

Inmobiliaria Colonial, SOCIMI, S.A.

Audit Report
Financial Statements as at 31 December 2023
Management Report



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

Independent auditor's report on the financial statements

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

Report on the financial statements

Opinion

We have audited the financial statements of Inmobiliaria Colonial, SOCIMI, S.A. (the Company), which comprise the balance sheet as of 31 December 2023, and the income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as of 31 December 2023, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in note 2 of the notes to the financial statements), and in particular, with the accounting principles and criteria included therein.

Basis for opinion

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

We are independent of the Company in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the financial 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters**How our audit addressed the key audit matters****Recoverability of non-current equity instruments in group companies**

On 31 December 2023 Inmobiliaria Colonial, SOCIMI, S.A. recognises a balance under Non-current equity instruments in group companies amounting to Euro 2,687,650 thousand, as detailed in note 10 to the accompanying financial statements. These instruments represent approximately 41% of total assets.

As outlined in note 4.e) to the accompanying financial statements, the Company makes all the necessary measurement adjustments at least at the year end, provided that there is objective evidence that the carrying amount of an investment will not be recoverable. The amount of the adjustment is calculated as the difference between the investment's carrying amount and recoverable amount, understood as the higher of fair value less costs to sell and the present value of future cash flows from the investment. Specifically, for most investees, unless better evidence is available of their recoverable amount, equity attributable to the Company is taken into consideration, increased by any latent capital gains existing at the time of the valuation, pursuant to the recommendations of EPRA (European Public Real Estate Association) in order to calculate the EPRA Net Tangible Asset (EPRA NTA), always taking into account the market price of the investee's shares on an organised market as the best evidence of recoverable value. Value adjustments and, if appropriate, their reversal, are recognised in the income statement for the year in which they arise.

The quantification of the recoverable amount of such instruments requires, as outlined in note 2.d) to the accompanying financial statements, the use of significant judgements and estimates by Company management when determining the valuation method and considering the key assumptions to be established in that method.

Our audit procedures included, among others, the analysis of the process implemented by the Company to assess the potential impairment of non-current equity instruments in group companies.

For unlisted group companies with real estate assets, we obtained the balance sheets of the most significant investees and analysed the amounts of the latent capital gains identified, analysing them using the valuations of their real estate assets carried out by independent experts.

For the investment in equity instruments in Société Foncière Lyonnaise, S.A., a listed group company, we checked its recoverable amount based on the market value of its shares, and also requested an audit report, instructing its auditors.

For those group companies without relevant real estate assets, we obtained and analysed the calculations of their recoverable amount, based on the business plan drawn up by Company management, and checked the discount rate used with our internal experts.

Lastly, we assessed whether the disclosures of information included in note 10 to the accompanying financial statements.

We considered that management's approach to the evaluation of the recoverability of non-current equity instruments in group companies is consistent and supported by the available evidence.



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

Subsequent measurement of Investment Properties

The Company has real estate assets which are primarily recognised under Investment properties amounting to Euro 2,831,761 thousand on 31 December 2023, representing 43% of total assets. Notes 4.c) and 7 to the accompanying financial statements include information on the assets included in this heading.

For the purposes of evaluating their carrying amount before considering any impairment, we checked the annual depreciation of investment properties in terms of whether it is calculated on a straight-line basis over its useful life.

As outlined in note 4.c), the Company compares the carrying amount of these properties with market value in order to verify that the value recognised is not greater than market value. The Company obtains the market value through valuations performed by independent experts.

We obtained the year-end valuations performed of these assets by independent experts and we confirmed that these independent experts meet the requirements of competence and independence.

The methodology used to determine the market value of investment properties is mainly the discounted cash flows method, in accordance with standard market practice. These valuations are based on a series of significant judgements and estimates as outlined in note 2.d) to the accompanying financial statements.

We checked whether these valuations were performed in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors (RICS) of Great Britain and in accordance with the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC). In this regard, we held meetings with the valuers together with our internal experts, analysing, for a sample of those valuations, the reasonableness of the variables used, such as the discount rate and the rent and rent increases considered, as well as other variables necessary to complete the valuation such as the market return, the term of the rental agreements and type and age of the buildings, their location and occupancy rates. Similarly, for a sample of assets, we checked, using the sale and purchase deeds, the technical specifications considered by the independent experts when determining the market value of those assets.

We therefore focused on this area due to the materiality of this heading with respect to the Company's total assets and the significant judgement required by management. Changes in these assumptions could lead to a significant variation in the recoverable amount of such assets and the possible impact on the income statement and the balance sheet.



Key audit matters	How our audit addressed the key audit matters
	<p>Lastly, we assessed the corresponding disclosures in notes 4.c) and 7 to the accompanying financial statements.</p> <p>We consider that we have obtained sufficient and adequate audit evidence in the course of our work concerning the reasonableness of the recoverable value of the Company's investment properties.</p>

Other information: Management report

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

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

- a) Verify only that the certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as referred to in the Auditing Act, has been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.
- b) Evaluate and report on the consistency between the rest of the information included in the management report and the financial statements as a result of our knowledge of the Company obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

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

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

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



The audit and control committee is responsible for overseeing the process of preparation and presentation of the financial statements.

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



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

From the matters communicated with the entity's audit and control committee for the financial statements, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

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

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital file of the European single electronic format (ESEF) of Inmobiliaria Colonial, SOCIMI, S.A. for the 2023 financial year that comprises an XHTML file of the financial statements for the financial year, which will form part of the annual financial report.

The directors of Inmobiliaria Colonial, SOCIMI, S.A. are responsible for presenting the annual financial report for 2023 financial year in accordance with the formatting requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Committee (hereinafter the ESEF Regulation). In this regard, the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration have been incorporated by reference in the management report.

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

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

Report to the audit and control committee

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

Appointment period

The General Ordinary Shareholders' Meeting held on 21 June 2022 appointed us as auditors 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.



Inmobiliaria Colonial, SOCIMI, S.A.

Services provided

Services provided to the audited entity for services other than the audit of the accounts are disclosed in note 22 to the financial statements.

In relation to the services provided to the subsidiary companies of the Company for services other than the audit of the accounts, refer to the audit report dated 29 February 2024 on the consolidated financial statements of Inmobiliaria Colonial, SOCIMI, S.A. and its subsidiary companies, where these subsidiary companies have been consolidated.

PricewaterhouseCoopers Auditores, S.L. (S0242)

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Original in Spanish signed by
Alfredo Aguilera Sanz (22290)

29 February 2024

Inmobiliaria Colonial, SOCIMI, S.A.

Financial Statements for
the year ended
31 December 2023
Management Report, together with the
Audit Report

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

Inmobiliaria Colonial, SOCIMI, S.A.

Balance sheet
31 December 2023 and 2022

(Thousands of euros)

Assets	Note	31 December 2023	31 December 2022
Intangible assets	Note 5	39,112	46,985
Goodwill		35,609	44,329
Intellectual property		124	180
Computer software		3,379	2,476
Property, plant and equipment	Note 6	21,752	21,687
Land and buildings		17,873	17,904
Plant and other items of property, plant and equipment		3,879	3,783
Investment property	Note 7	2,831,761	2,984,618
Land		1,662,142	1,730,782
Constructions and installations		985,944	1,050,548
Real estate investments in progress and advances		346,111	299,874
Impairment of investment property		(162,436)	(96,586)
Non-current investments in group companies and associates		2,691,563	2,692,396
Equity instruments in group companies	Note 10-a	2,722,876	2,721,396
Loans to group companies	Notes 10-b and 20	3,913	3,340
Impairment of investments in group companies	Note 10-a	(35,226)	(32,340)
Non-current financial investments		58,649	299,997
Non-current equity instruments		3,524	2,760
Res.	Note 12	1,958	260,339
Other financial assets	Notes 11-a and 11-b	53,167	36,898
Total non-current assets		5,642,837	6,045,683
Non-current assets held for sale	Note 13	120,846	287,352
Trade and other receivables		16,919	13,966
Trade receivables for sales and services		2,147	4,013
Trade and other payables, group companies and associates	Note 20	218	61
Other receivables	Note 11-a	6,318	8,672
Prepayments to suppliers		177	176
Staff		8	3
Other receivables from public authorities	Note 18	8,051	1,041
Current investments in group companies	Note 20	418,269	62,365
Loans to group companies		418,269	62,365
Current financial investments		679	9
Equity instruments		9	9
Other financial assets		670	--
Current accruals		289	127
Cash and cash equivalents	Note 16	336,056	80,068
Total current assets		893,058	443,887
Total assets		6,535,895	6,489,570

Notes 1 to 24 and Appendix I described in the notes to the consolidated financial statements form an integral part of the balance sheet 31 December 2023.

Inmobiliaria Colonial, SOCIMI, S.A.

Balance sheet
31 December 2023 and 2022
(Thousands of euros)

<u>Equity and Liabilities</u>	Note	31 December 2023	31 December 2022
Own funds		3,143,276	3,061,088
Capital	Note 14-a	1,349,039	1,349,039
Registered Capital		1,349,039	1,349,039
Share premium	Note 14-b	1,463,600	1,491,773
Reserves	Note 14-c	180,203	168,807
Legal and bylaw-mandated reserves		70,272	58,639
Other reserves		109,931	110,168
(Treasury shares and equity instruments)	Note 14-d	(64,928)	(66,374)
Profit/(loss) for the year	Note 3	212,866	116,332
Other net equity instruments		2,496	1,511
Valuation adjustments	Note 14-e	207,990	262,267
Hedging transactions		207,990	262,267
Grants, donations and legacies received		36	--
Subsidies		36	--
Total equity		3,351,302	3,323,355
Long-term provisions	Note 15	8	20
Non-current employee benefit obligations		8	20
Non-current payables		2,811,082	2,927,360
Bonds and other marketable securities	Note 16	2,678,495	2,798,530
Bank borrowings	Note 16	101,763	95,450
Res.	Note 17	2,053	--
Other financial liabilities	Notes 17 and 12	28,771	33,380
Deferred tax liabilities and other payables to public authorities	Note 18	79,482	84,348
Total non-current liabilities		2,890,572	3,011,728
Liabilities linked to non-current assets held for sale	Note 13	--	75,462
Current provisions	Note 15	2,701	2,701
Current payables		202,851	11,792
Bonds and other marketable securities	Note 16	197,566	11,524
Bank borrowings	Note 16	218	268
Res.	Note 12	5,067	--
Current payables to group companies	Note 20	293	137
Trade and other payables		88,175	64,485
Vendors		32,616	25,032
Miscellaneous payables		4,410	4,887
Other payables to public authorities	Note 18	5,881	6,279
Customer advances	Note 10	45,268	28,287
Current provisions		1	(90)
Total current liabilities		294,021	154,487
Total equity and liabilities		6,535,895	6,489,570

Notes 1 to 24 and Appendix I described in the notes to the consolidated financial statements form an integral part of the balance sheet 31 December 2023.

Inmobiliaria Colonial, SOCIMI, S.A.

Income statement
31 December 2023 and 2022

(Thousands of euros)

	Note	2023	2022
CONTINUING OPERATIONS			
Revenue	Note 19-a	318,136	327,679
Lease income		140,167	149,954
Service provision		947	703
Finance income from holding companies		177,022	177,022
Work carried out by the company for property, plant and equipment		799	395
Other operating income		9	89
Ancillary and other current management income		9	89
Personnel expenses	Note 19-b	(13,448)	(15,689)
Wages and salaries		(11,319)	(13,691)
Social charges		(2,129)	(1,998)
Other operating expenses		(24,579)	(28,683)
External services		(18,167)	(21,623)
Taxes		(7,006)	(7,616)
Losses, impairment and change in trade provisions	Note 19-c	669	701
Other current operating expenses		(75)	(145)
Depreciation and amortisation	Notes 5, 6 and 7	(43,825)	(71,175)
Allocation of grants for non-financial fixed assets and others		2	--
Impairment and gains/(losses) on disposal of property, plant and equipment		13,965	(35,420)
Impairments and losses	Note 19-d	(90,607)	(41,964)
Gains/(losses) on disposals and other	Note 19-e	104,572	6,544
Profit/(loss) from operations		251,059	177,196
Finance income	Note 19-f	11,712	613
From investments in equity instruments		7,435	425
At group companies and associates		7,435	425
other interests		4,277	188
Finance costs	Note 19-f	(50,125)	(53,972)
Due to debts to third parties		(50,125)	(53,972)
Impairment and gains/(losses) on disposal of financial instruments	Notes 10 y 19-f	(2,886)	(7,829)
Impairments and losses		(2,886)	(7,829)
Financial profit/(loss)		(41,299)	(61,188)
Profit/(Loss) before tax		209,760	116,008
Corporate income tax	Note 18	3,106	324
Profit/(loss) for the year from continuing operations	Note 3	212,866	116,332

Notes 1 to 24 and Appendix I described in the notes to the consolidated financial statements form an integral part of the profit and loss account as at 31 December 2023.

Inmobiliaria Colonial, SOCIMI, S.A.

Statement of changes in equity
for the years ended
31 December 2023 and 2022
a) Statement of recognised income and expense

(Thousands of euros)

	Note	2023	2022
Income statement		212,866	116,332
Income and expenses charged directly to equity			
Cash flow hedges	Note 14	(81,736)	251,616
Grants, donations and legacies received		36	--
Total income and expense recognised directly in equity		(81,700)	251,616
Transfers to income statement			
Cash flow hedges	Note 14	27,459	--
Total transfers to income statement		27,459	--
Total recognised income and expense		158,625	367,948

Notes 1 to 24 and Appendix I described in the notes to the consolidated financial statements form an integral part of the statement of changes in equity 31 December 2023.

