Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries

Condensed consolidated interim financial statements for the six-month period ended 30 June 2023 and Consolidated interim directors’report

Translation of interim condensed consolidated financial statements and interim consolidated management report originally issued in Spanish. In the event of discrepancy, the Spanish version prevails.

Condensed consolidated statement of financial position for the six-month period ended 30 June 2023

ASSETS	Note	Thousands of euros 30 June 2023	Thousands of euros 31 December 2022
Intangible assets		5,353	4,882
Right of use assets		20,502	16,899
Property, plant and equipment	4	56,281	55,310
Investment property	5	11,833,599	12,231,952
Non-current financial assets		26,179	29,360
Derivative financial instruments	10	209,281	277,249
Non-current deferred tax assets		644	510
Other non-current assets	6	101,791	83,865
NON-CURRENT ASSETS		**12,253,630**	**12,700,027**
Inventories		91,974	87,128
Trade and other receivables	6	48,208	36,763
Financial assets at amortised cost		9	9
Derivative financial instruments	10	39,041	13
Tax assets		22,519	19,236
Cash and cash equivalents	9	256,862	159,957
CURRENT ASSETS		**458,613**	**303,106**
Non-current assets classified as held for sale	7	**64,619**	**466,480**
TOTAL ASSETS		**12,776,862**	**13,469,613**

EQUITY AND LIABILITIES	Note	Thousands of euros 30 June 2023	Thousands of euros 31 December 2022
Share capital		1,349,039	1,349,039
Share premium		1,463,604	1,491,773
Own shares		(65,814)	(66,374)
Other reserves		506,860	523,648
Retained earnings		2,397,756	2,861,375
Equity attributable to the Parent's shareholders		**5,651,445**	**6,159,461**
Non-controlling interests		**1,101,805**	**1,183,199**
EQUITY	8	**6,753,250**	**7,342,660**
Bank borrowings and other financial liabilities	9	314,636	511,722
Bonds and similar securities issued	9	4,480,628	4,475,897
Lease liabilities		19,279	16,162
Non-current deferred tax liabilities	12	327,302	348,156
Long-term provisions		1,174	1,555
Other non-current liabilities		80,008	80,921
NON-CURRENT LIABILITIES		**5,223,027**	**5,434,413**
Bank borrowings and other financial liabilities	9	17,956	2,139
Bonds and similar securities issued	9	11,642	17,494
Issue of promissory notes	9	443,000	409,000
Derivative financial instruments	10	--	233
Lease liabilities		4,014	3,404
Trade and other payables	11	289,618	168,954
Tax liabilities		30,997	11,421
Current provisions		3,358	4,195
CURRENT LIABILITIES		**800,585**	**616,840**
Liabilities associated with non-current assets classified as held for sale	7	**--**	**75,700**
TOTAL EQUITY AND LIABILITIES		**12,776,862**	**13,469,613**

Notes 1 to 16 described in the explanatory notes form an integral part of the condensed consolidated statement of financial position for the six months ended 30 June 2023.

Condensed consolidated income statement and condensed consolidated statement of comprehensive income for the six months ended 30 June 2023

		Thousands of euros	
INCOME STATEMENT	**Note**	**June 2023**	**June 2022**
Revenue	13.1	188,935	172,922
Other income		6,178	3,317
Personnel expenses		(15,719)	(21,574)
Other operating expenses		(24,808)	(28,961)
Depreciation and amortisation		(4,685)	(4,661)
Net gains on sales of assets	13.2	(7,156)	5,129
Changes in value of investment property	13.3	(524,401)	314,624
Gains/(losses) on changes in value of assets due to impairment	13.3	(574)	502
Operating profit		**(382,230)**	**441,298**
Finance income	13.4	2,515	210
Finance costs	13.4	(50,985)	(39,384)
Profit/(Loss) before tax		**(430,700)**	**402,124**
Tax expense		12,472	1,766
Consolidated net profit/(loss)		**(418,228)**	**403,890**
Net profit/(loss) for the period attributable to the Parent		(347,211)	355,448
Net profit/(loss) attributable to non-controlling interests	8.6	(71,017)	48,442
Basic earnings per share (Euros)	3	(0,65)	0,67
Diluted earnings per share (Euro)	3	(0,65)	0,67

		Thousands of euros	
STATEMENT OF COMPREHENSIVE INCOME	**Note**	**June 2023**	**June 2022**
Consolidated net profit/(loss)		**(418,228)**	**403,890**
Other items of comprehensive income recognised directly in equity - items that may be reclassified subsequently to profit or loss for the period		**(30,801)**	**216,137**
Change in fair value of hedging financial instruments	8.4	(29,365)	216,871
Transfer to the statement of comprehensive income for hedging financial instruments	8.4	(1,427)	(546)
Tax effect on prior years' profit or loss	8.4	(9)	(188)
Consolidated comprehensive income		**(449,029)**	**620,027**
Comprehensive income for the period attributable to the Parent		(377,965)	571,126
Comprehensive income attributable to non-controlling interests		(71,064)	48,901

Notes 1 to 16 described in the explanatory notes form an integral part of the condensed consolidated income statement and condensed consolidated statement of comprehensive income for the six months ended 30 June 2023.

Condensed consolidated statement of changes in equity for the six months ended 30 June 2023

Thousands of euros	Note	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Equity attributable to the Parent's shareholders	Non-controlling interests	Equity
Balance at 31 December 2021		**1,349,039**	**1,584,454**	**(66,657)**	**239,398**	**2,892,540**	**5,998,774**	**1,185,655**	**7,184,429**
Total recognised income and expense for the year		--	--	--	215,678	355,448	571,126	48,901	**620,027**
Transactions with shareholders:									
Own share portfolio		--	--	161	--	(508)	(347)	--	**(347)**
Distribution of profit (dividends)		--	(92,686)	--	3,872	(38,727)	(127,541)	(40,938)	**(168,479)**
Share-based remuneration payments		--	--	--	2,465	--	2,465	33	**2,498**
Changes in scope		--	--	--	(687)	--	(687)	(4,313)	**(5,000)**
Other changes		--	--	--	--	626	626	9	**635**
Balance at 30 June 2022		**1,349,039**	**1,491,768**	**(66,496)**	**460,726**	**3,209,379**	**6,444,416**	**1,189,347**	**7,633,763**

Thousands of euros	Note	Share capital	Share premium	Own shares	Other reserves	Retained earnings	Equity attributable to the Parent's shareholders	Non-controlling interests	Equity
Balance at 31 December 2022	**8**	**1,349,039**	**1,491,773**	**(66,374)**	**523,648**	**2,861,375**	**6,159,461**	**1,183,199**	**7,342,660**
Total recognised income and expense for the year		--	--	--	(30,754)	(347,211)	(377,965)	(71,064)	**(449,029)**
Transactions with shareholders:									
Own share portfolio		--	--	560	--	(189)	371	--	**371**
Distribution of profit (dividends)		--	(28,169)	--	11,633	(116,333)	(132,869)	(10,362)	**(143,231)**
Share-based remuneration payments		--	--	--	2,310	--	2,310	29	**2,339**
Changes in scope		--	--	--	9	--	9	--	**9**
Other changes		--	--	--	14	114	128	3	**131**
Balance at 30 June 2023	**8**	**1,349,039**	**1,463,604**	**(65,814)**	**506,860**	**2,397,756**	**5,651,445**	**1,101,805**	**6,753,250**

Notes 1 to 16 described in the explanatory notes form an integral part of the condensed consolidated statement of changes in equity for the six months ended 30 June 2023.

