the different activities it carries out are susceptible to materialise during the course of each financial year. The main risks that materialised during the year are highlighted below:

- Geopolitical tensions have persisted in 2023, mainly due to the prolongation of the conflict between Russia and Ukraine, as well as the outbreak of the war in the Gaza Strip, generating a further deterioration of the macroeconomic situation and maintaining uncertainty about the recovery of certain Eurozone economies. In this context, the volume of investment in the real estate sector has fallen by 60% at the European level, which has made it difficult to divest non-strategic assets.
- Furthermore, in 2023 there was a high impact on the risk linked to the fluctuation of the real estate cycle, materialising in a significant decrease in the valuation of the Group's real estate portfolio, as a result of the historical increase in interest rates adopted by the European Central Bank with the aim of trying to contain the high inflation that characterised the 2022 financial year and which has continued into 2023, albeit in a more contained manner. As a result of this sharp rise in interest rates, managing debt levels, liquidity and maintaining credit rating levels continued to be a priority for the Group, in order to have a more robust financial structure to face the coming year and increase investment capacity in the face of opportunities that may arise in the sector.
- The physical and transitional risks linked to climate change have led to the implementation of policies and strategy in this area, through the implementation of the decarbonisation plan approved by the Group, as well as specific actions aimed at improving the quality of buildings and measuring their energy consumption levels, in order to optimise their environmental impact.
- Adaptation to the growing requirements for non-financial information from the different 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. Furthermore, in this area of ESG, the uncertainty generated by the impact that the European taxonomy may have, as well as by the future application of the Corporate Sustainability Reporting Directive (CSRD), require analysis and monitoring for adaptation and compliance with these requirements.
- Human capital management and talent development in this complex environment is a priority in order to face the changes and new challenges in the business model, manage the risks mentioned above, as well as the new growth and development opportunities for the Group.

In this context, Colonial 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.

5. Events after the reporting date

From 31 December 2023 to the date on which these consolidated financial statements were authorised for issue, no significant events took place with the exception of:

- As of 1 January 2024 the Parent Company will cease to have control over the subsidiary Inmocol Torre Europa, S.A. according to the joint venture agreement signed between the Parent Company and Inmo, S.L. As from that date, the Parent will consolidate this company using the equity method.

6. Outlook

All indications were that 2023 would be a challenging year for the Spanish economy, with forecasts of very modest growth and highlighting the downside risks surrounding the outlook. However, at the end of the year, the Spanish economy surprised with growth of 2.5%, exceeding expectations.

Throughout the year, positive surprises were constant. The economy not only managed to avoid recession, but maintained a remarkable pace of growth. Instead of losing traction, it closed the year with a slight acceleration. In the last quarter, growth rebounded to 0.6 per cent quarter-on-quarter, up from an average of 0.5 per cent in the previous five quarters.

When we compare these figures with those of most developed countries, especially in Europe, the message becomes even more encouraging. Amid an energy crisis, high inflation and rising interest rates, the eurozone's advance was ultimately limited to 0.5 per cent, with some countries, such as Germany, experiencing a slight decline in activity. Unlike the Spanish economy, the European economy closely followed the planned script.

For the 2024 financial year, current parameters suggest that the less strained than expected household financial situation, together with inflation and interest rates likely to decline more rapidly than expected, should support dynamic consumption growth this year. Moreover, it is reasonable to expect that investment will stop falling with the expected interest rate reductions and progress in the deployment of funds.

In the office market, although structural and cyclical uncertainty is weighing on activity, central locations and quality stock are in the forefront, showing positive prospects for yields where the reduction in inflation and the recovery of the economy will help to reduce the *yields*.

Strategy for the future-

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.

7. Research and development activities

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

8. Treasury shares

On 31 December 2023, the Parent holds 7,993,765 treasury shares with a par value of 19,984 thousand euros, representing 1.48% of the Parent Company's share capital.

9. Other significant information

On 10 December 2015, the Board of Directors of the Parent agreed to adhere to the Code of Best Tax Practices ("CBPT" hereinafter). This agreement was communicated to management on 8 January 2016. During 2023, the Parent presented the Annual Tax Transparency Report for companies adhering to the CBPT for 2022, 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.