Inmobiliaria Colonial, SOCIMI, S.A.

Statement of changes in equity
for the years ended
31 December 2023 and 2022
B) Statement of total changes in equity

(Thousands of euros)

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

Notes 1 to 24 and Appendix I described in the notes to the consolidated financial statements form an integral part of the statement of changes in equity 31 December 2023.

Inmobiliaria Colonial, SOCIMI, S.A.

Statement of changes in equity
for the years ended
31 December 2023 and 2022
B) Statement of total changes in equity

(Thousands of euros)

	Registered Capital	Share premium	Reserves	Treasury shares and equity instruments	Profit/(loss) for the year	Other net equity instruments	Valuation adjustments	Grants, donations and legacies received	Total
Balance at 31 December 2022	1,349,039	1,491,773	168,807	(66,374)	116,332	1,511	262,267	--	3,323,355
I. Total recognised income and expense	--	--	--	--	212,866	--	(54,277)	36	158,625
II. Transactions with shareholders:	--	(28,173)	11,415	1,233	(116,332)	--	--	--	(131,857)
Net treasury share transactions	--	--	(218)	1,233	--	--	--	--	1,015
Distribution of profit	--	(28,173)	11,633	--	(116,332)	--	--	--	(132,872)
III. Other changes in equity	--	--	(19)	213	--	985	--	--	1,179
Accrual long-term remuneration plan 2023	--	--	--	--	--	985	--	--	985
Delivery long-term remuneration plan 2022	--	--	(19)	213	--	--	--	--	194
Balance at 31 December 2023	1,349,039	1,463,600	180,203	(64,928)	212,866	2,496	207,990	36	3,351,302

Notes 1 to 24 and Appendix I described in the notes to the consolidated financial statements form an integral part of the statement of changes in equity 31 December 2023.

Inmobiliaria Colonial, SOCIMI, S.A.

Cash flows
for the years ended
31 December 2023 and 2022

(Thousands of euros)

	Note	2023	2022
Cash flows from operating activities			
Pre-tax profit/(loss)		209,760	116,008
Adjustments to profit		(106,538)	(9,940)
Depreciation and amortisation	Notes 5, 6 and 7	43,825	71,175
Impairment losses	Note 19	90,607	41,964
Changes in provisions	Notes 15 and 19	(669)	(701)
Impairment and gains/(losses) on disposal of assets	Notes 5, 6, 7 and 19	(104,576)	(6,544)
Impairment and gains/(losses) on disposal of financial instruments	Notes 10 and 19	2,886	7,829
Finance income	Note 19	(11,712)	(613)
Income from equity investments in group companies	Note 19 and 20	(177,022)	(177,022)
Finance costs	Note 19	50,125	53,972
Grants accrued		(2)	--
Changes in working capital		(11,672)	(4,256)
Debtors and other receivables		(22,662)	(3,620)
Other current assets		(2,962)	--
Creditors and other accounts payable		18,314	(4,531)
Other current liabilities		247	(90)
Non-current assets and liabilities		(4,609)	3,985
Other cash flows from operating activities		333,748	122,594
Interest paid		(58,166)	(54,253)
Income from equity investments in group companies	Notes 19 and 20	177,022	177,022
Interest charges		10,681	--
Income tax recovered (paid)		(7,563)	(175)
Collections cancellation of derivatives	Note 12	211,774	--
Cash flows from operating activities		425,298	224,406
Cash flows from investing activities			
Payments on investments (-)		(485,725)	(119,067)
Group companies and associates	Notes 9 and 20	(354,453)	(28,555)
Intangible assets	Note 5	(2,425)	(1,627)
Property, plant and equipment	Note 6	(568)	(311)
Investment property	Note 7	(127,514)	(85,814)
Other financial assets	Note 10	(764)	(2,760)
Non-current assets held for sale	Note 13	(1)	--
Proceeds on disposals (+)		449,474	56,545
Investment property	Note 7	38,874	31,545
Other current financial assets	Notes 9 and 11-b	4,110	--
Non-current assets held for sale	Note 13	406,490	25,000
Cash flows from investing activities		(36,251)	(62,522)

Inmobiliaria Colonial, SOCIMI, S.A.

Cash flows
for the years ended
31 December 2023 and 2022

(Thousands of euros)

	Note	2023	2022
Cash flows from financing activities			
Proceeds from/(payments for) equity instruments		(132,397)	(127,816)
Dividends paid	Note 3	(132,872)	(127,533)
Acquisition of own equity instruments	Note 14	(110,700)	(116,941)
Disposal of own equity instruments	Note 14	111,175	116,658
Proceeds from/(payments for) financial liability instruments		(662)	(47,000)
Issue			
Bonds and similar marketable securities issued	Note 16	70,000	--
Bank borrowings	Note 16	105,000	100,000
Grants received		38	--
Redemption of			
Bank borrowings	Note 16	(175,700)	(7,000)
Bonds and other marketable securities (-)	Note 16	--	(140,000)
Cash flows from financing activities		(133,059)	(174,816)
Net increase/decrease in cash and cash equivalents		255,988	(12,932)
Cash or cash equivalents at beginning of year	Note 16	80,068	93,000
Cash or cash equivalents at end of year	Note 16	336,056	80,068

Notes 1 to 24 and Appendix I described in the notes to the consolidated financial statements form an integral part of the statement of cash flows 31 December 2023.

Inmobiliaria Colonial, SOCIMI, S.A.
Notes to the financial statements for the
year ended
31 December 2023

1. Company activity

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

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

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

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

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

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

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

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

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

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

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

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

On 2 July 2018, the Company carried out the takeover merger with Axiare Patrimonio SOCIMI, S.A. under the special regime provided for in Chapter VII of Title VII of the Spanish Corporate Enterprises Act on 1 August 2018. On 17 April 2019, the Company carried out the takeover merger of the companies Axiare Properties, S.L.U., Axiare Investigación, Desarrollo e Innovación, S.L.U., Chamaleon (CEDRO), S.L.U., Venusaur, S.L.U., Colonial Invest, S.L.U., Hofinac Real Estate, S.L.U., Fincas y Representaciones, S.A.U., Colonial Arturo Soria, S.L.U. and LE Offices Egeo, S.A.U., which is covered by the special regime provided for in Chapter VII of Title VII of the Spanish Corporation Tax Act (LIS) on 3 June 2019.

On 9 August 2019, the Company carried out the merger by absorption of the companies Danieltown Spain, S.L.U., Moorage Inversiones 2014, S.L.U., Almacenes Generales Internacionales, S.A.U., Soller, S.A.U. and Axiare Investments, S.L.U. under the special regime provided for in Chapter VII of Title VII of the LIS on 16 September 2019.

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

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

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

Inmobiliaria Colonial, SOCIMI, S.A. has been listed on the Spanish electronic trading system and Stock Exchange since 19 June 2017, when it was included on the benchmark stock market index, the IBEX-35.

In 2023, the Company maintains the credit rating obtained from Standard & Poor's Rating Credit Market Services Europe Limited at "BBB+" long-term credit rating and an "A-2" short-term credit rating, both with a stable outlook. In addition, the Parent obtained a "Baa2" credit rating with a positive outlook from Moody's.

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

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

The Company's financial statements and the consolidated financial statements for 2022 were approved by the general shareholders' meeting of Inmobiliaria Colonial, SOCIMI, S.A. held on 15 June 2023, without modifications, and filed with the Commercial Registry of Madrid.

2. Basis of presentation of the financial statements

a) Regulatory financial reporting framework applicable to the Company

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

- The Spanish Code of Commerce and other commercial and corporate legislation.
- General Accounting Plan (PGC) approved by Royal Decree 1514/2007 together with Royal Decrees 1159/2010 and 602/2016 amending certain aspects of the GAAP and its sectorial adaptations and, in particular, the sectorial adaptation of the general accounting plan for real estate companies approved by the order of 28 December 1994, as well as the provisions approved by the National Securities Market Commission, together with Royal Decree 1/2021, of 12 January, amending the conceptual framework and in particular section 6 point 2 relating to valuation rules and specifically to the definition of fair value and the 9th registration and valuation rules relating to financial instruments and income recognition.
- The mandatory rules approved by the Institute of Accounting and Auditing in the implementation of the chart of accounts and its supplementary rules, the Securities Market Law and other regulations issued by the National Securities Market Commission.
- All other applicable Spanish accounting legislation.

b) True and fair view

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

c) Non-mandatory accounting principles applied

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

d) Critical issues regarding the measurement and estimation of uncertainty

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

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

The market value of property for own use and investment property has been obtained from the valuations carried out periodically by independent experts. These valuations were performed at 31 December 2023 and 2022 in accordance with the methods described in Notes 4-b and 4-c.

- The useful life of the property for own use and of the investment property (Notes 4-b and 4-c).
- The classification, valuation and impairment of certain financial assets, including derivative financial instruments and equity instruments (Notes 4-e, 9, 10 and 12).
- Measurement of deferred tax liabilities recognised in the balance sheet (Notes 4-m and 18).
- The valuation of the non-current assets held for sale (Note 4-f and 13).

In 2023, the Company revised the estimated useful lives of certain items classified under the balance sheet heading "Investment property" based on internal analysis by the technical teams, concluding that there is sound technical evidence and sufficient sustainability objectives to extend the useful lives estimated to date. The new useful lives have led to a reduction in depreciation charges of around 23 million euros compared to the theoretical depreciation that would have occurred considering the useful lives of previous years.

Although these estimates were made on the basis of the best available information at year-end 2023, events that take place in the future might make it necessary to modify these amounts (upwards or downwards) in coming years, which would mean prospectively recognising the effects of said changes in the corresponding income statement.

e) 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.

f) Aggregation of items

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

g) Correction of errors

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

h) 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 Company's business and performance, as well as the main accounting impacts on the financial statements.

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

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

The main effects on the financial statements linked to climate change 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:

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

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

- A positive impact on the valuation of the Company's properties that have been recognised as environmentally friendly (as evidenced by the certifications obtained).
- An increase in the investment and operating costs of property to anticipate regulatory developments and adapt to changes in customer demand for more sustainable spaces. These include, for example, the installation of LED technology in lighting systems, the selection and implementation of more efficient air-conditioning systems and the digitisation of buildings to optimise energy consumption.

- Various expenses, such as the costs of environmental certification of properties, costs linked to the publication of ESG data, and elements of remuneration of certain employees or directors linked to the achievement of ESG objectives.
- Increased green energy procurement costs. Green energy certificates of origin have experienced a large increase in demand, making the purchase price of such certificates more expensive.
- Increased cost of materials due to the use of new, more sustainable materials with a lower impact on the carbon footprint.

Other potential impacts on the accounts

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

- Risks associated with financial instruments: At the closing date of these financial statements, all of the Company's bonds are classified as green bonds, amounting to 2,882 million euros (2,812 thousand euros in 2022).
- In addition, the Company had 3.5% of its outstanding financial liabilities indexed to ESG indicators (5.9% as at 31 December 2022), the interest rates of which could vary depending on the change in these indicators. During 2023, the Company 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: the investments made by the Company have enabled it to be in line with the regulations in force regarding climate change. As a result, the Company has not received any sanctions for non-compliance with these regulations. The Company has also implemented a monitoring system to anticipate regulatory developments in this area and to take the necessary actions to ensure compliance. As at 31 December 2023, no provision has been recorded for penalties for non-compliance with current environmental regulations.
- The depreciation of assets or the re-estimation of the useful lives and residual values of fixed assets: The Company's assets are mainly recorded at acquisition cost. In 2023, the Company has revised the estimated useful lives of its assets, resulting in useful lives that are longer than those previously considered as a result of the investments and maintenance carried out by the Company on its assets (Note 2-d).

i) Functional currency

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

3. Distribution of result

The proposal for the application of the profit for the 2023 financial year formulated by the board of directors of the 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 dividends 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 and the remaining amount will be allocated to reserves.

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 Company has distributed the following dividends:

Thousands of Euros	2018	2019	2020	2021	2022
Dividends distributed	101,567	101,549	111,087	127,533	132,872

4. Accounting policies and measurement bases

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

a) *Intangible assets*

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

Goodwill -

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

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

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

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

Goodwill impairment losses are not reversed in subsequent periods.

Computer software -

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

b) *Property, plant and equipment*

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

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

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

The Company depreciates its property, plant and equipment for own use and other items using the straight-line method, and distributes assets' costs throughout the estimated useful life (see note 2-d), as follows:

	Years of estimated useful life	
	2023	2022
Property for own use		
Buildings	50-100	50
Facilities	10-20	10-15
Other tangible fixed assets	10-20	4-10

Impairment of plant, property and equipment -

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

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

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

c) Investment property

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

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

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

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

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

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

The Company depreciates its investment property using the straight-line method, and distributes assets' costs throughout the estimated useful life (see note 2-d), as follows:

	Years of estimated useful life	
	2023	2022
Properties		
Buildings	50-100	50
Facilities	10-20	10-15
Other tangible fixed assets	10-20	4-10

The Company periodically compares the carrying amount of the various investment property items with the market value obtained through independent expert appraisals for each item, and the appropriate provisions are made for impairment of investment property when the market value of an item is lower than its carrying amount. The market value is determined half-yearly, i.e. at 30 June and 31 December of each year, taking as reference values the valuations performed by independent third-party experts (Cushman & Wakfield and CB Richard Ellis Valuation in Spain for 2023 and 2022), carried out in accordance with the valuation and appraisal standards published by the Royal Institute of Chartered Surveyors (RICS) of Great Britain, and in accordance with the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC), so that at the end of each period the market value reflects the market conditions of the elements of the investment property at that date. The valuation reports prepared by independent experts contain only the standard warnings and/or disclaimers concerning the scope of the findings of the appraisals carried out, referring basically to the comprehensiveness and accuracy of the information provided by the Company.