Condensed consolidated cash flow statement for the six months ended 30 June 2023

		Thousands of euros	
	Note	**June 2023**	**June 2022**
CASH FLOWS FROM OPERATIONS			
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Consolidated net profit/(loss)		(418,228)	403,890
Adjustments to profit			
Depreciation and amortisation (+)		4,685	4,661
Provisions (+/-)		(686)	302
Changes in value of investment property (+/-)	13.3	524,401	(314,624)
Gains/(losses) on changes in value of assets due to impairment (+/-)	13.3	574	(502)
Other (+/-)		(1,016)	10,122
Gains/(losses) on sale of investment property (+/-)	13.2	7,156	(5,129)
Net financial profit (+)	13.4	48,470	39,174
Tax expense (+/-)		(12,472)	(1,766)
Adjusted profit		**152,884**	136,128
Taxes refunded / (paid) (+/-)		(1,520)	(2,744)
Interest received (+)		2,515	210
Increase/(decrease) in current assets and liabilities			
Inventories (+/-)		(4,746)	(14,984)
Increase/(decrease) in receivables (+/-)		(14,929)	1,911
Increase/(decrease) in payables (+/-)		(1,148)	18,762
Increase/(decrease) in other assets and liabilities (+/-)		(18,839)	(13,669)
Total net cash flows in operating activities		**114,217**	**125,614**
2. CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in (-)			
Intangible assets		(1,805)	(1,016)
Property, plant and equipment	4	(2,962)	(1,094)
Investment property and non-current assets classified as held for sale	5 and 7	(108,794)	(601,330)
Non-current financial assets and others		--	(1,891)
		(113,561)	(605,331)
Disposals of (+)			
Investment property and non-current assets classified as held for sale	5 and 7	384,362	57,621
Financial assets		3,181	--
Receipts from government grants		5	--
		387,548	57,621
Total net cash flows from investing activities		**273,987**	**(547,710)**
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid (-)	8.6	(10,362)	(40,938)
Debt repayment (-)	9	(275,700)	(343,000)
Interest paid (+/-)		(61,057)	(60,357)
Redemption of financial instruments (-)		(223)	15,295
Purchase of non-controlling interests (-)	2	9	(5,000)
Own share transactions (+/-)		560	161
		(346,773)	(433,839)
Obtainment of new financing (+)	9	55,470	1,104,000
Other proceeds/(payments) for current financial investments and other (+/-)		4	--
		55,474	1,104,000
Total net cash flows in financing activities		**(291,299)**	**670,161**
4. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS			
Cash flow for the year		**96,905**	**248,065**
Cash or cash equivalents at beginning of period	**9.10**	**159,957**	**218,942**
Cash or cash equivalents at end of period	**9.10**	**256,862**	**467,007**

Notes 1 to 16 described in the explanatory notes form an integral part of the condensed consolidated cash flow statement for the six months ended 30 June 2023.

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries

Explanatory notes to the condensed consolidated interim financial statements for the six-month period ended 30 June 2023

1. Introduction, basis of presentation of condensed consolidated interim financial statements and other information

1.1 Introduction

Inmobiliaria Colonial, SOCIMI, S.A. ("the Parent") 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 (Spain).

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

The Parent's purpose, as set out in its 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 Parent.

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

Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries ("the Group") 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 referred to as the SFL subgroup or SFL for the subsidiary) listed on the Euronext Paris market.

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

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

In view of the business activity carried out 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 Group's consolidated financial statements for 2022 were approved by the shareholders at the Parent's General Shareholders' Meeting held on 15 June 2023.

1.2 Basis of presentation

In accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, all companies governed by the laws of a Member State of the European Union and whose securities are traded on a regulated market in any European Union country must file consolidated financial statements for periods beginning on or after 1 January 2005 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Group's 2022 consolidated financial statements were prepared by the Parent's directors in accordance with the International Financial Reporting Standards as adopted by the European Union, applying the consolidation, accounting and measurement principles, policies and bases set forth in Note 4 to said consolidated financial statements in order to present a true and fair view of the Group's consolidated equity and consolidated financial position at 31 December 2022 and the consolidated results of its operations, changes in consolidated equity and the consolidated cash flows in the year then ended.

These condensed consolidated interim financial statements for the six month-period ended 30 June 2023 are presented in accordance with IAS 34 Interim Financial Reporting, and were authorised for issue by the Parent's directors on 27 July 2023 in accordance with Article 12 of Spanish Royal Decree 1362/2007.

In accordance with IAS 34, the interim financial report is intended to provide an update on the latest complete set of the Group's annual consolidated financial statements, focusing on new activities, events and circumstances that took place during the six months and not duplicating information previously reported in the 2022 consolidated financial statements. Accordingly, for a proper understanding of the information included in these condensed consolidated interim financial statements, they must be read in conjunction with the Group's consolidated financial statements for 2022.

The accounting policies and methods used in preparing these condensed consolidated interim financial statements are the same as those applied in the consolidated financial statements for 2022.

However, since the accounting policies and measurement bases used in preparing the Group's consolidated interim financial statements for the six-month period ended 30 June 2023 may differ from those used by certain Group entities, the required adjustments and reclassifications were made on consolidation to unify such policies and bases and to make them compliant with IFRS and with the accounting policies and standards followed by the Parent.

The SFL Group, included in the scope of consolidation, was the subject of a limited review at 30 June 2023 on a shared basis between the Group's auditor, Deloitte & Associés and PriceWaterhouseCoopers Audit.

Standards and interpretations effective this year

New accounting standards became effective during the six-month period ended 30 June 2023, and were applied accordingly in preparing these condensed consolidated interim financial statements. These new standards are as follows:

- IFRS 17, "Insurance contracts": IFRS 17 replaces IFRS 4 "Insurance Contracts", which allowed for a wide variety of accounting practices. The new standard essentially changes the accounting for all entities issuing insurance contracts and investment contracts with discretionary participation features. In June 2020, the IASB amended the standard, developing specific amendments and clarifications aimed at facilitating the implementation of the new standard, although the essential principles of the standard remained unchanged.

- IFRS 17 (Amendment) "Initial Application of IFRS 17 and IFRS 9 - Comparative Information": The IASB has published an amendment to IFRS 17 that introduces modifications of limited scope to the transition requirements of IFRS 17 "Insurance Contracts" and does not affect any other requirements of IFRS 17. IFRS 17 and IFRS 9 "Financial Instruments" have different transition requirements. For some insurers, these differences may result in one-off accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when they apply IFRS 17 and IFRS 9 for the first time. The amendment will help insurers to avoid these asymmetries and thus improve the usefulness of comparative information for investors.

- NIC 1 (Amendment) "Disclosure of accounting policies": IAS 1 has been amended to improve disclosures about accounting policies to provide more useful information to investors and other primary users of financial statements.

- IAS 8 (Amendment) "Definition of accounting estimates": IAS 8 has been amended to help distinguish between changes in accounting estimates and changes in accounting policy.

- IAS 12 (Amendment) "Deferred tax relating to assets and liabilities arising from a single transaction": In certain circumstances under IAS 12, companies are exempt from recognising deferred taxes when they first recognise assets or liabilities ("initial recognition exemption"). Previously, there was some uncertainty as to whether the exemption applied to transactions such as leases and decommissioning obligations, transactions for which both an asset and a liability are recognised upon initial recognition. The amendment clarifies that the exemption does not apply and that there is therefore an obligation to recognise deferred taxes on such transactions.

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

Standards, amendments and interpretations that have not yet entered into force, but which may be adopted in advance

There are no standards as at the date of signature of these condensed interim consolidated financial statements.

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

At the date of authorisation for issue of these condensed interim consolidated financial statements, the following standards, amendments and interpretations had been published by the IASB and the IFRS Interpretations Committee and are pending adoption by the European Union.

- IFRS 10 (Amendment) and IAS 28 (Amendment), "Sales or contributions of assets between an investor and its associate/joint venture": These amendments clarify the accounting treatment of sales and contributions of assets between an investor and its associates and joint ventures that will depend on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business". The investor will recognise the full gain or loss when the non-monetary assets constitute a "business". If the assets do not meet the definition of a business, the investor recognises the gain or loss to the extent of other investors' interests. The amendments will only apply when an investor sells or contributes assets to an associate or joint venture.