10. Annual Corporate Governance Report and Annual Report on Remuneration of Directors of Listed Public Limited Companies

Pursuant to the provisions of article 538 of the Capital Companies Act, it is hereby stated for the record that the annual corporate governance report and the annual report on remuneration of directors of listed companies for the 2023 financial year are included in this directors' report in their corresponding 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 permits the changes in the Market Value of the portfolio to be compared on a like-for-like basis.
EPRA NTA (EPRA Net Tangible Assets) EPRA (European Public Real Estate Association) which recommends the standards for best practices to follow in the property sector. The calculation of these APMs follows the instructions set by EPRA.	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 NDV (EPRA Net Disposal Value) EPRA (European Public Real Estate Association) which recommends the standards for best practices to follow in the property sector. The calculation of these APMs follows the instructions set by EPRA.	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.

Alternative Performance Measure.	Form of calculation	Definition/Relevance
Gross Financial Debt (GFD)	Calculated as the sum of the items " <i>Bank borrowings and other financial liabilities</i> ", " <i>Issuance of bonds and other similar securities</i> ", and " <i>Promissory notes</i> " excluding " <i>Interest</i> " (accrued), " <i>Arrangement expenses</i> ", " <i>Other financial liabilities</i> " and " <i>Liabilities associated with assets classified as held for sale</i> " in the consolidated statement of financial position.	Relevant indicator for analysing the Group's financial position.
Net financial debt (NFD)	Calculated by adjusting in <i>gross financial debt (GFD)</i> the item " <i>Cash and cash equivalents</i> ".	Relevant indicator for analysing the Group's financial position.
Loan to Value Group or LtV Group	Calculated as the result of dividing " <i>Net financial debt (NFD)</i> " by the sum of the " <i>Market Valuation including transaction costs of the Group's asset portfolio</i> " plus the " <i>Parent's treasury shares valued at EPRA NTA</i> ".	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 " <i>Gross financial debt</i> " minus the amount of the item " <i>Cash and cash equivalents</i> " of the Parent and <i>the wholly-owned Spanish subsidiaries</i> , adjusted by the amount of the commitments for " <i>deferrals for real estate asset purchase and sale transactions</i> ", between the sum of " <i>the Market Valuation including transaction costs of the asset portfolio of the Group's parent company and wholly-owned Spanish subsidiaries</i> ", " <i>treasury shares of the parent company</i> " and <i>the EPRA NTA of the remaining financial holdings in subsidiaries</i> ".	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 rent or analytical rental income	Amount of rental income for rentals included in " <i>Revenue</i> " 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.

Alternative Performance Measure.	Form of calculation	Definition/Relevance
Analytical EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation)	Calculated as “ <i>Operating profit</i> ” adjusted for “ <i>Depreciation and amortisation</i> ”, “ <i>Variations in value of investment property</i> ”, “ <i>Net change in provisions</i> ” and “ <i>Gains/(losses) on changes in value of assets due to impairment</i> ”, as well as expenses incurred in “ <i>Depreciation and amortisation</i> ” and “ <i>Net finance income/(expense)</i> ” arising from the recording of “ <i>IFRS 16 finance leases</i> ”, 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 from rents	Calculated by adjusting to the <i>analytical EBITDA</i> the “ <i>general expenses</i> ” and “ <i>extraordinary expenses</i> ” 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.
Other analytical income	Calculated as “ <i>Other revenue</i> ” in the condensed consolidated income statement and adjusted by “ <i>Other revenue relating to the corporate segment</i> ”, “ <i>Revenue, Personnel expenses and Other operating expenses eliminated on consolidation associated with the flexible business</i> ”, “ <i>Revenue eliminated on consolidation associated with the flexible business</i> ”, “ <i>Depreciation and amortisation arising from the recognition in line with the IFRS 16 Finance lease standard</i> ” and “ <i>Financial profit arising from the recognition in line with the IFRS 16 Finance lease standard</i> ”.	Relevant magnitude for analysing the Group's results.
Spending structure analytics	Calculated as the sum of items “ <i>Other revenue</i> ”, “ <i>Personnel expenses</i> ” and “ <i>Other operating expenses</i> ” in the condensed consolidated income statement and adjusted by “ <i>Analytical net operating expenses</i> ”, “ <i>Personnel expenses and Other operating expenses associated with the generation of flexible business income</i> ”, “ <i>Personnel expenses and Other operating expenses not associated with flexible business</i> ”, “ <i>Personnel expenses and Other extraordinary operating expenses</i> ”, “ <i>Net change in provisions</i> ”, “ <i>Other operating expenses eliminated on consolidation associated with the flexible business</i> ” and “ <i>Other revenue associated with the leasing business</i> ”.	Relevant magnitude for analysing the Group's results.