The Discounted Cash Flow (hereinafter, "DCF") method was primarily used to determine the market value of the Company's investment property in 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 for the determination of fair value, are not considered to be key and, therefore, no quantitative information is included, nor is their sensitivity measured.

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

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

<i>Weighted Yields (%) - Offices</i>	Gross	
	31 December 2023	31 December 2022
Barcelona – Prime Yield		
Operating portfolio	4.97	4.44
Total portfolio	5.02	4.44
Madrid – Prime Yield		
Operating portfolio	4.74	4.26
Total portfolio	4.61	4.21

Assumptions made at 31 December 2023					
<i>Rent increases (%) – Offices</i>	1	2	3	4	Year 5 and thereafter
Barcelona –					
Operating portfolio	0.50	1.80	2.50	2.50	2.50
Total portfolio	0.50	1.80	2.50	2.50	2.50
Madrid –					
Operating portfolio	1.30	2.00	2.50	2.50	2.50
Total portfolio	1.30	2.00	2.50	2.50	2.50

Assumptions made at 31 December 2022					
<i>Rent increases (%) – Offices</i>	1	2	3	4	Year 5 and thereafter
Barcelona –					
Operating portfolio	2.00	2.75	2.50	2.50	2.50
Total portfolio	2.00	2.75	2.50	2.50	2.50
Madrid –					
Operating portfolio	2.00	3.00	2.50	2.50	2.50
Total portfolio	2.00	3.00	2.50	2.50	2.50

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

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

Sensitivity of asset impairments to quarter-point changes in the rates of return taken into account in the valuations	Thousands of Euros				
	Measurement	Decrease of one quarter of a point	Increase of one quarter of a point	Reversal	Impairment
December 2023	4,004,167	4,201,607	3,824,958	23,144	(24,852)
December 2022	4,602,760	4,816,605	4,420,952	21,503	(23,156)

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

The rental income earned in 2023 and 2022 from the lease of these investment properties amounted to approximately 140,167 thousand euros and 149,954 thousand euros, respectively, and is recognised under "Revenue" in the income statement (Note 19-a).

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

d) Leases

Finance lease -

Leases are classified as finance leases whenever their terms imply that substantially all the risks and rewards incidental to ownership of the leased asset have been transferred to the lessee. Other leases are classified as operating leases. At 31 December 2023 and 2022, all of the Company's leases qualified as operating leases.

Operating lease -

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

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

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

e) Financial instruments

Financial assets -

Financial assets at amortised cost -

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

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

This category includes trade receivables and non-trade receivables:

- a) Trade receivables: are those financial assets arising from the sale of goods and the rendering of services in connection with the company's business operations with deferred payment; and
- b) Non-trade receivables: are those financial assets, other than equity instruments and derivatives, that are not of commercial origin and whose proceeds are of a fixed or determinable amount, arising from loans or credit operations granted by the company.

Initial measurement

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

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

Subsequent measurement

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

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

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

Impairment

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

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

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

Financial assets at fair value through the income statement

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

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

Initial measurement

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

Subsequent measurement

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

Financial assets at cost -

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

- a) Equity investments in Group companies, associates and jointly controlled entities.
- b) Other investments in equity instruments whose fair value cannot be determined by reference to a quoted price in an active market for an identical instrument, or cannot be reliably estimated, and derivatives underlying such investments.
- c) Hybrid financial assets whose fair value cannot be reliably estimated, unless they qualify for recognition at amortised cost.
- d) Contributions made as a result of a joint account agreement and similar agreements.
- e) Participating loans where the interest is contingent either because a fixed or variable interest rate is agreed upon the achievement of a milestone in the borrowing undertaking (e.g. the achievement of profits) or because it is calculated solely by reference to the performance of the borrowing undertaking's business.
- f) Any other financial asset that is initially classified in the fair value through profit or loss portfolio when it is not possible to obtain a reliable estimate of its fair value.

Initial measurement

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

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

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

Subsequent measurement

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

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

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

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

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

Impairment

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

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

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

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

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

- a) In the case of previous valuation adjustments for increases in value, impairment losses shall be recognised in equity against the equity item reflecting the previously made valuation adjustments up to the amount of those adjustments, and the excess, if any, shall be recognised in the income statement. The impairment loss recognised directly in equity is not reversed.
- b) In the case of previous valuation adjustments due to write-downs, when the recoverable amount subsequently exceeds the carrying amount of the investments, the carrying amount of the investments is increased, up to the limit of the write-down, against the item reflecting the previous valuation adjustments and thereafter the new amount is treated as the cost of the investment. However, when there is objective evidence of impairment in the value of the investment, accumulated losses are recognised directly in equity in the profit and loss account.

Financial liabilities -

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

Financial liabilities at amortised cost -

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

- a) Trade payables: financial liabilities arising from the purchase of goods and services in connection with the company's business operations with deferred payment; and
- b) Non-trade payables: financial liabilities which, not being derivative instruments, do not have a commercial origin, but arise from loan or credit operations received by the company.

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

Initial measurement

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

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

Subsequent measurement

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

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

Financial liabilities at fair value through the income statement -

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

- a) Liabilities held for trading.
- b) Those irrevocably designated from initial recognition to be carried at fair value through the income statement, because:
 - An accounting inconsistency or "accounting mismatch" with other instruments at fair value through profit or loss is eliminated or significantly reduced; or
 - A group of financial liabilities or financial assets and liabilities is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy and group information is also provided on a fair value basis to key management personnel.
- c) Non-severable hybrid financial liabilities included on an optional and irrevocable basis.

Initial and subsequent measurement

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

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

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

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

Own equity instruments (Note 14) -

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

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

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

Derivative financial instruments (Note 12) -

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

- Derivative financial instruments that meet the criteria for hedge accounting are initially recognised at fair value plus, where applicable, transaction costs that are directly attributable to the contracting of the instruments or less, where applicable, transaction costs that are directly attributable to the issue of the instruments. However, transaction costs are subsequently recognised in profit or loss, to the extent that they do not form part of the actual change in the hedge.
- Treatment of financial instruments that are not allocated to a specific liability and do not qualify for hedge accounting: gains or losses arising from the restatement at fair value of these financial instruments are recognised directly in profit and loss.

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

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

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

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

The Company's directors have considered the credit risk in the measurement of the derivatives portfolios, with no significant impact seen as at 31 December 2023 and 2022.

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

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

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

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

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

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

g) Statement of cash flows (indirect method)

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

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

h) Cash and cash equivalents

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

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

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

i) Current/non-current

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

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

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

j) Provisions and contingent liabilities

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

- Provisions: creditor balances covering present obligations arising from past events with respect to which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, which is uncertain as to its amount and/or timing;
- Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Company.

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

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

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

k) Employee benefits

Termination benefits -

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

Pension obligations -

In 2023 and 2022 the Company assumed a commitment with executive directors and one member of senior management to make a defined contribution to an external pension plan that meets the requirements established by Royal Decree 1588/1999, of 15 October.

Share-based payments (Note 21-d) -

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

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

l) Grants received

Refundable grants are recorded as liabilities until they qualify as non-refundable, while non-refundable grants are recorded as income recognised directly in equity and recognised as income on a systematic and rational basis in a manner correlated to the expenditure derived from the grant.

For these purposes, a grant is considered non-repayable when there is an individual grant agreement, all grant conditions have been fulfilled and there is no reasonable doubt that the grant will be recovered.

Non-refundable grants related to the acquisition of investment property are recognised as income for the year in proportion to the depreciation of the related assets or, where applicable, upon disposal, impairment or derecognition.

m) Corporate income tax (Note 18)

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

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

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

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

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

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

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

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

REIT regime -

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

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

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

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

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

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

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

The term will be calculated:

- For properties that are included in the REIT's assets before the company avails itself of the regime, from the beginning of the first tax period in which the special tax regime set forth in this Law is applied, provided that the property is leased or offered for lease at that date.
- For properties developed or acquired subsequently by the REIT, from the date on which they were leased or made available for lease for the first time.
- In the case of shares or investments in entities referred to in Article 2.1 of this Law, they should be retained on the asset side of the REIT's balance sheet for at least three years following their acquisition or, where applicable, from the beginning of the first tax period in which the special tax regime set forth in this Law is applied.

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

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

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

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

n) Income and expense

General criterion -

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

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

Property leases -

Leases are classified as finance leases whenever their terms imply that substantially all the risks and rewards incidental to ownership of the leased asset have been transferred to the lessee. Other leases are classified as operating leases. At 31 December 2023 and 2022, all of the Company's leases qualified as operating leases (Note 4-d).

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

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

Specific lease terms and conditions: lease incentives -

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

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

Interest and dividends received -

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

In line with that included in enquiry no. 79 of the Spanish Accounting and Audit Institute Official Gazette (BOICAC) and the ICAC ruling for revenue recognition of 10 February 2021, regarding the recognition of certain income (dividends, income from loans to related parties, etc.) for companies whose corporate purpose is the holding of financial assets, the Company recognised dividend income from holdings in controlling companies as an addition to "Revenue" in the income statement (Notes 19 and 20).

o) Related-party transactions (Note 20)

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

p) Costs passed on to lessees

The bulk of repair and maintenance expenses incurred by the Company in connection with the operation of its investment properties is passed on to the respective lessees. The Company does not consider as income the costs passed on to the lessees of its investment property, which are presented as a reduction of the corresponding costs in profit and loss. In 2023 and 2022, a total of 31,970 thousand euros and 33,653 thousand euros, respectively, were invoiced in this regard.

Direct operating expenses associated with rented investment property net of costs passed on that generated lease income during 2023 and 2022, included under "Profit from operations" in the income statement, amounted to 12,276 thousand euros and 18,003 thousand euros, respectively. Expenses incurred in connection with investment properties that did not generate rental income were not material.

q) Business combinations

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

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

5. Intangible assets

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

	Thousands of Euros			Total
	Goodwill	Intellectual property	Computer software	
Balance at 31 December 2021	53,050	236	2,141	55,427
<i>Acquisition cost</i>	<i>113,258</i>	<i>492</i>	<i>8,268</i>	<i>122,018</i>
<i>Accumulated depreciation and amortisation</i>	<i>(60,208)</i>	<i>(256)</i>	<i>(6,127)</i>	<i>(66,591)</i>
Additions	--	--	1,627	1,627
Depreciation charge	(8,721)	(56)	(1,292)	(10,069)
Disposals (Note 19-e)	--	--	(1,668)	(1,668)
Write-offs (Note 19-e)	--	--	1,668	1,668
Balance at 31 December 2022	44,329	180	2,476	46,985
<i>Acquisition cost</i>	<i>113,258</i>	<i>492</i>	<i>8,227</i>	<i>121,977</i>
<i>Accumulated depreciation and amortisation</i>	<i>(68,929)</i>	<i>(312)</i>	<i>(5,751)</i>	<i>(74,992)</i>
Additions	--	--	2,425	2,425
Depreciation charge	(8,720)	(56)	(1,522)	(10,298)
Disposals (Note 19-e)	--	--	(624)	(624)
Write-offs (Note 19-e)	--	--	624	624
Balance at 31 December 2023	35,609	124	3,379	39,112
<i>Acquisition cost</i>	<i>113,258</i>	<i>492</i>	<i>10,028</i>	<i>123,778</i>
<i>Accumulated depreciation and amortisation</i>	<i>(77,649)</i>	<i>(368)</i>	<i>(6,649)</i>	<i>(84,666)</i>

At year-end 2023 and 2022 the Company has fully depreciated intangible assets still in use amounting to 4,113 thousand euros and 4,738 thousand euros, respectively.

6. Property, plant and equipment

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

	Thousands of Euros		Total
	Land and buildings	Plant and other items of property, plant and equipment	
Balance at 31 December 2021	17,218	4,110	21,328
<i>Acquisition cost</i>	<i>19,680</i>	<i>8,939</i>	<i>28,619</i>
<i>Accumulated depreciation and amortisation</i>	<i>(1,719)</i>	<i>(4,829)</i>	<i>(6,548)</i>
<i>Accumulated impairment</i>	<i>(743)</i>	--	<i>(743)</i>
Additions	1	310	311
Depreciation charge	(58)	(637)	(695)
Disposals (Note 19-e)	--	(718)	(718)
Write-offs (Note 19-e)	--	718	718
Impairment (Note 19-d)	743	--	743
Balance at 31 December 2022	17,904	3,783	21,687
<i>Acquisition cost</i>	<i>19,681</i>	<i>8,531</i>	<i>28,212</i>
<i>Accumulated depreciation and amortisation</i>	<i>(1,777)</i>	<i>(4,748)</i>	<i>(6,525)</i>
Additions	--	568	568
Depreciation charge	(31)	(450)	(481)
Disposals (Note 19-e)	--	(135)	(135)
Write-offs (Note 19-e)	--	113	113
Balance at 31 December 2023	17,873	3,879	21,752
<i>Acquisition cost</i>	<i>19,681</i>	<i>8,964</i>	<i>28,645</i>
<i>Accumulated depreciation and amortisation</i>	<i>(1,808)</i>	<i>(5,085)</i>	<i>(6,893)</i>

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

From the valuations of the Company's assets carried out by an independent expert at 31 December 2023 and 2022 (Note 4-b), in 2022 it was necessary to reverse an impairment of the value of property for own use amounting to 743 thousand euros, which was recorded under "Impairment and gains/losses on disposal of fixed assets - Impairment and losses" in the income statement (Note 19-d).