Originally, these amendments to IFRS 10 and IAS 28 were prospective and effective for annual periods beginning on or after 1 January 2016. However, at the end of 2015, the IASB took the decision to postpone the effective date of these transactions (without setting a new specific date), as it is planning a broader review that could result in simplifying the accounting for these transactions and other aspects of accounting for associates and joint ventures.

- IFRS 16 (Amendment) “Lease liability on a sale and leaseback”: IFRS 16 includes requirements on how to account for a sale and leaseback at the date the transaction takes place. However, it did not specify how to record the transaction after that date. This amendment explains how a company should account for a sale and leaseback after the transaction date.

  The effective date of this amendment is 1 January 2024, although early adoption is permitted. This amendment is pending approval by the European Union.

- IAS 1 (Amendment) “Classification of liabilities as current or non-current”: These amendments issued in January 2020 clarify that liabilities are classified as current or non-current depending on the rights that exist at the end of the reporting period. The classification is not affected by the entity’s expectations or events after the end of the period (e.g. receipt of a waiver or breach of the covenant). The amendment also clarifies what IAS 1 means when it refers to the “settlement” of a liability. The effective date of these amendments is 1 January 2022, although early adoption is permitted.

  However, in July 2020 there was an amendment to change the date of entry into force of the amendment to 1 January 2023. In October 2022 there was an amendment which, among other changes, changed the effective date of this amendment to 1 January 2024. If, after October 2022, this amendment is applied early for an earlier period, the amendment to IAS 1 issued in October 2022 must be applied in turn.

  These amendments are pending approval by the European Union.

- IAS 1 (Amendment) “Non-current liabilities with conditions (“covenants”)”: In October 2022, the IASB issued an amendment to IAS 1 “Presentation of Financial Statements” in response to concerns raised about the application of previous amendments to IAS 1 (in January and July 2020) regarding the classification of liabilities as current or non-current.

  The new amendment aims to improve the information provided when the right to defer payment of a liability is subject to the fulfilment of conditions (“covenants”) within twelve months after the reporting period.

  This amendment is effective for financial years beginning on or after 1 January 2024. Earlier application of the amendment is permitted, but is pending approval by the European Union.

- IAS 12 (Amendment) “International tax reform: Second Pillar model standards”: In October 2021, more than 130 countries, representing more than 90% of global GDP, agreed to implement a minimum tax regime for multinational companies, the “Second Pillar”. In December 2021, the Organisation for Economic Co-operation and Development (“OECD”) published the Pillar 2 model rules for reforming international corporate taxation. The large multinational companies concerned must calculate their effective GloBE (Global Anti-Base Erosion) tax rate for each jurisdiction in which they operate. Such companies will be required to pay an additional tax on the difference between their effective GloBE tax rate per jurisdiction and the minimum rate of 15%.

  In May 2023, the IASB issued limited scope amendments to IAS 12. It provides a temporary exemption from the requirement to recognise and itemise deferred taxes arising from an enacted or substantively enacted tax law that implements the Pillar 2 model standards issued by the OECD.

The amendments also introduce the following specific breakdown requirements for the companies concerned:

- The fact that the temporary exception to the recognition and disclosure of deferred tax assets and liabilities related to tax expense arising from Pillar 2 has been applied;

- Their current tax expenditure (if any) related to tax expense arising from the Second Pillar; and

- During the period between the enactment or substantive enactment of the legislation and the entry into force of the legislation, entities are required to disclose known or reasonably estimable information that would assist users of financial statements in understanding the entity's exposure to tax expense arising from Pillar 2.

Firstly, the amendment to IAS 12 is required to be applied immediately (subject to any local endorsement process) and retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, including the requirement to disclose the fact that the temporary exception has been applied, if relevant. Secondly, disclosures relating to current tax expense and known or reasonably estimable Pillar 2 tax expense exposure are required for annual periods beginning on or after 1 January 2023. However, no such disclosures are required in the interim financial statements for any interim period ending on or before 31 December 2023.

This amendment is pending approval by the European Union.

- IAS 7 (Amended) and IFRS 7 (Amended) "Supplier financing arrangements (reverse factoring)": The IASB has amended IAS 7 and IFRS 7 to improve disclosures on supplier financing arrangements ("confirming") and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The amendment responds to investor concerns that some companies' vendor financing arrangements are not sufficiently visible.

  This amendment is effective for financial years beginning on or after 1 January 2024. Earlier application of the amendment is permitted, but is pending approval by the European Union.

In any case, the Parent has assessed the potential impacts of the future application of these standards and considers that their entry into force would not have a significant effect on the Group's condensed interim consolidated financial statements at 30 June 2023.

1.3 Responsibility for the information and estimates made

The information contained in these condensed consolidated interim financial statements for the first half of 2023 is the responsibility of the Directors of the Parent, who have verified that the various controls established to ensure the quality of the accounting information they prepare have functioned effectively.

The consolidated results and the determination of consolidated equity are sensitive to the accounting principles and policies, valuation criteria and estimates followed by the Directors of the Parent in preparing the condensed consolidated interim financial statements. The main accounting principles and policies and measurement bases are indicated in Note 4 to the consolidated financial statements for 2022, except for the information contained in Note 1.2 above on "Standards and Interpretations Effective this Year".

In preparing the condensed consolidated interim financial statements, estimates were occasionally used by the Parent's directors and from the consolidated entities in order to measure certain assets, liabilities, income, expenses and obligations reported herein. Basically, these estimates, made on the basis of the best available information, relate to the following aspects:

- The market value of property for own use, investment property, non-current assets classified as held for sale and inventories has been derived from valuations carried out periodically by independent experts. These valuations have been performed as at 30 June 2023 and 31 December 2022 in accordance with the methods described in Note 5.
- Measurement of deferred tax liabilities recognised in the condensed consolidated statement of financial position (Note 12).
- Market value of derivative financial instruments (Note 10).

Although these estimates were made on the basis of the best available information at this date on the facts analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards). Changes in accounting estimates would be applied prospectively, in accordance with IAS 8, and would be recognised in the consolidated statement of comprehensive income.

In the six-month period ended on 30 June 2023, there were no significant changes in the estimates made at year-end 2022.

1.4 Comparison of information

The information in these condensed interim consolidated financial statements for the first half of the financial year 2023 is presented for comparative purposes with information relating to the six months ended 30 June 2022 for the consolidated income statement, statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement, and is compared with information relating to the end of 2022 for the consolidated statement of financial position.

1.5 Seasonality of the Group's transactions

In view of the business activities of the Group companies, the Group's transactions are not of a significant cyclical or seasonal nature. For this reason, no specific breakdowns are included in the explanatory notes to the condensed consolidated interim financial statements for the six-month period ended 30 June 2023.

1.6 Materiality

In determining the information to be disclosed in the notes to the financial statements on the different items or other matters, the Group, in accordance with IAS 34, has taken into account materiality in relation to the condensed consolidated financial statements for the six-month period.

1.7 Negative working capital

At 30 June 2023 the Group has negative working capital, including non-current assets classified as held for sale, amounting to 277,353 thousand euros.

The Group has 2,857 thousand euros in cash and cash equivalents and available lines of credit (Note 9).

1.8 Events after the reporting date

Since 30 June 2023 and up to the date of authorising for issue these condensed interim consolidated financial statements, no significant events have occurred except for the sale of two properties by the Parent, sites in the province of Madrid, for a total sale price of 75,000 thousand euros.

2. Changes in the composition of the Group

In the first six months of 2023 there were no changes in the scope of consolidation.

The changes in the scope of consolidation for 2022 can be found in Note 2.6 to the consolidated financial statements for the year ended 31 December 2022. Also, the Appendix to the consolidated financial statements for the year ended 31 December 2022 provides relevant information on the Group companies that were consolidated at that date.