Alternative Performance Measure.	Form of calculation	Definition/Relevance
Analytical extraordinary expenses	Calculated as the sum of items " <i>Personnel expenses</i> " and " <i>Other operating expenses</i> " in the condensed consolidated income statement and adjusted by " <i>Analytical net operating expenses</i> ", " <i>Personnel expenses and Other operating expenses associated with the corporate segment</i> ", " <i>Personnel expenses and Other operating expenses not associated with flexible business</i> ", " <i>Other operating expenses eliminated on consolidation associated with the flexible business</i> " and " <i>Net change in provisions</i> ".	Relevant magnitude for analysing the Group's results.
Revaluations and sales margin of analytical properties	Calculated as the sum of the items " <i>Net gain/(loss) on sales of assets</i> " and " <i>Changes in value of investment property</i> " in the consolidated income statement.	Relevant magnitude for analysing the Group's results.
Analytical depreciation and provisions	Calculated as the sum of " <i>Depreciation and amortisation</i> " and " <i>Gains/(losses) on changes in value of assets due to impairment</i> " in the consolidated income statement and adjusted by " <i>Depreciation and amortisation arising from the recognition in line with the IFRS 16 Finance lease standard</i> " and " <i>Net change in provisions</i> ".	Relevant magnitude for analysing the Group's results.
Analytical financial result	Calculated as the sum of " <i>Finance income</i> " and " <i>Finance costs</i> " in the consolidated income statement and adjusted by " <i>Financial profit arising from the recognition in line with the IFRS 16 Finance lease standard</i> ".	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	
	2023	2022
Total Market Value excluding transaction costs	11,336	13,005
Plus: transaction costs	607	722
Total Market Value including transaction costs	11,944	13,727
Spain	4,127	4,904
France	7,817	8,823

Market value excluding transaction costs or GAV excluding transfer costs

Market Value excluding transaction costs or GAV excluding transfer costs	Millions of euros	
	2023	2022
Barcelona	1,187	1,261
Madrid	2,054	2,733
Paris	7,135	7,525
Leased out	10,375	11,519
Projects	961	1,466
Other	--	20
Total Market Value excluding transaction costs	11,336	13,005
Spain	4,004	4,759
France	7,332	8,246

Like-for-like Valuation

Like-for-like Valuation	Millions of euros	
	2023	2022
Valuation at 1 January	13,005	12,436
Like-for-like Spain	(301)	(21)
Like-for-like France	(856)	179
Acquisitions and divestitures	(512)	412
Valuation at 31 December	11,336	13,005

EPRA NTA (EPRA Net Tangible Assets)

EPRA NTA (EPRA Net Tangible Assets)	Millions of euros	
	2023	2022
“Equity attributable to shareholders of the Parent”	4,936	6,159
<i>Includes/Excludes:</i>		
Adjustments from (i) to (v) with respect to strategic alliance interests	--	--
Diluted NTA	4,936	6,159
<i>Includes:</i>		
(ii.a) Revaluation of investment assets	--	--
(ii.b) Revaluation of assets under development	--	--
(ii.c) Revaluation of other investments	124	147
(iii) Revaluation of finance leases	--	--
(iv) Stock revaluation	13	14
Diluted NTA at Fair Value	5,073	6,321
<i>Excludes:</i>		
(v) Deferred taxes	289	339
(vi) Market value of financial instruments	10	(276)
EPRA NTA	5,372	6,384
Number of shares (millions)	539,6	539,6
EPRA NTA per share	9,95	11,83

EPRA NDV (Net Disposal Value)

EPRA NDV (EPRA Net Disposal Value)	Millions of euros	
	2023	2022
“Equity attributable to shareholders of the Parent”	4,936	6,159
<i>Includes/Excludes:</i>		
Adjustments from (i) to (v) with respect to strategic alliance interests	--	--
Diluted NDV	4,936	6,159
<i>Includes:</i>		
(ii.a) Revaluation of investment assets	--	--
(ii.b) Revaluation of assets under development	--	--
(ii.c) Revaluation of other investments	124	147
(iii) Revaluation of finance leases	--	--
(iv) Stock revaluation	13	14
Diluted NDV at Fair Value	5,073	6,321
<i>Excludes:</i>		
(v) Deferred taxes	--	--
(vi) Market value of financial instruments	--	--
<i>Includes:</i>		
(ix) Market value of debt	219	541
EPRA NDV	5,292	6,862
Number of shares (millions)	539,6	539,6
EPRA NDV per share	9,81	12,72