In addition, the Company recorded the derecognition of certain assets included under "Property, plant and equipment", which had an impact on "Impairment and gains/losses on disposal of fixed assets - Gains/losses on disposals and other" in the income statement (note 19-e) amounting to 22 thousand euros (0 thousand euros in 2022).

At year-end 2023 and 2022 the net book value of the Company's land amounts to 16,876 thousand euros.

At year-end 2023 and 2022 the Company has fully depreciated tangible assets still in use amounting to 2,256 thousand euros and 2,353 thousand euros, respectively.

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

Company policy is to arrange insurance policies to cover any risks to which its property, plant and equipment may be exposed. At 31 December 2023 and 2022, these elements were fully insured.

7. **Investment property**

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

	Thousands of Euros			Total
	Land	Constructions and installations	Real estate investments in progress and advances	
Balance at 31 December 2021	1,731,450	1,096,985	504,272	3,332,707
<i>Acquisition cost</i>	<i>1,812,765</i>	<i>1,610,839</i>	<i>506,642</i>	<i>3,930,246</i>
<i>Accumulated depreciation and amortisation</i>	<i>--</i>	<i>(513,854)</i>	<i>(2,370)</i>	<i>(516,224)</i>
<i>Accumulated impairment</i>	<i>(81,315)</i>	<i>--</i>	<i>--</i>	<i>(81,315)</i>
Additions	36	38,297	52,611	90,944
Depreciation charge	--	(60,411)	--	(60,411)
Disposals (Note 19-e)	(14,175)	(19,796)	--	(33,971)
Write-offs (Note 19-e)	--	3,678	--	3,678
Impairment write-offs (Notes 19-d and 19-e)	4,323	--	--	4,323
Transfers (Note 13)	(67,844)	(74,772)	(258,522)	(401,138)
Transfers of depreciation (Note 13)	--	66,567	1,513	68,080
Depreciation transfer (Notes 13 and 19-d)	23,113	--	--	23,113
Application of impairment (Note 19-d)	6,176	--	--	6,176
Impairment (Note 19-d)	(48,883)	--	--	(48,883)
Balance at 31 December 2022	1,634,196	1,050,548	299,874	2,984,618
<i>Acquisition cost</i>	<i>1,730,782</i>	<i>1,554,568</i>	<i>300,731</i>	<i>3,586,081</i>
<i>Accumulated depreciation and amortisation</i>	<i>--</i>	<i>(504,020)</i>	<i>(857)</i>	<i>(504,877)</i>
<i>Accumulated impairment</i>	<i>(96,586)</i>	<i>--</i>	<i>--</i>	<i>(96,586)</i>
Additions	--	34,232	98,947	133,179
Depreciation charge	--	(33,046)	--	(33,046)
Disposals (Note 19-e)	(18,568)	(22,278)	--	(40,846)
Write-offs (Note 19-e)	--	5,241	--	5,241
Impairment write-offs (Notes 19-d and 19-e)	2,356	--	--	2,356
Transfers (Note 13)	(50,072)	(52,119)	(52,710)	(154,901)
Transfers of depreciation (Note 13)	--	3,366	--	3,366
Depreciation transfer (Notes 13 and 19-d)	17,253	--	--	17,253
Application of impairment (Note 19-d)	10,996	--	--	10,996
Impairment (Note 19-d)	(96,455)	--	--	(96,455)
Balance at 31 December 2023	1,499,706	985,944	346,111	2,831,761
<i>Acquisition cost</i>	<i>1,662,142</i>	<i>1,514,403</i>	<i>346,968</i>	<i>3,523,513</i>
<i>Accumulated depreciation and amortisation</i>	<i>--</i>	<i>(528,459)</i>	<i>(857)</i>	<i>(529,316)</i>
<i>Accumulated impairment</i>	<i>(162,436)</i>	<i>--</i>	<i>--</i>	<i>(162,436)</i>

a) Movements in 2023 -

The additions for 2023 correspond to investments in real estate assets, both in development and in operation, amounting to 133,179 thousand euros, including 5,665 thousand euros of financial costs (Note 19-f), associated with various investment and refurbishment projects in its properties.

During 2023, an office building and two floors of office space were disposed of for a total sale proceeds of 38,874 thousand euros, resulting in a gain of 4,657 thousand euros, including indirect costs of sale. In addition, write-offs due to the replacement of certain items of investment property amounting to 3 thousand euros were recorded.

In addition, in 2023, one office plant and two properties were reclassified from "Investment property" to "Non-current assets held for sale" in the balance sheet and one property was transferred from "Non-current assets held for sale" to "Investment property", for a total net amount of 134,282 thousand euros (Note 13).

b) Movements in 2022 -

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

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

In addition, in 2022, a total of seven properties were reclassified from "Investment property" to "Non-current assets held for sale" in the balance sheet for a total amount of 309,945 thousand euros (Note 13).

c) Impairment -

The valuations obtained on the Company's assets by independent experts at 31 December 2023 have revealed the need to recognise a net impairment charge for investment property amounting to 85,459 thousand euros (42,707 thousand euros at 31 December 2022). These results were recorded in "Impairment and gains/(losses) on disposals of property, plant and equipment - Impairment and losses" of profit and loss (Note 19-d).

d) Other information -

The total surface area by location (above and under-ground) of investment property and projects in use and in progress at 31 December 2023 and 2022 is as follows:

Location	Total surface area (m ²)					
	Investment property in operation		Investment property under development		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	9,930	390,035	366,678
Madrid	531,695	553,118	166,523	157,996	698,218	711,114
	870,281	909,866	217,972	167,926	1,088,253	1,077,792

At year-end 2023 and 2022, the Company had fully depreciated investment property still in use amounting to 210,827 thousand euros and 269,286 thousand euros, respectively.

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

Company policy is to arrange insurance policies to cover any risks to which its investment property may be exposed. At 31 December 2023 and 2022, these elements were fully insured.

8. Operating leases as lessor

At year-end 2023 and 2022, the Company had contracted with tenants the following minimum irrevocable lease payments under the leases currently in force, without taking into account the impact of common expenses, future increases in the CPI or future contractual lease payment revisions:

	Thousands of Euros	
	Nominal Value	
	31 December 2023	31 December 2022
Minimum operating lease payments		
Less than one year	128,086	132,192
Between one and five years	240,336	220,234
More than five years	31,212	40,323
Total	399,634	392,749

9. Financial instruments

a) *Analysis by categories*

The carrying amount of each of the categories of financial instruments established in the "Financial instruments" recognition and measurement standard (Note 4-e), except for investments in the equity of Group companies, jointly controlled entities and associates (Note 10), is as follows:

Long and short term financial assets -

	Thousands of Euros					
	Equity instruments		Loans, derivatives and others		Total	
	2023	2022	2023	2022	2023	2022
Financial assets at amortised cost (Note 11-a)	--	--	37,718	16,766	37,718	16,766
Assets at fair value through profit or loss (Note 11-b):	3,524	2,760	19,362	23,473	22,886	26,233
Hedging derivatives (Note 12)	--	--	1,958	260,339	1,958	260,339
Long term	3,524	2,760	59,038	300,578	62,562	303,338
Financial assets at amortised cost (Note 11-a)	--	--	427,137	75,290	427,137	75,290
Financial assets at cost	679	9	--	--	679	9
Short term	679	9	427,137	75,290	427,816	75,299
Financial assets	4,203	2,769	486,175	375,868	490,378	378,637

Long and short term financial liabilities -

	Thousands of Euros							
	Long term financial liabilities							
	Bank borrowings		Bonds and other marketable securities		Derivatives	Others	Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Financial liabilities at amortised cost (Note 16)	101,763	95,450	2,678,495	2,798,530	--	--	2,780,258	2,893,980
Liabilities at fair value through profit or loss:	--	--	--	--	28,771	33,380	28,771	33,380
Hedging derivatives (Note 12)	--	--	--	--	2,053	--	2,053	--
Long Term	101,763	95,450	2,678,495	2,798,530	30,824	33,380	2,811,082	2,927,360
Financial liabilities at amortised cost (Note 16)	218	75,730	197,566	11,524	293	137	198,077	87,391
Financial liabilities at cost	--	--	--	--	82,294	58,206	82,294	58,206
Hedging derivatives (Note 12)	--	--	--	--	5,067	--	5,067	--
Short Term	218	75,730	197,566	11,524	87,654	58,343	285,438	145,597
Financial Liabilities -	101,981	171,180	2,876,061	2,810,054	118,478	91,723	3,096,520	3,072,957

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

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

The breakdown by subsidiary at 31 December 2023 and 2022 is as follows:

	Thousands of Euros				
	31 December 2021	Additions	31 December 2022	Additions	31 December 2023
	Cost:				
Société Foncière Lyonnaise, S.A.	2,627,072	--	2,627,072	1,489	2,628,561
Colonial Tramit, S.L.U.	23	--	23	--	23
Inmocol Torre Europa, S.A.	12,080	--	12,080	--	12,080
Peñalvento, S.L.U.	20,755	--	20,755	--	20,755
Utopicus Innovación Cultural, S.L.U.	28,733	23,000	51,733	--	51,733
Wittywood, S.L.U.	4,647	5,000	9,647	(9)	9,638
Inmocol One, S.A.U.	60	--	60	--	60
Inmocol Two, S.L.U.	13	--	13	--	13
Colonial Lab, S.L.U.	13	--	13	--	13
Total cost	2,693,396	28,000	2,721,396	1,480	2,722,876
Impairment:					
Colonial Tramit, S.L.U.	(17)	1	(16)	(2)	(18)
Inmocol Torre Europa, S.A.	(357)	357	--	--	--
Utopicus Innovación Cultural, S.L.U.	(24,128)	(7,532)	(31,660)	(2,717)	(34,377)
Wittywood, S.L.U.	--	(655)	(655)	(163)	(818)
Inmocol One, S.A.U.	(3)	--	(3)	(2)	(5)
Inmocol Two, S.L.U.	(3)	--	(3)	(1)	(4)
Colonial Lab, S.L.U.	(3)	--	(3)	(1)	(4)
Total impairment	(24,511)	(7,829)	(32,340)	(2,886)	(35,226)
Net total	2,668,885	20,171	2,689,056	(1,406)	2,687,650

Movements in 2023 -

During October and November 2023, the Company acquired 20,350 shares in the subsidiary Société Foncière Lyonnaise, S.A. from minority shareholders. The acquisition cost totalled 1,489 thousand euros.

Movements in 2022 -

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

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

Impairment -

In 2023 and 2022, no impairment of the financial interest in SFL was recognised (Note 4-e). The price of SFL shares at the close of 2023 and 2022 was 67.00 and 84.40 euros per share, respectively.

Other information -

On 3 October 2018, the Company signed a purchase agreement, subject to conditions precedent, for 100% of the shares in Peñalvento. The contract provides for the sale and purchase to be completed during 2024, provided that the conditions precedent have been fulfilled. As at 31 December 2023 and 2022, the Company received a total of 28,287 thousand euros on account of the price of the shares, which is recognised under "Customer advances" in the balance sheet.

b) Non-current loans to group companies and associates

The heading "Loans to Group companies" at 31 December 2023 consists of the loan granted by the Company to the subsidiary Wittywood, S.L., plus accrued interest, for a total amount of 3,913 thousand euros (3,340 thousand euros at 31 December 2022).

11. **Financial assets**

a) **Financial assets at amortised cost -**

Details of “Financial assets at amortised cost” are as follows:

	Thousands of Euros	
	31 December 2023	31 December 2022
Non-current investments in group companies and associates		
Loans to group companies (Note 20)	3,913	3,340
Non-current financial investments		
Non-current other receivables	33,805	13,426
Non-Current	37,718	16,766
Non-current investments in group companies and associates		
Loans to group companies (Note 20)	418,269	62,365
Trade and other receivables		
Trade receivables for sales and services	2,147	4,013
Receivables from related parties (Note 20)	218	61
Current other receivables	6,318	8,672
Other	185	179
Current financial investments		
Other financial assets	670	--
Current	427,807	75,290

Other receivables –

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

	Thousands of Euros	
	31 December 2023	31 December 2022
Cost:		
Nozar, S.A.	--	817
Inmo Criteria Patrimonio, S.L.	21,181	--
Lease incentives (Note 4-n)	12,624	13,426
Total cost	33,805	14,243
Impairment:		
Nozar, S.A.	--	(817)
Total impairment	--	(817)
Total non-current other receivables	33,805	13,426
Cost:		
Nozar, S.A.	915	867
Lease incentives (Note 4-n)	6,082	7,822
Other	236	849
Total cost	7,233	9,538
Impairment:		
Nozar, S.A.	(915)	(866)
Other	--	--
Total impairment	(915)	(866)
Total current other receivables	6,318	8,672

In 2023, a collection right was recognised with Inmo Criteria Patrimonio, S.L. for a deferred payment of 18 months for a total amount of 22,000 thousand euros as a result of the sale price of a non-current asset held for sale, which is duly guaranteed. (see note 13).