3. Earnings per share

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

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

At 30 June 2023 and 2022, there were no instruments that may have had a diluting effect on the Parent's average number of ordinary shares.

The long-term remuneration plans of the Parent are settled by delivery of shares that the Parent holds as treasury shares in advance. Such deliveries of shares do not have a significant or material effect on diluted earnings per share (Note 16.4).

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

	Thousands of euros	
	30 June 2023	30 June 2022
Consolidated net profit/(loss) attributable to equity holders of the parent (thousands of euros)	(347,211)	355,448
Average number of ordinary shares outstanding excluding treasury shares (thousands)	531,446	531,432
Basic earnings per share (in euros)	**(0.65)**	**0.67**
Consolidated net profit/(loss) attributable to equity holders of the parent (thousands of euros)	(347,211)	355,448
Average number of potential ordinary shares outstanding (excluding own shares) (thousands)	531,446	531,432
Diluted earnings per share (in euros)	**(0.65)**	**0.67**

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

	Thousands of euros	
	30 June 2023	30 June 2022
Ordinary shares outstanding at the beginning of the period	539,616	539,616
Average adjustment of own shares	(8,170)	(8,184)
Average adjustment to outstanding ordinary shares (excluding treasury shares)	--	--
Average number of ordinary shares outstanding excluding treasury shares	**531,446**	**531,432**
Impact of dilution on the average number of ordinary shares	--	--
Average number of potential ordinary shares outstanding (excluding own shares)	**531,446**	**531,432**

There have been no transactions involving ordinary shares or potential shares other than those recorded between the closing date at 30 June 2023 and the authorising for issue of these condensed interim consolidated financial statements that significantly change the number of ordinary shares or potential ordinary shares outstanding.

4. Property, plant and equipment

The changes in this heading of non-current assets of the condensed consolidated statement of financial position have been the following:

		Thousands of euros		
	Note	Property for own use	Other property, plant and equipment	Total
Balance at 31 December 2021		**37,241**	**17,921**	**55,162**
Acquisition cost		*43,404*	*31,831*	*75,235*
Accumulated depreciation and amortisation		*(5,420)*	*(13,910)*	*(19,330)*
Accumulated impairment		*(743)*	--	*(743)*
Additions		115	3,928	4,043
Depreciation charge		(561)	(3,374)	(3,935)
Withdrawals acquisition cost		--	(2,414)	(2,414)
Withdrawals accumulated depreciation		--	2,414	2,414
Impairment	13.3	743	(703)	40
Balance at 31 December 2022		**37,538**	**17,772**	**55,310**
Acquisition cost		*43,519*	*33,345*	*76,864*
Accumulated depreciation and amortisation		*(5,981)*	*(14,870)*	*(20,851)*
Accumulated impairment		--	*(703)*	*(703)*
Additions		85	2,877	2,962
Depreciation charge		(288)	(1,195)	(1,483)
Withdrawals acquisition cost		--	(1,316)	(1,316)
Withdrawals accumulated depreciation		--	529	529
Impairment	13.3	--	279	279
Balance at 30 June 2023		**37,335**	**18,946**	**56,281**
Acquisition cost		*43,604*	*34,906*	*78,510*
Accumulated depreciation and amortisation		*(6,269)*	*(15,536)*	*(21,805)*
Accumulated impairment		--	*(424)*	*(424)*

As at 30 June 2023 and 31 December 2022, the Group used two floors of the building located at Avenida Diagonal, 530, in Barcelona, one floor of the building located at Paseo de la Castellana, 52, in Madrid, and one floor of the building located at 42, *rue* Washington in Paris for its own use, while the rest of these buildings are rented out. The cost of buildings earmarked for the Group's own use is recognised under "Properties for own use".

At 30 June 2023, it was necessary to recognise a reversal of the impairment of assets amounting to 279 thousand euros, determined on the basis of valuations by independent experts. An impairment reversal of 40 thousand euros was recorded as at 31 December 2022.

Finally, during the first half of the year 2023, tangible fixed assets have been written off due to replacement, with a net book value of 646 thousand euros (Note 13.3) (2022: there were no substitution withdrawals).

5. Investment property

The changes in this heading of non-current assets of the condensed consolidated statement of financial position have been the following:

	Note	Thousands of euros	
		30 June 2023	31 December 2022
Beginning balance		**12,231,952**	**12,183,368**
Additions for subsequent capitalised disbursements		112,610	226,970
Addition to scope		--	485,145
Disposals or disposals by other means	13.2	(75)	(26,136)
Non-current assets classified as held for sale	7	9,195	(489,205)
Net gain/(loss) from fair value adjustments	13.3	(519,464)	(147,493)
Other movements	13.3	(619)	(697)
Ending balance		**11,833,599**	**12,231,952**

Additions for subsequent capitalised disbursements correspond to investments made in real estate assets, both in development and in operation, amounting to 112,610 thousand euros at 30 June 2023, including 4,877 thousand euros of capitalised finance costs.

During the first half of 2023, a premises in Spain has been disposed of for a total sales proceeds of 100 thousand euros, resulting in the recognition of a gain of 14 thousand euros in the condensed consolidated income statement, including indirect costs of sale.

In the first half of 2023, a property has been reclassified to “Non-current assets classified as held for sale” in the condensed consolidated statement of financial position in the amount of 43,861 thousand euros. In addition, a property recognised in 2022 under “Non-current assets classified as held for sale” has been reclassified to “Investment property” in the condensed consolidated statement of financial position at 30 June 2023, amounting to 53,056 thousand euros, as the sale of this property was not expected to be completed.

The other movements correspond to write-offs due to the replacement of certain elements of investment property amounting to 619 thousand euros (Note 13.3).

5.1 Fair value measurement and sensitivity

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

Details of assets at fair value and the hierarchy in which they are classified are as follows:

	Thousands of Euros			
Valuations at fair value as at 30 June 2023	Level 1	Level 2	Level 3	Total
Property, plant and equipment - Own use	--	--	82,232	82,313
Investment property	--	--	11,955,948	11,955,867
Non-current assets classified as held for sale	--	--	66,500	66,500
Inventories	--	--	104,500	104,500
Total	**--**	**--**	**12,209,180**	**12,209,180**

At 30 June 2023, the Group's valuations have been updated on the basis of the contract portfolio to date and the new yields. The breakdown of the change in yields is shown in the table below:

Weighted Yields(%) - Offices	Gross	
	30 June 2023	31 December 2022
Barcelona – Prime Yield		
Portfolio in operation	4.62	4.44
Total portfolio	4.63	4.46
Madrid – Prime Yield		
Portfolio in operation	4.45	4.26
Total portfolio	4.39	4.22
Paris – Prime Yield		
Portfolio in operation	3.67	3.30
Total portfolio	3.61	3.27

Assumptions made at 30 June 2023					
Rent increases (%) – Offices	Year 1	Year 2	Year 3	Year 4	Year 5 and thereafter
Barcelona –					
Portfolio in operation	0.5	1.75	2.5	2.5	2.5
Total portfolio	0.5	1.75	2.5	2.5	2.5
Madrid –					
Portfolio in operation	1.0	2.0	2.5	2.5	2.5
Total portfolio	1.0	2.0	2.5	2.5	2.5
Paris –					
Portfolio in operation	2.0	2.0	2.0	2.0	2.0
Total portfolio	2.0	2.0	2.0	2.0	2.0

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

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

Sensitivity analysis of the hypotheses

The quarter point change in the rates of return has the following impact on the valuations used by the Group at 30 June 2023 and 31 December 2022 to determine the value of its property, plant and equipment (property, plant and equipment - own use, investment property, inventories and non-current assets classified as held for sale):

	Thousands of euros		
Sensitivity of valuations to a change of one quarter of a point in rates of return	Valuation	Decrease of one quarter of a point	Increase of one quarter of a point
June 2023	12,209,180	862,005	(768,217)
December 2022	13,005,183	960,997	(826,582)