Loan to Value Group or LtV Group

<i>Loan to Value Group or LtV Group</i>	Millions of euros	
	31/12/2023	31/12/2022
Gross Financial Debt (Note 14)	5,302	5,515
Commitments of deferrals for transactions selling real estate assets	--	--
Less: “Cash and cash equivalents” (Note 14.9)	(438)	(160)
(A) Net financial debt	4,864	5,355
Market Value including transaction costs	11,944	13,727
Plus: Shares in treasury stock of the parent company valued at EPRA NTA	80	98
(B) Market Value including transaction costs and Parent's treasury shares	12,024	13,825
<i>Loan to Value Group (A)/(B)</i>	40.5%	38.7%

Holding Company LtV or Colonial LtV

Holding Company LtV or Colonial LtV	Millions of euros	
	31/12/2023	31/12/2022
Holding Company		
Gross financial debt	2,987	2,988
Commitments of deferrals for transactions selling real estate assets	--	--
Less: "Cash and cash equivalents" of the parent company and the fully-owned Spanish subsidiaries	(338)	(85)
(A) Net financial debt	2,649	2,903
(B) Market Value including transaction costs	8,273	9,971
Loan to Value Holding (A)/(B)	32.0%	29.1%
SFL Intercompany Loan	(345)	--
(C) Net financial debt	2,304	2,903
Loan to Value Holding (C)/(B) considering intercompany loan to SFL	27.8%	29.1%

Like-for-like Rental Income

Like-for-like rental income or analytical rental income	Millions of euros			
	Barcelona	Madrid	Paris	Total
Analytical rental income 2022	48	102	205	354
Like-for-like	1	7	15	23
Projects and inclusions	(2)	3	12	12
Investments and divestitures	-	(15)	4	(11)
Other and compensation	(0)	0	(1)	(1)
Analytical rental income 2023	46	96	234	377

Analytical EBITDA

Analytical EBITDA	Millions of euros	
	2023	2022
Operating profit	(1,119)	128
Adjustments: "Depreciation and amortisation"	9	9
Adjustments: "Net gain/(loss) on sales of assets"	(4)	(6)
Adjustments: "Net change in provisions" (Note 19.4.1)	5	1
Adjustments: "Changes in value of investment property"	1,426	147
Adjustments: "Gains/(losses) on changes in value of assets due to impairment"	1	1
Adjustments: "Extraordinary Income"	1	6
Adjustments: "Depreciation and amortisation arising from the recognition in line with the IFRS 16 Finance lease standard" (Note 7.5)	(3)	(3)
Adjustments: "Financial profit arising from the recognition in line with the IFRS 16 Finance lease standard (Note 7.5)"	(1)	(1)
Analytical EBITDA	315	282

EBITDA income

EBITDA income	Millions of euros	
	2023	2022
Net turnover amount	387	362
Adjustments: "Flexible business income" (Note 6)	(18)	(14)
Adjustments: "Revenue eliminated on consolidation associated with the flexible business" (Note 6)	8	7
Analytical rental income	377	354
Personnel expenses	(31)	(36)
Other operating expenses	(56)	(55)
Adjustments: "Personnel expenses and Other operating expenses associated with the corporate segment"	50	49
Adjustments: "Personnel expenses and Other operating expenses not associated with the flexible business"	5	6
Adjustments: "Personnel expenses and Other extraordinary operating expenses not associated with the flexible business"	1	6
Adjustments: "Other operating expenses eliminated on consolidation associated with the flexible business"	2	2
Adjustments: "Net change in provisions" (Note 19.4.1)	5	1
Analytical net operating expenses	(24)	(28)
EBITDA income	353	326