Lease incentives -

In 2023, 637 thousand euros were transferred to “Non-current assets held for sale” (921 thousand euros in 2022) (Note 13).

b) Financial investments at fair value -

Details of “Financial investments at fair value” are as follows:

	Thousands of euros	
	31 December 2023	31 December 2022
Non-current financial investments		
Deposits and guarantees	19,362	23,472
Other financial assets	3,524	2,760
Non-Current	22,886	26,232

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

12. Derivative financial instruments

The derivative financial instruments held by the Company at 31 December 2023 and 2022 are as follows:

31 December 2023

	Interest rate	Early settlement	Maturity	Thousands of Euros		
				Nominal	Fair value of assets	Fair value of liabilities
Swap interest rate	2.46%	2024	2029	173,000	--	(1,730)
Swap interest rate	2.46%	2024	2029	165,700	--	(1,666)
Swap interest rate	2.45%	2024	2029	168,050	--	(1,671)
Swap interest rate	2.28%	2025	2030	747,500	--	(1,818)
Swap interest rate	2.45%	2027	2032	173,500	278	--
Swap interest rate	2.42%	2027	2032	173,300	408	--
Swap interest rate	2.48%	2028	2033	213,500	423	--
Swap interest rate	2.47%	2028	2033	213,350	522	--
Swap interest rate	2.64%	2028	2033	102,750	--	(235)
Swap interest rate	2.50%	2028	2033	101,470	327	--
Total				2,232,120	1,958	(7,120)

31 December 2022

	Interest rate	Early settlement	Maturity	Thousands of Euros	
				Nominal	Fair value of assets
Swap interest rate	0.35%	2023	2033	25,000	5,842
Swap interest rate	0.35%	2023	2033	150,000	35,010
Swap interest rate	0.57%	2024	2029	173,000	18,510
Swap interest rate	0.57%	2024	2029	165,700	17,752
Swap interest rate	0.57%	2024	2029	168,050	17,979
Swap interest rate	0.62%	2025	2030	747,500	76,868
Swap interest rate	0.71%	2027	2032	173,500	16,035
Swap interest rate	0.70%	2027	2032	173,300	16,059
Swap interest rate	0.76%	2028	2033	213,500	19,140
Swap interest rate	0.76%	2028	2033	213,350	19,188
Swap interest rate	0.80%	2028	2033	102,750	8,982
Swap interest rate	0.79%	2028	2033	101,470	8,974
Total				2,407,120	260,339

During the second half of the 2023 financial year, the Company cancelled forward starting hedging instruments for a nominal amount of 2,232,120 thousand euros. The Parent applied hedge accounting to these instruments based on forecasted future debt issuance transactions. As the forecast transactions remain probable, the Company has retained in equity the amount recorded for the change in market value of these hedges up to the time of cancellation. 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 Company 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 Company has contracted new derivatives with a notional amount of 2,232,120 thousand euros of 5 years.

During the second half of 2022, the Company has cancelled forward starting hedging instruments for a nominal amount of 1,337,500 thousand euros, maturing in 2034 and 2035 (and initial terms of 7 and 10 years). The Parent applied hedge accounting to these instruments based on forecasted future debt issuance transactions. As the forecast transactions remain probable, the Company has retained in equity the amount recorded for the change in market value of these hedges up to the time of cancellation (185,752 thousand euros). This amount will be reclassified to the consolidated income statement as of the date on which the initially hedged debt issues were planned. These cancellations resulted in a cost recorded in the income statement amounting to 1,992 thousand euros. In parallel, the Company has contracted new derivatives with a notional amount of 2,232,120 thousand euros and maturing in 2029, 2030, 2032 and 2033 (all with a term of 5 years).

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

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

Sensitivity of valuations to a change of one quarter of a point in rates of return	Thousands of Euros		
	Fair value	Decrease of one quarter of a point	Increase of one quarter of a point
31 December 2023	(5,162)	(25,332)	24,716
31 December 2022	260,339	(20,375)	25,768

13. Non-current assets held for sale

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

	Thousands of Euros	
	31 December 2023	31 December 2022
Beginning balance	287,352	--
Additions	1	--
Disposals	(296,278)	(25,615)
Impairment (Note 19-d)	(5,148)	2,101
Transfers	134,919	310,866
Ending balance	120,846	287,352

Movements in 2023 -

In 2023, the Company transferred from the balance sheet heading "Investment property" an office plant and two properties for a net book value of 165,053 thousand euros (Note 7) and 637 thousand euros from "Trade and other receivables" corresponding to the accrual of lease incentives.

In addition, in 2023, the Company transferred from "Non-current assets held for sale" to "Investment property" in the balance sheet a property with a net book value of 30,771 thousand euros, as the planned sale transaction has been cancelled.

The Company disposed of three properties for a total sale price of 406,490 thousand euros, resulting in a gain of 99,940 thousand euros, including indirect costs of sale.

Movements in 2022 -

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

The Company disposed of one property for a total sale price of 25,000 thousand euros, resulting in a gain of 838 thousand euros, including indirect costs of sale.

Impairment -

The valuations obtained on the Company's assets by independent experts at 31 December 2023 revealed the need to recognise a net impairment charge of 5,148 thousand euros (a net reversal of 2,101 thousand euros at 31 December 2022). This movement recorded under "Impairment and gains/losses on disposal of fixed assets - Impairment and losses" in the income statement (Note 19-d).

Other information -

At 31 December 2022, one of the properties transferred from "Investment property" (Note 7) had an associated mortgage debt, which was transferred to "Liabilities linked to available-for-sale non-current assets" for an amount of 75,462 thousand euros.

14. Equity

a) *Share capital*

At 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 Company for 2023, shareholders owning significant stakes in the Company's share capital, both direct and indirect, as at 31 December 2023 and 2022, are as follows:

	31 December 2023		31 December 2022	
	Number of shares*	% ownership	Number of shares*	% ownership
Share capital				
Qatar Investment Authority (**)	102,675,757	19.03%	102,675,757	19.03%
Fernández González, Carlos	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%	--	0.00%
Credit Agricole, S.A.	22,494,701	4.17%	22,494,701	4.17%
BlackRock Inc.	16,182,616	3.02%	15,956,812	2.96%

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

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

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

The Company has no knowledge of other significant equity interests.

The 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.

b) *Share premium*

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

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.

As at 31 December 2023 the share premium amounts to 1,463,600 thousand euros (1,491,773 thousand euros as at 31 December 2022).

c) Reserves

Legal reserve -

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

At 31 December 2023, taking into account the appropriation to the legal reserve included in the distribution of the Parent's profit for 2022 approved by the shareholders at the General Meeting held on 15 June 2023, for 11,633 thousand euros, the legal reserve has been increased to 70,272 thousand euros, although it had not yet reached the stipulated level at the date of authorisation for issue of these financial statements (58,639 thousand euros at 31 December 2022).

Other reserves –

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

	31 December 2023	31 December 2022
Voluntary reserves	169,441	169,441
Merger reserves	(27,468)	(27,468)
Gains/(losses) on disposals of treasury shares	(3,809)	(3,572)
Results for previous years	(27,010)	(27,010)
Capital increase costs	(1,223)	(1,223)
Total other reserves	109,931	110,168

The result generated by deliveries of treasury shares, which amounted to a positive result of 237 thousand euros for 2023 (789 thousand euros for 2022), has been recognised in the Company's reserves.

d) Treasury shares

The number of the Company'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

Treasury shares - Free tranche

The number of the Company'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
Beginning balance	7,915,908	64,494	7,943,007	64,745
Delivery of incentives plan shares (Note 21-d)	(43,824)	(213)	(41,691)	(221)
Other purchases	17,729	(6)	14,592	(30)
Other share deliveries	(105,295)	(858)	--	--
Ending balance	7,784,518	63,417	7,915,908	64,494

Deliveries of Company shares deriving from the long-term incentives plan (Note 21-d) -

Every year, the Company settles the obligations to comply with the previous year's plan through the delivery of shares to the beneficiaries of the Remuneration Plan, once it has assessed the degree of attainment of the indicators included therein.

Liquidity contracts

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

The number of the Company's 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 Company communicated the termination of the previous liquidity contract, which was replaced by a new one signed with Banco Sabadell, S.A. The contract is valid for 12 months and can be extended.

e) Value change adjustments – Hedging operations

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

	Thousands of Euros	
	31 December 2023	31 December 2022
Beginning balance	262,267	10,651
Changes in the fair value of hedges in the year	(81,736)	251,616
Transfer to profit and loss	27,459	--
Ending balance	207,990	262,267

15. Provisions and contingencies

The detail of current and non-current provisions in the balance sheet, and the main movements in 2023 were as follows:

	Thousands of Euros	
	Current	Non-Current
	Provision for contingencies and expenses	Provisions with personnel
Balance at 31 December 2021	2,701	33
Charge (Note 19-c)	25	--
Reversal (Note 19-c)	(25)	--
Application	--	(13)
Balance at 31 December 2022	2,701	20
Application	--	(12)
Balance at 31 December 2023	2,701	8

Provisions for contingencies and expenses - Current

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

16. Bank borrowings and debentures and other marketable securities

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

31 December 2023

	Thousands of Euros							Total
	Current		Non-current				Total non-current	
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Older than 5 years		
Bank borrowings:								
Syndicated loans	--	--	--	105,000	--	--	105,000	105,000
Fees and interest	1,353	--	--	--	--	--	--	1,353
Arrangement costs	(1,135)	(1,139)	(1,136)	(962)	--	--	(3,237)	(4,372)
Total debts with credit institutions	218	(1,139)	(1,136)	104,038	--	--	101,763	101,981
Bonds and other marketable securities:								
Issues of bonds	187,200	500,000	700,000	--	500,000	995,000	2,695,000	2,882,200
Fees and interest	15,358	--	--	--	--	--	--	15,358
Arrangement costs	(4,992)	(4,684)	(3,570)	(3,240)	(3,115)	(1,896)	(16,505)	(21,497)
Total debt instruments and other held-for-trading liabilities	197,566	495,316	696,430	(3,240)	496,885	993,104	2,678,495	2,876,061
Total	197,784	494,177	695,294	100,798	496,885	993,104	2,780,258	2,978,042

31 December 2022

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

a) *Issues of standard bonds by the Company*

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

Issue	Duration	Maturity	Fixed coupon payable annually	Thousands of Euros		
				Issue amount	31 December 2023	31 December 2022
28/10/2016	8 years	28/10/2024	1.45%	600,000	187,200	187,200
10/11/2016	10 years	10/11/2026	1.88%	50,000	50,000	50,000
28/11/2017	8 years	28/11/2025	1.68%	500,000	500,000	500,000
28/11/2017	12 years	28/11/2029	2.50%	370,000	370,000	300,000
17/04/2018	8 years	17/04/2026	2.00%	650,000	650,000	650,000
16/10/2020	8 years	14/10/2028	1.35%	500,000	500,000	500,000
22/06/2021	8 years	22/06/2029	0.75%	500,000	500,000	500,000
08/07/2021	8 years	22/06/2029	0.75%	125,000	125,000	125,000
Total issues of bonds					2,882,200	2,812,200

European Medium Term Note Programme -

On 5 October 2016, the Company registered a 12-month EMTN (European Medium Term Note) programme for 3,000,000 thousand 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 renewal of the programme in the official registers of the Parent's Base Fixed Income Prospectus (Euro Medium Term Note Programme).

Issuance and buyback of bonds by the Company –

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.

On 28 November 2023, the Company formalised an increase (TAP) on its bonds, maturing in November 2029, for an amount of 70,000 thousand euros.

The bond issues dated 16/10/2020 and 22/06/2021 were admitted to trading on the regulated market (AIAF Fixed Income Securities Market) of the Madrid Stock Exchange (CNMV) and the remaining bond issues on the regulated market (Main Securities Market) of the Irish Stock Exchange.

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

Compliance with financial ratios -

At 31 December 2023 and 2022, it complied with the financial ratios stipulated in the respective financing agreements.

b) *Issue of promissory notes by the Company*

On 13 December 2018, the Company registered a European Commercial Papers (ECP) programme with the Irish Stock Exchange for a maximum amount of 500,000 thousand euros. The programme was renewed on 25 October 2023.

As at 31 December 2023 and 2022 the Company has no outstanding issues.

c) *Syndicated financing*

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

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

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

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

At 31 December 2023 and 2022, the credit line complies with the financial ratios to which it is subject.

d) *Bilateral loans*

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

Thousands of Euros	Maturity	Thousands of euros			
		31 December 2023		31 December 2022	
		Limit	Nominal drawn down	Limit	Nominal drawn down
Bilateral loans	April 2027	--	--	100,000	100,000
Total bilateral loan		--	--	100,000	100,000

On 6 April 2022, the Company signed a new bilateral loan for an amount of 100,000 thousand euros maturing in 2027, which was cancelled on 29 January 2023. This loan is considered sustainable as its margin is linked to the ESG (environmental, social and corporate governance) rating that the Company obtains from the sustainability agency GRESB.

e) *Other guarantees delivered*

At 31 December 2023, the Company has granted guarantees to government bodies, customers and suppliers in the amount of 18,856 thousand euros (6,197 thousand euros at 31 December 2022).

Of the total guarantees granted, the main guarantee granted, amounting to 13,000 thousand euros, corresponds to the guarantee that the Company has granted to a purchaser for the advance payment of the latter for the acquisition of a residential complex. In the event that the Company does not comply with the assumptions foreseen in the private purchase contract, signed in December 2023, the Company will return the advance payment made by the buyer and will recover the guarantee.

In addition, the Company has another guarantee granted, amounting to 4,804 thousand euros, corresponding to commitments acquired by the company Asentia. In this regard, the Company and Asentia have signed an agreement whereby, if any of the guarantees are executed, Asentia must compensate the Company for any loss incurred within a maximum period of 15 days

f) Interest

The Company's average interest rate in 2023 was 1.43% (1.66% in 2022) or 1.70% incorporating the accrual of fees (1.91% in 2022). The interest rate of the Company's outstanding debt at 31 December 2023 (spot) is 1.68% (1.67% at 31 December 2022).