The following table presents a sensitivity analysis of the Group's valuations to changes in rates of return and income growth (indexation):

At 30 June 2023

Thousands of euros	Growth in estimated market rents					
Rate of return	0%	2.5%	5%	7.5%	10%	12.5%
25bp	11,416,854	11,620,764	11,824,130	12,028,239	12,232,097	12,435,986
50bp	10,633,942	10,823,040	11,012,440	11,201,181	11,390,330	11,579,358
75bp	9,884,138	10,058,447	10,233,371	10,407,762	10,582,283	10,756,626
100bp	9,188,576	9,349,723	9,510,588	9,671,606	9,832,235	9,993,492

At 31 December 2022

Thousands of euros	Growth in estimated market rents					
Rate of return	0%	2.5%	5%	7.5%	10%	12.5%
25bp	12,032,866	12,265,822	12,500,424	12,736,347	12,973,472	13,212,373
50bp	11,230,368	11,446,884	11,664,740	11,883,868	12,104,314	12,326,110
75bp	10,465,047	10,665,505	10,866,888	11,070,056	11,274,021	11,479,567
100bp	9,759,610	9,945,250	10,131,697	10,319,705	10,508,625	10,699,043

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

		Thousands of euros	
	Note	30 June 2023	31 December 2022
Consolidated condensed statement of financial position line items -			
Property, plant and equipment - Own use	4	37,335	37,538
Investment property	5	11,833,599	12,231,952
Inventories		91,974	87,128
Non-current assets classified as held for sale	7	64,619	466,480
Lease incentives	6	122,289	104,437
Trade and other receivables – Lease rights acquired		60	73
Total Consolidated condensed statement of financial position line items		**12,149,876**	**12,927,608**
Other adjustments made to the valuation		1,881	18,600
Unrealised gains on assets recognised in property, plant and equipment		44,897	44,603
Unrealised gains on assets recognised in Inventories		12,526	14,372
Valuation		**12,209,180**	**13,005,183**

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.

5.2 Other information

At 31 December 2022, the Parent had pledged an asset as mortgage collateral for a debt with a nominal value of 75,700 thousand euros and a carrying amount of 185,000 thousand euros. During January 2023, this asset has been sold and the associated financial liability has been cancelled.

At 30 June 2023, the Group has no assets pledged as collateral for mortgage loans (Note 9.7).

6. Trade and other receivables and other non-current assets

The composition of these headings in the condensed consolidated statement of financial position is as follows:

	Note	Thousands of euros			
		30 June 2023		31 December 2022	
		Current	Non-Current	Current	Non-Current
Trade receivables for sales and services	6.1	23,393	--	19,220	--
Trade receivables for sale of properties		235	--	225	--
Accrual of lease incentives	6.2	20,498	101,791	20,572	83,865
Other receivables		2,209	--	2,266	--
Other assets		6,738	--	1,941	--
Impairment of receivables -					
- Trade receivables for sales and services		(3,950)	--	(6,595)	--
- Other receivables		(915)	--	(866)	--
Total trade and other receivables and other non-current assets		**48,208**	**101,791**	**36,763**	**83,865**

6.1 Trade receivables for sales and services

This item mainly includes amounts receivable from customers mainly of the Group's rentals business in France, with monthly, quarterly or annual billing periods, with no significant overdue balances.

6.2 Accrual of lease incentives

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

At 30 June 2023, the amount of 637 thousand euros corresponding to the accrual of rental incentives for properties classified as held for sale (at 31 December 2022) has been transferred to "Non-current assets classified as held for sale" in the condensed consolidated statement of financial position: 789 thousand euros) (Note 7).

7. Non-current assets classified as held for sale and liabilities associated with non-current assets classified as held for sale

7.1 Non-current assets classified as held for sale

The changes in this heading of the asset side of the condensed consolidated statement of financial position at 30 June 2023 have been the following:

		Thousands of euros	
		Investment property	
	Note	**30 June 2023**	**31 December 2022**
Beginning balance		**466,480**	**27,000**
Additions for subsequent capitalised disbursements		1,061	35
Transfers	5 and 6.2	(8,558)	489,994
Disposals or disposals by other means	13.2	(389,427)	(50,549)
Net gain/(loss) from fair value adjustments	13.3	(4,937)	--
Ending balance		**64,619**	**466,480**

During the first half of 2023, the subsidiary SFL disposed of an office building in Paris for a sale price of 58,296 thousand euros, recording a loss of 158 thousand euros, considering the indirect costs of the sale.

In addition, the Parent disposed of three properties and a shopping centre (Viapark) for a total sale price of 331,490 thousand euros, recording a loss of 6,526 thousand euros, considering the indirect costs of the sale.

In the first half of 2023, the Parent has reclassified a property as “Non-current assets classified as held for sale” in the condensed consolidated statement of financial position in the amount of 43,861 thousand euros. The net amount transferred from “Trade and other receivables” corresponding to accruals for property lease incentives transferred to “Non-current assets classified as held for sale” amounts to 681 thousand euros.

In addition, a property recorded in 2022 under “Non-current assets classified as held for sale” in the condensed consolidated statement of financial position has been reclassified during the first quarter of 2023 to “Investment property” in the condensed consolidated statement of financial position in the amount of 53,056 thousand euros and to “Trade and other receivables” corresponding to accruals for lease incentives in the amount of 44 thousand euros. This reclassification has taken place as the expectations for the sale of this property have not been fulfilled.

7.2 Liabilities associated with non-current assets classified as held for sale

At 31 December 2022, one of the assets transferred from the consolidated statement of financial position heading “Investment property” to “Non-current assets classified as held for sale” had an associated mortgage loan amounting to 75,700 thousand euros and, therefore, during 2022, this debt was transferred from “Bank borrowings and other financial liabilities” under non-current liabilities (Note 9) to “Liabilities associated with non-current assets classified as held for sale” in the condensed consolidated statement of financial position. This asset has been sold during the first half of 2023 and the associated mortgage loan has been cancelled.

		Thousands of euros	
		Mortgage loan	
	Note	30 June 2023	31 December 2022
Beginning balance		**75,700**	**--**
Transfer from “Amounts owed to credit institutions and other financial liabilities”	9	--	75,700
Disposal of non-current assets classified as held for sale		(75,700)	--
Ending balance		**--**	**75,700**

8. Equity

8.1 Share capital

At both 30 June 2023 and 31 December 2022, the share capital comprised 539,615,637 fully subscribed and paid up shares with a par value of 2.5 euros each.

Based on the reports on the number of corporate investments to the Spanish National Securities Markets Commission, CNMV, the Parent's indirect and direct significant shareholders were as follows:

	30 June 2023		31 December 2022	
	Number of shares*	% ownership	Number of shares*	% ownership
Name or corporate name of the shareholder:				
Qatar Investment Authority (**)	102,675,757	19.03%	102,675,757	19.03%
Finaccess Group (***)	80,028,657	14.83%	80,028,657	14.83%
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%
Credit Agricole, S.A.	22,494,701	4.17%	22,494,701	4.17%
BlackRock Inc	16,283,952	3.02%	15,956,812	2.96%

* Does not include certain financial instruments linked to shares of the Parent.
** Qatar Investment Authority is responsible for managing 21,782,588 shares of the Parent owned by DIC Holding, LLC included in the number of shares reported.
*** Carlos Fernández González has a close relationship with Finaccess México, S.A. de C.V., Sociedad Operadora de Fondos de Inversión and that this company has an indirect holding of 0.46% of the share capital of the Parent. The direct holder of the participation is Latin 10, S.A. de C.V., a fund independently managed by Finaccess Mexico, S.A. de C.V.

The Parent is not aware of any other significant shareholdings.