Other analytical income

Other analytical income	Millions of euros	
	2023	2022
Other revenue	12	9
Adjustments: "Other corporate segment revenues"	(2)	(3)
Adjustments: "Net turnover amount and Personnel expenses and Other operating expenses eliminated on consolidation associated with the flexible business"	15	10
Adjustments: "Revenue eliminated on consolidation associated with the flexible business" (Note 6)	(9)	(9)
Adjustments: "Depreciation and amortisation arising from the recognition in line with the IFRS 16 Finance lease standard" (Note 7.5)	(3)	(3)
Adjustments: "Financial profit arising from the recognition in line with the IFRS 16 Finance lease standard" (Note 7.5)	(1)	(1)
Other analytical income	10	4

Spending structure analytics

Spending structure analytics	Millions of euros	
	2023	2022
Other revenue	12	9
Personnel expenses	(31)	(36)
Other operating expenses	(56)	(55)
Adjustments: "Analytical net operating expenses"	24	28
Adjustments: "Personnel expenses and Other operating expenses eliminated on consolidation associated with the flexible business"	2	4
Adjustments: "Personnel expenses and Other extraordinary operating expenses not associated with the flexible business"	1	6
Adjustments: "Net change in provisions" (Note 19.4.1)	5	1
Adjustments: "Other operating expenses eliminated on consolidation associated with the flexible business"	2	2
Adjustments: "Other revenue associated with the leasing business"	(9)	(6)
Spending structure analytics	(48)	(48)

Analytical extraordinary expenses

Analytical extraordinary expenses	Millions of euros	
	2023	2022
Personnel expenses	(31)	(36)
Other operating expenses	(56)	(55)
Adjustments: "Analytical net operating expenses"	24	28
Adjustments: "Personnel expenses and Other operating expenses associated with the corporate segment"	50	49
Adjustments: "Personnel expenses and Other operating expenses not associated with the flexible business"	5	6
Adjustments: "Other operating expenses eliminated on consolidation associated with the flexible business"	2	2
Adjustments: "Net change in provisions" (Note 19.4.1)	5	1
Analytical extraordinary expenses	(1)	(6)

Revaluations and sales margin of analytical properties

Revaluations and sales margin of analytical properties	Millions of euros	
	2023	2022
Net gain/(loss) on sales of assets	4	6
Changes in value of investment property	(1,426)	(147)
Revaluations and sales margin of analytical properties	(1,422)	(142)

Analytical depreciation and provisions

Analytical depreciation and provisions	Millions of euros	
	2023	2022
Depreciation and amortisation	(9)	(9)
Gains/(losses) on changes in value of assets due to impairment	(1)	(1)
Adjustments: " <i>Depreciation and amortisation arising from the recognition in line with the IFRS 16 Finance lease standard</i> " (Note 7.5)	3	3
Adjustments: " <i>Net change in provisions</i> " (Note 19.4.1)	(5)	(1)
Analytical depreciation and provisions	(12)	(8)

Analytical financial result

Analytical financial result	Millions of euros	
	2023	2022
Finance income	6	1
Finance costs	(102)	(87)
Adjustments: " <i>Financial profit arising from the recognition in line with the IFRS 16 Finance lease standard</i> " (Note 7.5)	1	1
Analytical financial result	(95)	(85)

EPRA Earnings and Recurring Net Income

EPRA Earnings and Recurring Net Income	Millions of euros	
	2023	2022
Net profit attributable to the Group	(1,019)	8
Net profit/(loss) attributable to the Group - €cts/share	(188,83)	1.48
<i>Includes/(excludes):</i>		
(i) Changes in value of investments, investment projects and other interests	1,427	148
(ii) Gains or losses on sales of assets, investment projects and other interests	(4)	(6)
(iii) Gains or losses on sales of assets held for sale including changes in the value of such assets	--	--
(iv) Taxes on sale of assets	(9)	--
(v) Impairment of goodwill	--	--
(vi) Changes in the value of financial instruments and cancellation costs	2	4
(iv) Deferred tax for considered EPRA adjustments	(32)	(13)
(ix) Adjustments (i) to (viii) in respect of strategic alliances (except if included by proportionate consolidation)	--	--
(x) Minority interests in respect of the above items	(194)	13
EPRA Earnings (company-specific pre-adjustments)	171	155
<i>Company-specific settings:</i>		
(a) Extraordinary contingencies and charges	1	6
(b) Non-recurring profit/(loss)	--	--
(c) Tax credits	--	--
(d) Minority interests in respect of the above items	--	--
Recurring Net Income (post company specific adjustments)	172	161
Average number of shares (millions)	539.6	539.6
Recurring Net Profit (post company specific adjustments) - €cts/share	31.9	29.8