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

	Thousands of Euros	
	31 December 2023	31 December 2022
Bonds and other marketable securities	15,358	15,237
Bank borrowings	1,353	1534
Total	16,711	16,771

g) Debt arrangement costs

In 2023 and 2022, the Company recognised 2,355 thousand euros and 2,780 thousand euros (Note 19-f), respectively, in the income statement, corresponding to the costs repaid during the year.

h) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, as well as highly liquid fixed income and/or money market investments that are 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, the amounts of 336,056 thousand euros and 80,068 thousand euros, respectively, were recognised under "Cash and cash equivalents", of which, 1,923 thousand euros (1,382 thousand euros at 31 December 2022) was restricted or pledged.

17. Other non-current financial liabilities

At 31 December 2023 y 2022, it includes an amount of 28,771 thousand euros and 33,380 thousand euros, respectively, corresponding to guarantees received from lessees.

18. Tax matters

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

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

	Thousands of Euros			
	Receivable balance		Payable balance	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Tax	--	--	5,511	5,847
Value-added tax	1,014	615	--	--
Current tax	7,037	426	--	90
Other deferred taxes	--	--	188	188
Social Security tax payable	--	--	182	154
Total current balances	8,051	1,041	5,881	6,279
Deferred tax on merger (Note 1)	--	--	74,974	79,653
Other deferred taxes	--	--	4,508	4,695
Total non-current balances	--	--	79,482	84,348

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

31 December 2023

	Thousands of Euros		
	General regime	REIT regime	Total
Pre-tax profit/(loss) for year	15,104	194,656	209,760
Permanent differences:			
SFL dividends (Note 19)	--	(168,171)	(168,171)
Amortisation of Axiare financial goodwill (Note 5)	--	8,720	8,720
Plan contribution (Note 21)	--	184	184
Other	(10)	1,289	1,279
Temporary differences:			
Originating in prior years-			
Deferral for reinvestment	749	--	749
Non-deductible provisions	--	(109)	(109)
Non-deductible amortisation	414	(6)	408
Originating in current year-			
Portfolio impairment (Note 10)	--	2,886	2,886
Non-deductible impairment of property	--	40,078	40,078
Amortisation of SFL financial goodwill	--	(283)	(283)
Deferred write-off from asset gains	24,953	29,375	54,328
Taxable income (taxable profit)	41,210	108,619	149,829

31 December 2022

	Thousands of Euros		
	General regime	REIT regime	Total
Pre-tax profit/(loss) for year	(5,442)	121,450	116,008
Permanent differences:			
SFL dividends (Note 19)	--	(168,171)	(168,171)
Amortisation of Axiare financial goodwill (Note 5)	--	8,721	8,721
Plan contribution (Note 21)	--	217	217
Other	(10)	1,020	1,010
Temporary differences:			
Originating in prior years-			
Deferral for reinvestment	749	--	749
Non-deductible provisions	--	(1)	(1)
Non-deductible amortisation	(1,637)	(6)	(1,643)
Originating in current year-			
Portfolio impairment (Note 10)	--	7,829	7,829
Non-deductible impairment of property	--	15,251	15,251
Amortisation of SFL financial goodwill	--	(283)	(283)
Deferred write-off from asset gains	7,554	30,822	38,376
Taxable income (taxable profit)	1,214	16,849	18,063

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

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

General regime -

- In accordance with Law 16/2012, of 27 December, it was established that the accounting depreciation of property, plant and equipment, intangible assets and investment property for tax periods starting in 2013 and 2014 would be deductible from the tax base by up to 70 per cent of that which would have been previously deductible for tax purposes. In this regard, the Company proceeded to make the corresponding adjustments to its tax base. From 2015, and according to the provisions of the Law, the Company has been recovering annually one tenth of the allocations made to depreciation in 2013 and 2014, which were considered non-deductible.
- Inclusion in the tax base of differences between carrying amounts and tax values arising from corporate operations recorded in prior years (Note 1).
- Other provisions that were not tax deductible in previous years.

REIT regime -

- Exemption for dividends from subsidiaries.
- Property impairment that is not tax deductible.
- Impairment of financial investments considered not to be tax deductible.
- Inclusion in the tax base of differences between carrying amounts and tax values arising from corporate operations recorded in prior years (Note 1).
- Non-deductible provisions.

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

	Thousands of Euros	
	2023	2022
Accounting profit before tax	209,760	116,008
Permanent differences	(157,988)	(158,223)
Adjusted accounting profit/(loss)	51,772	(42,215)
- REIT regime	36,677	(36,763)
- General regime	15,094	(5,452)
Accounting profit/(loss) adjusted to general regime	15,094	(5,452)
- Unrecorded deferred assets offset in the year	414	(1,637)
Tax profit/(loss) to general regime	15,508	(7,089)
Tax expense at 25% rate	(3,783)	460
Capitalisation	(1,559)	(271)
Other adjustments	8,448	135
Total income expense recognised in the income statement	3,106	324
- Current tax	(3,783)	460
- Deferred tax	6,889	(136)

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

Deferred tax assets -

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

Deferred tax assets (taxable profit)	Thousands of Euros			
	2023 (*)		2022 (*)	
	General regime base	REIT base	General regime base	REIT base
Losses to be offset against prior years' results	5,355,277	--	5,384,125	--
Non-deductible impairment	--	88,768	--	42,686
Non-deductible portfolio impairment	3	35,221	--	32,037
Non-deductible finance costs	415,475	99,424	415,475	99,424
Non-deductible amortisation	4,903	6	4,489	12
Non-deductible provisions	66,236	1,278	66,236	1,278
Other	20	218	20	327
Total tax credits and deferred tax assets	5,841,914	224,915	5,870,345	175,764

(*) As described below, in determining the deferred tax liabilities at 31 December 2023 and 2022, the Company has not recognised the corresponding tax credits, except for the application of tax credits amounting to 25,451 thousand euros and 27,010 thousand euros, respectively, since these have been calculated on the basis of the effective tax rate.

Deferred tax asset on tax loss carryforwards -

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

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 Company 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.

Deferred tax assets for deductions to be offset -

At 31 December 2023, the deductions to be applied due to insufficient taxable profit amounted to 1,858 thousand euros (8,085 thousand euros at 31 December 2022) for tax credits for pending reinvestment deductions.

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

Deferred tax liabilities -

The breakdown of deferred tax liabilities at 31 December 2023 and 2022 by item is as follows:

Deferred tax liabilities	Thousands of Euros	
	2023 (*)	2022 (*)
	Taxable profit	Taxable profit
Deferral for pending reinvestment	15,161	15,909
Deferral on financial goodwill	3,883	3,600
Deferral on gains allocated to investment property and financial assets	401,699	426,652
Capitalised tax credits	(101,803)	(107,042)
Total	318,940	339,119
Deferred tax liabilities	79,670	84,535

(*) Of the deferred tax liabilities, 79,482 thousand euros are recognised under "Non-current deferred tax liabilities" and 188 thousand euros are recognised under "Other payables to public authorities" under current liabilities (84,348 thousand euros and 188 thousand euros, respectively, for 2022).

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

The heading "Deferred tax assets assigned to investment property and financial assets" includes the amount of deferred taxes associated with the Company's investment property arising from the commercial transactions described in Note 1 that would accrue in the event of the transfer of these assets, using the effective tax rate that would be applicable taking into account the applicable regulations and the existence of unrecorded tax credits. In this regard, deferred taxes associated with the Company's investment property for non-SOCIMI assets, as well as for capital gains on SOCIMI assets existing at the time of adoption of the regime, have been recorded at an effective rate.

Tax years pending verification and inspection actions -

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

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

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

Adherence to the code of good tax practices –

On 10 December 2015, the Board of Directors of the Company agreed to adhere to the Code of Best Tax Practices (“CBPT” hereinafter). This agreement was communicated to management on 8 January 2016. During 2023, the Company 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.

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

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

	Thousands of Euros
Legal and statutory reserves	39,099
Other reserves:	
Voluntary reserves	169,439
Total reserves at 31 December 2023	208,538

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

	Thousands of Euros		
	General regime	REIT regime	Total
Reserves from 2017			
To legal reserve	--	3,250	3,250
Gain/(loss) on treasury shares and capital increase costs	--	(466)	(466)
Reserves from 2018			
To legal reserve	--	3,631	3,631
Gain/(loss) on treasury shares and capital increase costs	--	469	469
Reserves from 2019			
To legal reserve	--	8,787	8,787
Gain/(loss) on treasury shares and capital increase costs	--	(1,131)	(1,131)
Merger reserves	--	(27,469)	(27,469)
Reserves from 2020			
To legal reserve	--	--	--
Gain/(loss) on treasury shares and capital increase costs	--	(1,778)	(1,778)
Reserves from 2021			
To legal reserve	--	3,873	3,873
Gain/(loss) on treasury shares and capital increase costs	--	(1,098)	(1,098)
Reserves from 2022			
To legal reserve	--	11,633	11,633
Gain/(loss) on treasury shares and capital increase costs	--	(789)	(789)
Reserves from 2023			
To legal reserve	--	--	--
Gain/(loss) on treasury shares and capital increase costs	--	(237)	(237)
Total	--	(1,325)	(1,325)

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

	Thousands of Euros		
	General regime	REIT regime	Total
2017 dividend	--	29,247	29,247
2018 dividend	--	32,677	32,677
2019 dividend	--	79,080	79,080
2020 dividend	--	--	--
2021 dividend	--	34,853	34,853
2022 dividend	--	104,699	104,699
Total	--	280,556	280,556

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

	Thousands of Euros		
	General regime	REIT regime	Total
2017 dividend	34,186	2,860	37,046
2018 dividend	--	4,200	4,200
2019 dividend	--	--	--
2020 dividend	--	--	--
2021 dividend	--	--	--
2022 dividend	--	--	--
Total	34,186	7,060	41,246

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

Financial year dividend	Dividend distribution resolution date
2017	24 May 2018
2018	14 June 2019
2019	30 June 2020
2021	21 June 2022
2022	15 June 2023

No dividends were distributed during the year 2020 as the Company's result was a loss of 27,010 thousand euros.

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

Property	City	Maintenance	
		Acquisition date	start date
Pedralbes Centre	Barcelona	29-Dec-92	1-Jan-17
Avda. Diagonal, 530	Barcelona	29-Dec-92	1-Jan-17
Amigó, 11-17	Barcelona	28-Dec-94	1-Jan-17
Avda. Diagonal, 682	Barcelona	30-Dec-97	1-Jan-17
Pº de la Castellana, 52	Madrid	28-Jul-98	1-Jan-17
Vía Augusta, 21-23	Barcelona	26-Oct-98	1-Jan-17
Francisco Silvela, 42	Madrid	25-Oct-04	1-Jan-17
Alfons XII	Madrid	28-Mar-00	1-Jan-17

Property	City	Acquisition date	Maintenance start date
Ramírez de Arellano, 37	Madrid	30 Nov 99	1-Jan-17
Sant Cugat - Sant Joan	Sant Cugat del Vallès	24-Dec-99	1-Jan-17
Les Glòries - Diagonal	Barcelona	9-Jun-00	1-Jan-17
Jose Ortega Y Gasset, 100	Madrid	5-Jul-00	1-Jan-17
Pg. dels Til·lers, 2-6	Barcelona	15-Sept-00	1-Jan-17
Poeta Joan Maragall	Madrid	18-Apr-01	1-Jan-17
Avda. Diagonal, 409	Barcelona	9-Oct-01	1-Jan-17
Recoletos, 37-41	Madrid	21-Oct-05	1-Jan-17
Pº de la Castellana, 43	Madrid	21-Oct-05	1-Jan-17
López Hoyos, 35	Madrid	21-Oct-05	1-Jan-17
Martínez Villergas, 49	Madrid	24-Mar-06	1-Jan-17
Príncipe de Vergara, 112-114	Madrid	14-Jul-15	1-Jan-17
Génova, 17	Madrid	28-Jul-15	1-Jan-17
Santa Engracia	Madrid	17-Dec-15	1-Jan-17
José Abascal, 45	Madrid	21-Jun-16	1-Jan-17
Travessera de Gràcia, 47-49	Barcelona	28-Dec-16	1-Jan-17
Avda. Diagonal, 609	Barcelona	29-Dec-92	1-Jan-17
Torre Bcn	Barcelona	31-Oct-01	1-Jan-17
Travessera de Gràcia, 11	Barcelona	28-Dec-94	1-Jan-17
Illacuna	Barcelona	6-May-14	1-Jan-17
Diagonal, 197	Barcelona	4-Dec-14	4-Dec-14
Virto	Alcobendas	28-Jul-14	28-Jul-14
Manuel de Falla, 7	Madrid	24-May-16	24-May-16
Ribera de Loira, 28	Madrid	4-Dec-14	4-Dec-14
Tucumán	Madrid	30-Mar-15	30-Mar-15
Velázquez, 80 bis	Madrid	22-May-15	22-May-15
Don Ramón de la Cruz, 82	Madrid	8-Oct-15	1-May-16
Sagasta, 31-33	Madrid	17 Nov 16	17 Nov 16
J.I. Luca de Tena, 7	Madrid	23-Dec-16	23-Dec-16
Miguel Ángel, 23	Madrid	16-Jan-17	16-Jan-17
Puerto de Somport, 8	Madrid	20-Jan-17	2-Jan-16
Josefa Valcárcel, 40 bis	Madrid	16 Nov 17	30-Sept-18
Torre Marenstrum	Barcelona	30-Apr-19	1-Jan-19
Serrano, 73	Madrid	30-Jun-16	1-Jan-17
Santa Hortensia	Madrid	30-Jun-16	1-Jan-17
Arturo Soria, 336	Madrid	27-Sept-17	22-Sept-15
Egeo-Parteon	Madrid	16-Jan-18	1-Jan-15
Castellana, 163	Madrid	29-Dec-16	1-Jan-17
Lagasca	Madrid	2-Dec-16	1-Oct-18
Estébanez Calderón, 3-5	Madrid	25-May-15	1-Jan-17
Parc Glorias	Barcelona	25-May-16	1-Jan-17
Méndez Álvaro R-RTC-1	Madrid	20-Dec-17	1-Jan-18
Recoletos, 27	Madrid	25-Jul-19	25-Jul-19
Méndez Álvaro Residencial	Madrid	20-Dec-17	1-Jan-18
Sancho de Ávila	Barcelona	31-Oct-19	31-Oct-19
Buenos Aires	Barcelona	26 Nov 21	26 Nov 21

Financial investment	Acquisition date	Maintenance start date
Société Foncière Lyonnaise, S.A.	9-Jun-04	1-Jan-17
Peñalvento, S.L.U.	31-May-18	31-May-18
Inmocol One, S.A.U.	29-Jul-20	29-Jul-20
Inmocol Two, S.L.U.	29-Jul-20	29-Jul-20
Colonial Lab, S.L.U.	29-Jul-20	29-Jul-20
Wittywood, S.L.	31-Jul-20	1-Jan-22

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

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

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

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

Not applicable.