The General Shareholders' Meeting held on 15 June 2023 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 5 years, bonds convertible into new shares of the Parent or other similar securities that may give the right, directly or indirectly, to subscribe the Parent's shares, with the express power to exclude the pre-emption right of the shareholders up to a maximum of 20% of the share capital, and to increase share 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.

Additionally, on 15 June 2023, the shareholders at the Company's General Shareholders' Meeting resolved to authorise the Board of Directors, in accordance with Article 297.1 b) of the Spanish Limited Liability Companies Law, 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.

8.2 Share premium

On 15 June 2023, the General Shareholders' Meeting agreed to the distribution of dividends charged to the share premium in the amount of 28,169 thousand euros.

8.3 Own shares

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

	30 June 2023		31 December 2022	
	No. of shares	Thousands of euros	No. of shares	Thousands of euros
Free tranche	7,889,813	64,275	7,915,908	64,494
Liquidity contracts	259,706	1,539	302,462	1,880
Ending balance	**8,149,519**	**65,814**	**8,218,370**	**66,374**

8.4 Other reserves

The table below shows details of the consolidated statement of financial position item "Other reserves" and of the changes in these reserves in the year:

	Thousands of euros					
	Legal reserve	Other reserves	Measurement of financial instrument hedges	Share-based payments	Transactions with non-controlling interests	**Total**
At 31 December 2022	**58,640**	**141,973**	**293,115**	**17,489**	**12,431**	**523,648**
Revaluation – gross	--	--	(29,365)	--	--	(29,365)
Deferred tax	--		(9)	--	--	(9)
Non-controlling interest in revaluation - gross	--	--	23	--	--	23
Deferred tax	--	--	--	--	--	--
Reclassification to profit - gross	--	--	(1,427)	--	--	(1,427)
Non-controlling interest in reclassification to profit and loss - gross	--	--	24	--	--	24
Deferred tax	--	--	--	--	--	--
Other comprehensive income	--	--	(30,754)	--	--	(30,754)
Transfer to/from retained earnings	11,633	--	--	--	--	11,633
Transactions with owners in their capacity as such:						
Share-based payments	--	--	--	2,310		2,310
Transactions with non-controlling interests	--	--	--	--	9	9
Grants awarded	--	14	--	--	--	14
At 30 June 2023	**70,273**	**141,987**	**262,361**	**19,799**	**12,440**	**506,860**

8.5 Retained earnings

The changes in retained earnings are as follows:

		Thousands of euros	
	Note	30 June 2023	31 December 2022
Balance at beginning of period		**2,861,375**	**2,892,540**
Net profit/(loss) for the period attributable to the Parent	3	(347,211)	7,979
To legal reserve	8.4	(11,633)	(3,873)
Other items of comprehensive income recognised directly in retained earnings:			
Losses due to transactions using own shares		(189)	(789)
Dividends		(104,700)	(34,855)
Other gains/(losses)		114	373
Balance at end of period		**2,397,756**	**2,861,375**

The results from treasury share transactions correspond to the transactions carried out by the financial intermediary under the liquidity contract.

8.6 Non-controlling interests

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

	Thousands of euros		
	Inmocol Torre Europa, S.A.	SFL Subgroup	Total
Balance at 31 December 2022	**13,507**	**1,169,692**	**1,183,199**
Profit/(loss) for the year	1,479	(72,496)	(71,017)
Dividends and other	--	(10,330)	(10,330)
Financial instrument hedges	14	(61)	(47)
Balance at 30 June 2023	**15,000**	**1,086,805**	**1,101,805**

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

	Thousands of euros
	30 June 2023
Dividend paid by the SFL subgroup to non-controlling interests	(3,011)
Dividend paid by subsidiaries of the SFL Group to their non-controlling interests	(7,351)
Other	32
Total	**(10,330)**

9. Bank borrowings and other financial liabilities

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

30 June 2023	Thousands of euros							
	Current	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	Total non-current	Total
Bank borrowings:								
Policies	17,270	--	--	--	--	--	--	17,270
Loans	--	--	--	24,200	300,000	--	324,200	324,200
Interest	1,159	--	--	--	--	--	--	1,159
Debt arrangement costs	(2,946)	(2,923)	(2,659)	(2,615)	(1,367)	--	(9,564)	(12,510)
Total debts with credit institutions	**15,483**	**(2,923)**	**(2,659)**	**21,585**	**298,633**	**--**	**314,636**	**330,119**
Other financial liabilities	2,473	--	--	--	--	--	--	2,473
Total other financial liabilities	**2,473**	**--**	**--**	**--**	**--**	**--**	**--**	**2,473**
Total debts with credit institutions and other financial liabilities	***17,956***	***(2,923)***	***(2,659)***	***21,585***	***298,633***	***--***	***314,636***	***332,592***
Bonds and similar securities issued:								
Issuing bonds	--	687,200	1,150,000	649,000	599,000	1,425,000	4,510,200	4,510,200
Interest	21,115	--	--	--	--	--	--	21,115
Bond issue formalisation costs	(9,473)	(9,183)	(7,809)	(6,687)	(4,351)	(1,542)	(29,572)	(39,045)
Total issue of debentures and similar securities	***11,642***	***678,017***	***1,142,191***	***642,313***	***594,649***	***1,423,458***	***4,480,628***	***4,492,270***
Issues of promissory notes	443,000	--	--	--	--	--	--	443,000
Issuing promissory notes	***443,000***	***--***	***--***	***--***	***--***	***--***	***--***	***443,000***
Total	***472,598***	***675,094***	***1,139,532***	***663,898***	***893,282***	***1,423,458***	***4,795,264***	***5,267,862***

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

The changes in net financial debt during the first half of 2023, arising from cash flows and others, are presented in the following table:

	Thousands of euros		
	31 December 2022	Cash flows	30 June 2023
Policies	--	17,270	17,270
Loans	420,000	(95,800)	324,200
Liabilities associated with non-current assets classified as held for sale (Note 7.2)	75,700	(75,700)	--
Syndicated financing	100,000	(100,000)	--
Issue of promissory notes	409,000	34,000	443,000
Issuing bonds	4,510,200	--	4,510,200
Gross financial debt (nominal gross debt)	**5,514,900**	**(220,230)**	**5,294,670**
Cash and cash equivalents	(159,957)	(96,905)	(256,862)
Net financial debt	**5,354,943**	**(317,135)**	**5,037,808**

9.1 Issues of the Parent's straight bonds

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

				Thousands of euros		
Issue	Duration	Maturity	Fixed coupon payable annually	Issue amount	30 June 2023	31 December 2022
28-10-2016	8 years	10-2024	1.450%	600,000	187,200	187,200
10-11-2016	10 years	11-2026	1.875%	50,000	50,000	50,000
28-11-2017	8 years	11-2025	1.625%	500,000	500,000	500,000
28-11-2017	12 years	11-2029	2.500%	300,000	300,000	300,000
17-04-2018	8 years	04-2026	2.000%	650,000	650,000	650,000
14-10-2020	8 years	10-2028	1.350%	500,000	500,000	500,000
22-06-2021	8 years	06-2029	0.750%	625,000	625,000	625.000
Total issues					**2,812,200**	**2,812,200**

During 2022, the Parent and SFL (Note 9.2) converted all of their outstanding bonds into "green bonds" under a Green Financing Framework, the pillars of which are energy efficiency and the prevention and reduction of carbon emissions from the Group's assets. The conversion was approved by the bondholders after accepting the consent solicitation launched by both companies for each series of bonds in accordance with the respective terms and conditions of each issue.

The bond issues dated 14-10-2020 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 30 June 2023, the fair value of the bonds issued by the Parent is 2,509,329 thousand euros (31 December 2022: 2,440,714 thousand euros).

Compliance with financial ratios -

The simple obligations currently in force require compliance with certain ratios on a half-yearly basis. As at 30 June 2023 and 31 December 2022, the above ratios are met.

