

Inmobiliaria Colonial, SOCIMI, S.A.

Audit Report
Annual Accounts as at 31 December 2021
Directors' Report



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

Independent auditor's report on the annual accounts

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

Report on the annual accounts

Opinion

We have audited the annual accounts of Inmobiliaria Colonial, SOCIMI, S.A. (the Company), which comprise the balance sheet as at 31 December 2021, and the income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2021, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in note 2 of the notes to the annual accounts), and in particular, with the accounting principles and criteria included therein.

Basis for opinion

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

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

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

Key audit matters

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

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Key audit matter	How our audit addressed the key audit matter
<p data-bbox="277 472 802 533">Recoverability of non-current investments in Group companies</p> <p data-bbox="277 566 815 842">At 31 December 2021 Inmobiliaria Colonial, SOCIMI, S.A. recognises a balance under Non-current investments in group companies amounting to Euro 2,668,885 thousand, as detailed in Note 10 to the accompanying annual accounts. These investments are significant with respect to the Company's annual accounts as they account for approximately 42% of total assets.</p> <p data-bbox="277 875 839 1205">As indicated in Note 4.e) to the accompanying annual accounts, the Company carries out an assessment of the possible impairment adjustments by comparing the carrying amount of the shares with the recoverable amount, this being, unless otherwise evidenced, the investee's equity adjusted for any latent capital gains existing at the measurement date. Value adjustments and, if appropriate, their reversal, are recognised in the income statement for the year in which they arise.</p> <p data-bbox="277 1238 823 1420">The quantification of the recoverable amount of such investments requires the use of judgements and significant estimates by Company management when determining the valuation method and considering the key assumptions established.</p> <p data-bbox="277 1453 831 1603">The materiality of the Non-current investments in group companies and the significant judgements and estimates described above mean that we consider this matter a key audit matter.</p>	<p data-bbox="866 566 1461 685">Our audit procedures included, among others, the analysis of the process implemented by the Company to assess the potential impairment of non-current investments in group companies.</p> <p data-bbox="866 719 1458 994">In addition, we assessed the valuation methodology used by the Company. We obtained the audited balance sheets of the most relevant investees and checked the amounts of the capital gains identified and checked them against the valuations of their investment property carried out by independent experts, whom we assessed in terms of the requisite competence and independence, finding no exceptions.</p> <p data-bbox="866 1028 1466 1637">We checked if the valuations were performed in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors (RICS) of Great Britain and in accordance with the International Valuation Standards (IVS) published by the International Standards Valuation Committee. In this regard, we held meetings with the valuers and our internal experts, verifying for a sample of those valuations the reasonableness of the variables used, such as the discount rate employed and the rental increase considered as well as other variables considered necessary in order to complete the valuations such as the final return, the term of the rental contracts and type and age of the buildings, their location and occupancy rate. Similarly, for a sample of assets, we verified through the sales and purchase deeds, the technical specifications used by the independent experts when determining the fair value of those assets.</p> <p data-bbox="866 1671 1417 1756">Likewise, for equity instruments in listed group companies, we have verified their recoverable amount based on the price of their shares.</p>



Key audit matter	How our audit addressed the key audit matter
	<p>In addition, for equity instruments in group companies that do not have real estate assets, we have checked their recoverable amount based on the business plan prepared by the Company's management, contrasting the discount rate used with our internal experts.</p> <p>Lastly, we assessed whether the disclosures of information included in Notes 4.e) and 10 to the notes to the accompanying annual accounts.</p> <p>We have concluded that management's approach in relation to its assessment of the recoverability of investments in equity instruments in non-current group companies is consistent and is supported by the available evidence.</p>

Valuation of Investment Property

The Company has real estate assets which are recognised under investment property amounting to Euro 3,332,707 thousand at 31 December 2021, representing 53% of total assets. Notes 4.c) and 7 to the accompanying annual accounts include information on the assets included under this heading.

As indicated in Note 4.c), these properties are tested for impairment in order to check that the registered value does not exceed its recoverable value. In order to obtain the recoverable amount of such assets, the Company determines the fair value through independent expert valuations.

For the purposes of validating their carrying amount before considering any impairment, we verified the annual depreciation of investment property and observed that it is calculated on a straight-line basis, without detecting significant incidents.

We obtained the year-end valuations of these assets by independent experts and we assessed that these experts meet the requirements of competence and independence, finding no exceptions.

Key audit matter	How our audit addressed the key audit matter
<p>The methodology used to determine the fair value of the investment properties is mainly the discounted cash flows method, in accordance with standard market practice. Such valuations are based on a series of significant judgements and estimates.</p> <p>We have therefore focused on this area due to the materiality of this heading with respect to the Company's total assets and the significant judgement required on the part of management. Changes in the assumptions used could lead to a significant variation in the recoverable value of such assets and their impact on the income statement and balance sheet.</p>	<p>We verified if the valuations were performed in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors (RICS) of Great Britain and in accordance with the International Valuation Standards (IVS) published by the International Standards Valuation Committee. In this regard, we held meetings with the valuers and our internal experts, verifying for a sample of those valuations the reasonableness of the variables used, such as the discount rate employed and the rental increase considered as well as other variables considered necessary in order to complete the valuations such as the final return, the term of the rental contracts and type and age of the buildings, their location and occupancy rate. Similarly, for a sample of assets, we verified through the sales and purchase deeds, the technical specifications used by the independent experts when determining the fair value of those assets.</p> <p>Lastly, we verified the relevant disclosures included in Notes 4.c) and 7 to the notes to the accompanying annual accounts.</p> <p>We consider that we have obtained sufficient audit evidence in the course of our work concerning the reasonableness of the valuation of the Companies' investment properties.</p>

Other information: Management report

Other information comprises only the management report for the 2021 financial year, the formulation of which is the responsibility of the Company's directors and does not form an integral part of the annual accounts.

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

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



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

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the management report is consistent with that contained in the annual accounts for the 2021 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit and control commission for the annual accounts

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

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

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

Auditor's responsibilities for the audit of the annual accounts

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

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

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

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



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Report on other legal and regulatory requirements

European single electronic format

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

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



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

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

Report to the audit and control commission

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

Appointment period

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

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

Services provided

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

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Original in Spanish signed by
Mireia Oranias Casajoanes (20973)

28 February 2022