19. Income and expense

a) *Revenue* -

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

Activities	Thousands of Euros	
	2023	2022
Building leases	140,167	149,954
Service provision	947	703
Income from holdings in Group companies (Note 4-n) (*).	177,022	177,022
Total	318,136	327,679

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

Geographical area	Thousands of Euros	
	2023	2022
Barcelona	44,634	48,290
Madrid	96,028	100,643
Paris (*)	177,022	177,022
Other	452	1,724
Total	318,136	327,679

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

Income from 2023 include the effect of incentives to leasing throughout the minimum duration of the contract (Note 4-n), which has led to an increase in revenue of 1,632 thousand euros (3,583 thousand euros increase in 2022).

b) *Personnel expenses* -

The breakdown of "Personnel expenses" in the profit and loss account is as follows:

	Thousands of Euros	
	2023	2022
Wages and salaries	11,319	10,688
Compensation	--	3,003
Social Security expenses borne by the company	1,835	1,588
Other welfare expenses	1,524	1,638
Contributions to defined benefit pension plans	184	217
Internal reallocation	(1,414)	(1,445)
Total	13,448	15,689

At 31 December 2023 "Other employee benefit expenses" includes 984 thousand euros corresponding to the new long-term remuneration plan described in Note 21-d (1,019 thousands of euros during 2022).

c) Losses, impairment and change in trade provisions -

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

	Thousands of Euros	
	2023	2022
Provisions for insolvencies	678	305
Reversal of provisions for insolvencies	(578)	(237)
Charge to provision for contingencies and charges (Note 15)	--	25
Reversal of provisions for contingencies and expenses (Note 15)	--	(25)
Reversal of provision Other trade balances	(769)	(769)
Total	(669)	(701)

d) Impairment of property assets

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

	Thousands of Euros				Total
	Intangible assets (Note 5)	Property, plant and equipment (Note 6)	Investment property (Note 7)	Non-current assets held for sale (Note 13)	
Balance at 31 December 2021	--	(743)	(81,315)	--	(82,058)
Provision	--	--	(48,883)	--	(48,883)
Reversal	--	743	6,176	--	6,919
Disposals	--	--	4,323	2,101	6,424
Transfers	--	--	23,113	(23,113)	--
Balance at 31 December 2022	--	--	(96,586)	(21,012)	(117,598)
Provision	--	--	(96,455)	(5,148)	(101,603)
Reversal	--	--	10,996	--	10,996
Disposals	--	--	2,356	38,266	40,622
Transfers	--	--	17,253	(17,253)	--
Balance at 31 December 2023	--	--	(162,436)	(5,147)	(167,583)

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

	Thousands of Euros	
	2023	2022
Investment property charges	(96,455)	(48,883)
Allocation of assets held for sale	(5,148)	--
Amounts used for property, plant and equipment	10,996	6,919
Total	(90,607)	(41,964)

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

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

	Thousands of Euros	
	2023	2022
Gains/(losses) on disposals:		
Property, plant and equipment (Note 6)	(22)	--
Investment property (Note 7)	4,657	5,722
Non-current assets held for sale (Note 13)	99,940	838
Total gains/(losses) on asset disposals	104,575	6,560
Other (disposal due to replacement):		
Investment property (Note 7)	(3)	(16)
	--	--
Total other (replacement disposals)	(3)	(16)
Total	104,572	6,544

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

	Thousands of Euros	
	2023	2022
Sale price	445,364	56,545
Net asset value (Notes 7 and 13)	(329,549)	(49,468)
Indirect and other costs	(11,240)	(517)
Net result from asset sales	104,575	6,560

f) Income and finance costs

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

	Thousands of Euros	
	2023	2022
Financial income and other	4,277	188
Financial income from group companies and associates (Note 20)	7,435	425
Total financial income	11,712	613
Interest on debts and debentures	(52,773)	(52,582)
Accrued debt arrangement expenses (Note 16-g)	(2,355)	(2,780)
Recycling of derivatives	453	(63)
Expenses associated with loan cancellation	(839)	(3,458)
Other finance costs	(276)	(219)
Capitalised financial costs (Note 7)	5,665	5,130
Total Finance Costs	(50,125)	(53,972)
Impairment of equity investment in Utopicus Innovación Cultural, S.L.U. (Note 10-a)	(2,717)	(7,532)
Impairment of equity investment in Colonial Trámit, S.L.U. (Note 10-a)	(2)	1
Impairment of financial interest Inmocol Torre Europa, S.A. (Note 10-a)	--	357
Impairment of financial interest Wittywood, S.L.U. (Note 10-a)	(163)	(655)
Impairment of equity investment in Inmocol One, S.A.U. (Note 10-a)	(2)	--
Impairment of equity investment in Inmocol Two, S.L.U. (Note 10-a)	(1)	--
Impairment of equity investment in Colonial Lab, S.L.U. (Note 10-a)	(1)	--
Impairment and gains/(losses) on disposal of financial instruments	(2,886)	(7,829)
Total financial result	(41,299)	(61,188)

20. Transactions and balances with related parties

a) Related-party transactions -

The breakdown of related party transactions is as follows:

Financial Year 2023

	Thousands of Euros		
	Services provided	Dividends received	Interest income
Inmocol Torre Europa, S.A.	558	--	--
Peñalvento, S.L.U.	70	--	382
Wittywood, S.L.U.	24	--	172
Utopicus Innovación Cultural, S.L.U.	10,434	--	9
Société Foncière Lyonnaise, S.A.	--	177,022	6,872
Total	11,086	177,022	7,435

Financial Year 2022

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

b) Balances with related parties -

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

Financial Year 2023

	Thousands of Euros				
	Current accounts receivable	Non-current loans granted	Current loans granted	Deposits received	Current accounts payable
Société Foncière Lyonnaise, S.A.	--	--	347,410	--	--
Colonial Tramit, S.L.U.	--	--	73	--	--
Peñalvento, S.L.U.	7	--	69,775	--	(5)
Wittywood, S.L.U.	2	3,913	2	--	(200)
Inmocol One, S.A.U.	--	--	--	--	(57)
Inmocol Two, S.L.U.	--	--	--	--	(10)
Colonial Lab, S.L.U.	177	--	--	--	--
Utopicus Innovación Cultural, S.L.U.	32	--	1,009	(1,292)	(21)
Total	218	3,913	418,269	(1,292)	(293)

Financial Year 2022

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

As a result of the restrictions provided for in French legislation in relation to the obligation to hold shares received under stock option plans for a certain period of time (Note 10-a), 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 Company 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.

21. Director and senior management compensation and other benefits

a) *Composition of the Board of Directors of the Company*

At 31 December 2023, the Board of Directors of the Company consists of 8 men and 5 women (7 men and 4 women at 31 December 2022).

At 31 December 2023, its composition was as follows:

Director	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
Ms. Begoña Orgambide García	Director	Proprietary
Mr Manuel Puig Rocha	Director	Proprietary
Mr Luis Maluquer Trepas	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 López	Director	Independent

On 15 June 2023, Mr Manuel Puig Rocha and Ms Manuel Puig Rocha were appointed as new directors. Miriam González-Amézqueta López.

In addition, on 18 October 2023, Mr Giuliano Rotondo was appointed director in replacement of Mr Adnane Mousannif.

In accordance with the provisions of Article 229 of the Spanish Limited Liability Companies Law, at the end of 2023 the Company's directors did not report to other members of the Board any direct or indirect conflict of interest that they, or any person associated with them as defined by the Spanish Limited Liability Companies Law, may have with respect to the Company.

b) *Remuneration of Board members*

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

Activities	Thousands of Euros	
	2023	2022
Remuneration accrued by executive directors (*):	1,566	6,313
Allowances:	1,030	831
Fixed remuneration:	1,337	1,105
Director remuneration.	1,055	838
Additional compensation of members of the audit and control committee	137	117
Additional compensation of members of the appointments and remuneration committee	145	150
Total	3,933	8,249
Amount of compensation earned by executive directors (*):	1,566	6,313

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

At 31 December 2023 and 2022, the Company had taken out a civil liability insurance policy covering all of its directors, executives and employees, for a total 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 General Shareholders' Meeting held on 28 June 2016 approved the granting of a defined-contribution scheme for executive directors covering retirement and, when applicable, disability and death, with overall annual contributions of 112 thousand euros and 150 thousand euros in 2023 and 2022, respectively.

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 Company has not been awarded loans or taken out other pension plans or life insurance for the previous and current members of the Board of Directors of the Company.

At 31 December 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.

Also, effective 30 April 2022, Mr Juan José Brugera Clavero's employment relationship with the Company was terminated, which entailed the payment of a severance payment of 3,000 thousand euros.

c) Compensation to senior management

The senior management of the Company, 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 2,231 thousand euros (2,237 thousand euros in 2022).

During the 2023 financial year, senior management has not received any remuneration corresponding to the long-term incentive plan (998 thousand euros for 2022).

In addition, during 2022 it received thousands of euros

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 Company recognised an annual contribution for this item under "Personnel expenses" in the income statement of 71 thousand euros and 67 thousand euros, for both years.

At 31 December 2023 and 2022, one member of the senior management team had signed a guarantee or "golden parachute" clause in the event of certain cases of termination or change of control.

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

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

The Plan will have a duration of five years and will be divided into three overlapping annual cycles of three years each, independent of each other. The first cycle of the Plan will correspond 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 chairman of the Board of Directors of the Company and 340,392 shares for the chief executive officer of Colonial.

As a general rule, the maximum total number of shares of the Company that, in execution of the Plan, will be delivered to the beneficiaries of the Plan at the end of each cycle will be the result of dividing the maximum amount allocated to the corresponding cycle by the weighted average listed price of the Company's shares in the 30 trading days prior to 1 January 2021. In addition, the number of shares to be received will be increased by a number of shares equivalent to the amount of dividends per share distributed by Colonial to its shareholders during each cycle based on the number of shares assigned to the beneficiary in the cycle. For these purposes, the weighted average of Colonial's share price on the dividend payment dates in each of the years of the cycle will be taken as the reference value of the share.

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

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

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

In 2023, the Company recognised an expense of 984 thousand euros (Note 19-b) under "Personnel expenses" (1,019 thousand euros in 2022), to cover the incentives plan approved on 30 June 2021.

22. Other information

a) *Staff*

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

Professional category	Headcount at 31 December				Average no. of employees			
	2023		2022		2023		2022	
	Men	Women	Men	Women	Men	Women	Men	Women
General and Area Management	6	4	5	4	6	4	5	4
Qualified technicians and middle managers	12	9	13	10	12	10	11	10
Office clerks	28	55	26	49	27	53	25	48
Other	3	--	3	--	3	--	3	--
Total	49	68	47	63	48	67	44	62
	117		110		115		106	

In addition, at 31 December 2023, the Company employed 1 man and 1 woman with a disability greater than or equal to 33% (1 woman as of 31 December 2022).

b) Audit fees

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

Description	Thousands of Euros	
	2023	2022
Audit services	355	309
Other verification services	60	99
Total audit and related services	415	408
Other services	106	68
Total professional services	521	476

The fees for other attest services include 61 thousand euros relating to services rendered to the Company in the form of limited reviews for issuing comfort letters and agreed-upon procedure reports on covenants linked to financing agreements (99 thousand euros in 2022).

As at 31 December 2023, of the fees for other professional services amounting to 106 thousand euros correspond to the review of ESG indicators contained in the Integrated Annual Report, reviews of the Green Bonds report and Socimis report and pro forma reports (68 thousand euros in 2022).

The non-audit services provided to the Company's subsidiaries are detailed in Note 24 to the consolidated financial statements of Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries.

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

c) Capital management: Policy and objectives

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

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

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

Financial risk management policy -

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

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

To achieve this objective, interest rate hedging instruments are contracted, if necessary, to cover possible financial cost fluctuations. The Group's policy is to contract instruments that comply with the provisions of the accounting regulations to be considered as efficient accounting coverage, and thus record its market value variations directly in the Group's other consolidated result. At 31 December 2023, the percentage of hedged or fixed-rate debt as a proportion of total debt stands at 100% in Spain (97% at 31 December 2022).