9.2 Issuance of straight SFL bonds

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

				Thousands of euros		
Issue	Duration	Maturity	Fixed coupon payable annually	Issue amount	30 June 2023	31 December 2022
29-05-18	7 years	05-2025	1.500%	500,000	500,000	500,000
05-06-20	7 years	06-2027	1.500%	599,000	599,000	599,000
21-10-21	6.5 years	04-2028	0.500%	599,000	599,000	599,000
Total issues					**1,698,000**	**1,698,000**

All the bonds have been admitted to trading on the regulated market of Euronext Paris.

At 30 June 2023, the fair value of the bonds issued by SFL is 1,528,791 thousand euros (31 December 2022: 1,470,152 thousand euros).

Compliance with financial ratios -

The simple obligations currently in force require compliance with certain ratios on a half-yearly basis. As at 30 June 2023 and 31 December 2022, the above ratios are met.

9.3 Issue of promissory notes by the Parent

The Parent registered on the Irish Stock Exchange in December 2018, a European Commercial Paper for a maximum limit of 300,000 thousand euros with short-term maturity, subsequently extended to 500,000 thousand euros. This programme was renewed in September 2022. As at 30 June 2023 and 31 December 2022 there were no issues outstanding.

9.4 Issuing promissory notes by SFL

In the month of September 2018, SFL registered a short-term promissory note issuance programme (NEU CP) for a maximum amount of 500,000 thousand euros. This programme was renewed in May 2023. Outstanding issues at 30 June 2023 amount to 443,000 thousand euro (409,000 thousand euro at 31 December 2022).

9.5 Syndicated financing of the Parent

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

Thousands of euros	Maturity	30 June 2023		31 December 2022	
		Limit	Nominal drawn down	Limit	Nominal drawn down
Credit policy	11-2027	1,000,000	--	1,000,000	--
Total Parent syndicated financing		**1,000,000**	**--**	**1,000,000**	**--**

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

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

Compliance with financial ratios -

At 30 June 2023 and 31 December 2022, the Parent is compliant with all the financial ratios provided in its financing contracts.

9.6 SFL syndicated financing

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

Thousands of euros	Maturity	30 June 2023		31 December 2022	
		Limit	Nominal drawn down	Limit	Nominal drawn down
Revolving Credit Facility	06-2028	835,000	--	--	--
Credit policy	06-2024	--	--	390,000	100,000
Total SFL syndicated financing		**835,000**	**--**	**390,000**	**100,000**

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

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

Compliance with financial ratios -

At 30 June 2023 and 31 December 2022, SFL is compliant with financial ratios provided in its respective financing contracts.

9.7 Other loans

The Group holds bilateral loans that are not secured by a mortgage that must comply with various ratios. The total limits and balances provided are detailed below:

			30 June 2023		31 December 2022	
Thousands of euros	Company	Maturity	Limit	Nominal drawn down	Limit	Nominal drawn down
CADIF	SFL	06.2025	175,000	--	175,000	--
BECM	SFL	07.2027	140,000	--	200,000	--
Banque Postale	SFL	06.2024	--	--	75,000	--
BNP Paribas	SFL	05.2025	100,000	--	150,000	--
Société Générale	SFL	10.2025	100,000	--	100,000	--
Intesa Sanpaolo	SFL	12.2027	100,000	--	100,000	--
Caixabank	SFL	03.2027	100,000	--	100,000	--
Sabadell	SFL	11.2027	50,000	--	50,000	--
Bilateral loans (Revolving Credit Facility)			**765,000**	**--**	**950,000**	**--**
BBVA	Colonial	04.2027	--	--	100,000	100,000
BNP Paribas Term Loan	SFL	12.2027	300,000	300,000	300,000	300,000
Bankinter	Inmocol	02.2027	24,200	24,200	20,000	20,000
Other loans			**324,200**	**324,200**	**420,000**	**420,000**
Total loans			**1,089,200**	**324,200**	**1,370,000**	**420,000**

Bilateral loans in Revolving Credit Facility (RCF) format

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

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

In June 2023, SFL restructured its credit lines, cancelling the entire 75,000 thousand-euro line with Banque Postale, reducing the available balances of the BECM lines from 200,000 thousand euros to 140,000 thousand euros and of the BNP Paribas line from 150,000 thousand euros to 100,000 thousand euros.

Compliance with financial ratios -

All loans of the Parent and SFL are subject to compliance with certain financial ratios, on a quarterly basis for the Parent and semi-annually for the subsidiary SFL.

At 30 June 2023 and 31 December 2022, the financial ratios foreseen in their respective financing contracts are met.

9.8 Policies

The Group has policies drawn down at 30 June 2023 for 17,270 thousand euros (at 31 December 2022 there were no policies drawn down).

9.9 Guarantees delivered

At 30 June 2023, the Parent had provided guarantees to official bodies, customers and suppliers in the amount of 8,553 thousand euros (31 December 2022: 8,883 thousand euros).

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

9.10 Cash and cash equivalents

At 30 June 2023, the condensed consolidated statement of financial position includes "Cash and cash equivalents" in the amount of 256,862 thousand euros (2022: 159,957 thousand euros), of which 1,589 thousand euros are restricted or pledged (2022: 1,382 thousand euros).

9.11 Debt arrangement costs

During the first half of 2023 and 2022, the Group recorded 5,406 and 3,693 thousand euros in the condensed consolidated income statement, respectively, corresponding to the amortised costs during the year (Note 13.4).

9.12 Financing interest

The Group's average interest rate in the first half of the financial year 2023 was 1.62% (December 2022: 1.44%) or 1.93% incorporating the accrual of commissions (December 2022: 1,73%). The average interest rate on the Group's debt outstanding at 30 June 2023 (spot) is 1.69% (December 2022: 1,71%).

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

	Thousands of euros	
	30 June 2023	31 December 2022
Obligations	21,115	26,957
Bank borrowings	1,159	2,354
Total	**22,274**	**29,311**

9.13 Capital management and risk management policy

The basic risks to which the Group is exposed and the risk management policies are detailed in the financial statements for the year ended 31 December 2022 and are reproduced in the consolidated interim directors' report that forms part of these interim financial statements.

10. Derivative financial instruments

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

	Company	Counterparty	Interest rate	Maturity	Nominal (Thousands of euros)	Fair value - Assets/(Liabilities) (*)
Cash flow hedges-						
Swap	Inmocol	Société Générale	0.8400%	2027	20,000	1,849
Swap	Inmocol	Société Générale	3.0273%	2027	4,200	50
Swap	SFL	CIC	2.6250%	2027	100,000	2,101
Swap	SFL	Société Générale	2.4920%	2029	100,000	2,672
Swap	SFL	CIC	2.4240%	2029	100,000	3,065
Swap	SFL	CADIF	2.4925%	2029	200,000	5,352
Cash flow hedges of planned future transactions -						
Swap	Colonial	Natwest	0.3460%	2033	25,000	5,522
Swap	Colonial	Natwest	0.3490%	2033	150,000	33,091
Swap	Colonial	CA-CIB	0.5730%	2029	173,000	17,257
Swap	Colonial	BBVA	0.5673%	2029	165,700	16,558
Swap	Colonial	CaixaBank	0.5695%	2029	168,050	16,765
Swap	Colonial	Société Générale	0.6190%	2030	747,500	69,402
Swap	Colonial	Société Générale	0.7075%	2032	173,500	13,547
Swap	Colonial	Natixis	0.7040%	2032	173,300	13,565
Swap	Colonial	Société Générale	0.7600%	2033	213,500	16,116
Swap	Colonial	Natixis	0.7570%	2033	213,350	16,138
Swap	Colonial	JP Morgan	0.8000%	2033	102,750	7,681
Swap	Colonial	Natixis	0.7900%	2033	101,470	7,591
Total 30 June 2023					**2.931.320**	**248,322**

(*) Including accrued interest on cash flow hedges.