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

23. Average period of payment to suppliers

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

	2023	2022
Supplier payment period	41	43
Ratio of transactions paid	31	43
Ratio of outstanding transactions	40	41
	Amount	
	(in thousands of euros)	
Total payments made	169,389	127,357
Total outstanding payments	13,395	9,072

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

	2023			2022		
	Total Payments	Within the legal period	Ratio of operations within the legal period (30 days)	Total Payments	Within the legal period	Ratio of operations within the legal period (30 days)
Invoice number	16,238	15,505	95,49	15,627	14,066	90,01
Amount (in thousands of euros)	169,389	137,441	81,14	127,357	95,866	75,27

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

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

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

24. Events after the reporting date

No other significant subsequent events have occurred between 31 December 2023 and the date of authorisation for issue of these financial statements.

APPENDIX I - INVESTMENTS IN GROUP COMPANIES

FY 2023	Address	Thousands of Euros				% shareholding	Thousands of Euros
		Capital	Reserves, share premium and interim dividend	Result	Dividend (Note 20)		Net Book Value (Note 10)
Colonial Tramat, S.L.U.	Avda. Diagonal 532, Barcelona (Spain)	3	5	(2)	--	100.00	5
Inmocol Torre Europa, S.A. (*)	Avda. Diagonal 532, Barcelona (Spain)	20,000	1,427	613	--	50.00	12,080
Peñalvento, S.L.U.	Pº de la Castellana 52, Madrid (Spain)	2,400	(269)	(662)	--	100.00	20,755
Wittywood, S.L.U.	Avda. Diagonal 532, Barcelona (Spain)	6	7,609	(245)	--	100.00	8,820
Inmocol One, S.A.U.	Pº de la Castellana 52, Madrid (Spain)	60	(3)	(2)	--	100.00	55
Inmocol Two, S.L.U.	Pº de la Castellana 52, Madrid (Spain)	3	7	(2)	--	100.00	9
Colonial Lab, S.L.U.	Pº de la Castellana 52, Madrid (Spain)	3	7	(1)	--	100.00	9
Utopicus Innovación Cultural, S.L.U. (*)	c/ Príncipe vergara 112, Madrid (Spain)	83	13,699	(2,201)	--	100.00	17,356
Société Foncière Lyonnaise, S.A. (**)	42, rue Washington, Paris (France)	85,771	982,396	11,402	177,022	98.38	2,628,561

* Company audited by PricewaterhouseCoopers

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

APPENDIX I - INVESTMENTS IN GROUP COMPANIES

FY 2022	Address	Thousands of Euros				% shareholding	Thousands of Euros
		Capital	Reserves, share premium and interim dividend	Result	Dividend (Note 20)		Net Book Value (Note 10)
Colonial Tramat, S.L.U.	Avda. Diagonal 532, Barcelona (Spain)	3	4	1	--	100.00	7
Inmocol Torre Europa, S.A. (*)	Avda. Diagonal 532, Barcelona (Spain)	20,000	1,583	(156)	--	50.00	12,080
Peñalvento, S.L.U.	Pº de la Castellana 52, Madrid (Spain)	2,400	(141)	(128)	--	100.00	20,755
Wittywood, S.L.U.	Avda. Diagonal 532, Barcelona (Spain)	6	8,017	(407)	--	100.00	9,647
Inmocol One, S.A.U.	Pº de la Castellana 52, Madrid (Spain)	60	(3)	--	--	100.00	57
Inmocol Two, S.L.U.	Pº de la Castellana 52, Madrid (Spain)	3	7	--	--	100.00	10
Colonial Lab, S.L.U.	Pº de la Castellana 52, Madrid (Spain)	3	7	--	--	100.00	10
Utopicus Innovación Cultural, S.L.U. (*)	c/ Principe vergara 112, Madrid (Spain)	83	22,087	(8,379)	--	100.00	20,073
Société Foncière Lyonnaise, S.A. (**)	42, rue Washington, Paris (France)	85,729	1,104,306	58,233	177,022	98.37	2,627,072

* Company audited by PricewaterhouseCoopers

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

Management report for the year ended 31 December 2023

– **Company 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%.

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 Company's main asset. At year end 2023, the Company team comprised a total of 117 employees, divided into 4 categories.

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

Professional category	Headcount at 31 December				Average no. of employees			
	2023		2022		2023		2022	
	Men	Women	Men	Women	Men	Women	Men	Women
General and Area Management	6	4	5	4	6	4	5	4
Qualified technicians and middle managers	12	9	13	10	12	10	11	10
Office clerks	28	55	26	49	27	53	25	48
Other	3	--	3	--	3	--	3	--
Total	49	68	47	63	48	67	44	62
	117		110		115		106	

Of the total number employees, at 31 December 2023, the Company employed 1 male and 1 female with a disability greater than or equal to 33% (1 female as at 31 December 2022).

– **Business performance and results**

Introduction

At 31 December 2024, the Company's turnover amounted to 318 million euros, 177 million euros of which correspond to dividends from subsidiaries.

Pursuant to the independent valuation carried out by CB Richard Ellis and Cushman & Wakefield in Spain at the end of the year, have led to the recognition of an impairment loss of (91) million euros. The impairment, which has been recorded, does not represent a cash outflow.

The Company's net financial result amounted to (41) million euros.

Profit/(loss) before tax at year-end 2023 amounts to 210 million euros.

Finally, the Company's profit after tax amounted to 213 million euros.

Colonial Group Annual Results 2023

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

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.

- Rental income of 377 million euros, +8% like for like vs previous year
- Group EBITDA of 316 million euros, +12% vs previous year
- Recurring net profit of 172 million euros, +7% vs previous year
- Recurring net income per share of €32cts, +7% vs previous year
- Recurring net income from continuing operations per share, +18% vs 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%.

1. 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.

2. 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.
3. 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.

1. "Pricing Power": Growth in rents signed + capture of indexation - contribution of +6% to overall growth
The Core portfolio delivered +23 million euros of revenue growth based on solid like for like growth of +8% due to strong pricing power that fully captures the impact of indexation, as well as signing the maximum market rents.
2. Projects delivered – 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.
3. 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.
4. 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

1. 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.

2. Rent Increases - Polarisation & Pricing Power

"Pricing Power" - Accelerating of growth in market rents

The Colonial Group closes 2023 with a +7% growth in rental prices in office contracts compared to the market rent on 31 December 2022.

During 2023, rent growth in the office portfolio accelerated from +3% at the beginning of the year to +11% in Q4 2023. The rental growth achieved is a clear reflection of the market polarisation trend, characterised by a demand that prioritises top quality Grade A product in the CBD.

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

At year-end 2023, the Colonial Group has increased office rents with current customers by +5% compared to previous rents (release spreads).

Of note was the portfolio of office assets in Paris with an increase of +12%.

These ratios highlight the release potential of Colonial's contract portfolio, with important improvement margins in current rentals.

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

Thanks to a portfolio of prime clients, the Colonial Group's portfolio of assets has captured the impact of indexation on rents, applying the corresponding rent update.

As a result of the application of indexation in the contract portfolio at year-end 2023, the annualised rents of the corresponding contracts have increased by +5% (+4% in Spain and +6% in Paris).

These results demonstrate the strong pricing power of Colonial's Prime portfolio: the quality of the customers, as well as the nature of the Colonial Group's contracts, allow it to capture the full indexation increase and therefore offer a clear protection of the cash flows of the assets in inflationary environments such as the current ones.

3. 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 Marenstrum 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 and Renovation Programme

1. 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

1. 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.

2. 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 María 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.

3. 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.

- 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.

– 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:

- Extern 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.

Leadership in ESG and Decarbonisation:

1. 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).

2. 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.

3. GRESB 94/100: Top 3 of the best real estate companies 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.

4. Portfolio with 100% Breeam & Leed Certifications

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

– Events after the reporting date

No other significant subsequent events have occurred between 31 December 2023 and the date of authorisation for issue of these financial statements.

– 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.

– Research and development activities

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

– Treasury Shares

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.

– **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.

– **Annual corporate governance report and annual report on the remuneration of directors of listed public companies**

Pursuant to Article 538 of the Spanish Limited Liability Companies Law, it is hereby noted that the annual corporate governance report and the annual report on the remuneration of directors of listed public limited companies for 2023 are included in this Management Report in a separate section.

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

The following glossary of the Alternative Performance Measures includes the definition and relevance thereof for Colonial in accordance with the guidelines of the European Securities and Markets Authority (ESMA) published in October 2015 (ESMA Guidelines on Alternative Performance Measures). These Alternative Performance Measures have not been audited or revised by the Parent's auditor (Deloitte, S.L.).

Alternative Performance Measure.	Form of calculation	Definition/Relevance
Market Value including transaction costs or GAV including Transfer costs	Valuation of all assets in the Group's portfolio made by appraisers outside the Group, before subtracting transaction costs or <i>transfer costs</i> .	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 <i>transfer costs</i> .	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.
EPRA¹ NTA (EPRA Net Tangible Assets)	This is calculated on the basis of Equity attributable to equity holders of the Parent and adjusted for certain items in accordance with EPRA recommendations.	Standard analysis ratio in real estate and recommended by EPRA.
EPRA¹ NDV (EPRA Net Disposal Value)	Calculated by adjusting the following items in the EPRA NTA: the market value of the financial instruments, the market value of the financial debt, the taxes that would accrue on the sale of the assets at their market value, applying the tax credits available to the Group on a going concern basis.	Standard analysis ratio in real estate and recommended by EPRA.
Gross Financial Debt (GFD)	Calculated as the sum of the items " <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.

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

Alternative Performance Measure.	Form of calculation	Definition/Relevance
Loan to Value Group or LtV Group	Calculated as the result of dividing “ <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 the <i>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 the <i>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 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.
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 <i>expenses incurred in “Depreciation and amortisation” and “Net finance income/(expense)” arising from the recording of “IFRS 16 finance leases”, associated with the flexible business (co-working).</i>	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.

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

Alternative Performance Measure.	Form of calculation	Definition/Relevance
Analytical depreciation and provisions	Calculated as the sum of <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	7,732	8,246

Like-for-like Valuation

<i>Like-for-like Valuation</i>	Millions of euros	
	2023	2022
Valuation at 1 January	13,005	12,436
<i>Like-for-like Spain</i>	(301)	(21)
<i>Like-for-like France</i>	(856)	178
Acquisitions and divestitures	(512)	412
Valuation at 31 December	11,336	13,005

EPRA NTA (EPRA Net Tangible Assets)

EPRA NAV (EPRA Net Asset 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 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	148
(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)	539.60	539.60
EPRA NTA per share	9.95	11.83

EPRA NDV (Net Disposal Value)

	Millions of euros	
	2023	2022
EPRA NAV (EPRA Net Disposal Value)		
“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	148
(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

	Millions of euros	
	2023	2022
Loan to Value Group or LtV Group		
Gross financial debt	5,302	5,515
Commitments of deferrals for transactions selling real estate assets	--	--
Less: “Cash and cash equivalents”	(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
Loan to Value Group (A)/(B)	40.5%	38.7%

Holding Company LtV or Colonial LtV

	Millions of euros	
	2023	2022
LtV Holding or LtV Colonial 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 Rentals

Like-for-like Rentals	(Millions of euros)			
	Offices			TOTAL
	Barcelona	Madrid	Paris	
Rental income 2022	48	102	205	554
<i>Like-for-like</i>	1	7	15	23
Projects and inclusions	(2)	3	12	12
Investments and divestitures	--	(15)	4	(11)
Other and compensation	(0)	--	(1)	(1)
Rental income 2023	46	96	235	377

Analytical EBITDA

Analytical EBITDA

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"	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"	(3)	(3)
Adjustments: "Financial profit arising from the recognition in line with the IFRS 16 Finance lease standard"	1	(1)

Analytical EBITDA

Millions of euros	
2023	2022
(1,119)	128
9	9
(4)	(6)
5	1
1,426	147
1	1
1	6
(3)	(3)
1	(1)
317	282

EBITDA from rents

EBITDA from rents

Net turnover amount	387	362
Adjustments: "Flexible business income"	(18)	(14)
Adjustments: "Revenue eliminated on consolidation associated with the flexible business"	8	7

Analytical rental income

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"	5	1

Analytical net operating expenses

EBITDA from rents

Millions of euros	
2023	2022
387	362
(18)	(14)
8	7
377	355
(31)	(36)
(56)	(55)
50	49
5	6
1	6
2	2
5	1
(24)	(27)
353	328

Other analytical income

Other analytical income

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"	(9)	(9)
Adjustments: "Depreciation and amortisation arising from the recognition in line with the IFRS 16 Finance lease standard"	(3)	(3)
Adjustments: "Financial profit arising from the recognition in line with the IFRS 16 Finance lease standard"	(1)	(1)

Other analytical income

Millions of euros	
2023	2022
12	9
(2)	(3)
15	10
(9)	(9)
(3)	(3)
(1)	(1)
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"	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 eliminated on consolidation 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"	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)	(141)

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: "Depreciation and amortisation arising from the recognition in line with the IFRS 16 Finance lease standard"	3	3
Adjustments: "Net change in provisions"	(5)	(1)
Analytical depreciation and provisions	(12)	(8)

Analytical financial result

Analytical financial result	Millions of euros	
	2023	2022
Finance income	10	1
Finance costs	(106)	(87)
Adjustments: "Financial profit arising from the recognition in line with the IFRS 16 Finance lease standard"	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)	14
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)	539.60	539.60
Recurring Net Profit (post company specific adjustments) - €cts/share	31.88	29.84