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

(*) Including accrued interest on cash flow hedges.

During the first half of 2023, the subsidiary Inmocol Torre Europa, S.A. has contracted another derivative financial instrument to hedge the increase in the loan for a nominal amount of 4,200 thousand euros, at a rate of 3.0273% and maturing in February 2027.

The impact on the condensed consolidated income statement of the recognition of derivative financial instruments are shown in the following table:

		Thousands of euros	
	Note	June 2023	June 2022
Income from derivative financial instruments		--	--
Expenses from derivative financial instruments		(32)	(59)
Net result from derivative financial instruments	**13.4**	**(32)**	**(59)**

10.1 Hedge accounting -

At 30 June 2023 and 31 December 2022, the Parent applies hedge accounting to all derivative financial instruments.

At 30 June 2023, the cumulative impact of hedge accounting recognised directly in consolidated equity amounted to a credit balance of 262,361 thousand euros (Note 8.4), after recognition of the tax impact (2022: 293,115 thousand euros of credit balance).

10.2 Fair value of derivative financial instruments -

The fair value of derivative financial instruments has been calculated from an update of estimated future cash flows based on an interest rate curve and volatility assigned at 30 June 2023, using the appropriate discount rates established by an independent third-party expert.

Changes of +/- 25 basis points in the interest rate curve have an effect on the fair value of derivative financial instruments at 30 June 2023 of 33,000 thousand euros and -28,707 thousand euros, respectively.

11. Trade creditors and other non-current liabilities

The heading “Trade and other payables” in the condensed consolidated statement of financial position at 30 June 2023 includes the amount of the dividend approved by the general shareholders’ meeting held on 15 June 2023, amounting to 132,869 thousand euros, which was paid in July 2023.

12. Tax situation

The details of deferred tax liabilities along with their movements are shown in the following table:

	Thousands of euros			
Deferred tax liabilities	31 December 2022	Inclusions	Write-offs	30 June 2023
Asset revaluation	343,006	(13,640)	(7,126)	322,240
Asset revaluation -Spain-	139,512	(2,637)	(7,126)	129,749
Asset revaluation -France-	203,494	(11,003)	--	192,491
Deferral for reinvestment	4,222	--	(95)	4,127
Hedging instruments	452	9	--	461
Other	476	(2)	--	474
Total deferred tax liabilities	**348,156**	**(13,633)**	**(7,221)**	**327,302**

13. Income and expense

13.1 Revenue

The Group's revenue, which is basically centred on the Barcelona, Madrid and Paris markets, and its distribution by geographical segment is shown in the table below:

	Thousands of euros	
	30 June 2023	30 June 2022
Barcelona	20,554	22,188
Madrid	47,676	45,281
Rest of Spain	--	852
Paris	111,351	97,971
Total assets (traditional business)	**179,581**	**166,292**
Total flexible business	**9,354**	**6,630**
Total revenue	**188,935**	**172,922**

Revenues for the first half of 2023 and 2022 include the effect of rental incentives over the minimum contract term. It also includes the accrual of amounts received as entry fees. As at 30 June 2023 the impact of the above accruals has resulted in an increase in turnover of 18,638 thousand euros (2022: 11,020 thousand euros).

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

	Thousands of euros	
	Nominal Value (*)	
	30 June 2023	30 June 2022
Less than one year	*303,761*	*312,436*
Spain	135,075	140,268
France	168,686	172,168
Between one and five years	*887,109*	*752,754*
Spain	220,770	193,050
France	666,339	559,704
More than five years	*693,438*	*673,410*
Spain	31,591	26,109
France	661,847	647,301
Total	**1,884,308**	**1,738,600**
Spain	*387,436*	*359,427*
France	*1,496,872*	*1,379,173*

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

13.2 Net gains on sales of assets

The composition of the Group's net results from asset sales, as well as their geographical distribution, are detailed below:

	Thousands of euros					
	Spain		France		Total	
	June 2023	June 2022	June 2023	June 2022	June 2023	June 2022
Sale price	331,590	31,566	58,296	26,872	389,886	58,438
Asset write-offs (Note 5 and 7)	(331,469)	(26,136)	(58,033)	(27,015)	(389,502)	(53,151)
Indirect and other costs	(7,119)	119	(421)	(277)	(7,540)	(158)
Net result from asset sales	**(6,998)**	**5,549**	**(158)**	**(420)**	**(7,156)**	**5,129**

13.3 Variation in asset value and impairment

The breakdown of "Changes in value of investment property" heading of the condensed consolidated income statement broken down by type is as follows:

		Thousands of euros	
	Note	June 2023	June 2022
Investment property	5	(519,464)	314,624
Assets classified as held for sale – Investment property	7	(4,937)	--
Variations in property investment value		**(524,401)**	**314,624**
Spain		(196,644)	109,191
France		(327,757)	205,433

The detail of the nature of the impairments recorded in the "Gains/(losses) due to changes in value of assets and impairment" heading of the condensed consolidated income statement is presented in the following table:

		Thousands of euros	
	Note	June 2023	June 2022
Disposals in lieu of rights-of-use assets		412	--
(Impairment) / Reversal of value of tangible fixed assets	4	279	743
Disposals in lieu of tangible fixed assets	4	(646)	--
Disposals in lieu of investment property	5	(619)	(241)
Result due to variation in asset value and impairment		**(574)**	**502**

13.4 Finance income and costs

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

		Thousands of euros	
	Note	June 2023	June 2022
Finance income:			
Other interests and similar income		2,515	210
Total Finance income		**2,515**	**210**
Finance costs:			
Finance costs and similar expenses		(49,664)	(40,622)
Capitalised financial costs		4,977	5,013
Finance costs per update		(807)	(569)
Finance costs associated with debt cancellation and restructuring		(1,480)	--
Finance costs associated with arrangement expenses	9.11	(5,406)	(3,693)
Transfer to the statement of comprehensive income of financial instrument hedges	8.4	1,427	546
Expenses from derivative financial instruments	10	(32)	(59)
Total Finance costs		**(50,985)**	**(39,384)**
Total Financial Result (Loss)		**(48,470)**	**(39,174)**

14. Segment reporting

All the Group's activities are carried on in Spain and France. Segment information is as follows:

Segment information first half of 2023	Thousands of euros							
	Rentals (Traditional business)					Flexible Business	Corporate unit	Total Group
	Barcelona	Madrid	Paris	Remainder	Total rentals			
Income								
Revenue (Note 13.1)	20,554	47,676	111,351	--	179,581	9,354	--	188,935
Other income	--	--	3,974	--	3,974	--	2,204	6,178
Net result on sale of assets (Note 13.2)	14	(7,012)	(158)	--	(7,156)	--	--	(7,156)
Changes in value of investment property (Note 13.3)	(82,760)	(113,884)	(327,757)	--	(524,401)	--	--	(524,401)
Gains/(losses) on changes in value of assets and impairment (Note 13.3)	(138)	(481)	--	--	(619)	45	--	(574)
Operating profit/(loss)	(65,571)	(78,191)	(219,048)	--	(362,810)	3,830	(23,250)	(382,230)
Financial profit (Note 13.4)	--	--	--	--	--	--	(48,470)	(48,470)
Profit/(Loss) before tax	--	--	--	--	--	--	(430,700)	(430,700)
Consolidated net profit/(loss)	--	--	--	--	--	--	(418,228)	(418,228)
Net profit/(loss) attributable to non-controlling interests (Note 8.6)	--	--	--	--	--	--	71,017	71,017
Net profit attributable to the Parent (Note 3)	--	--	--	--	--	--	(347,211)	(347,211)

The most significant inter-segment transactions during the first half of 2023 were as follows:

	Thousands of euros			
	Traditional Business	Flexible Business	Corporate Unit	Total Group
Income				
Turnover	4,709	--	--	4,709
Operating profit/(loss)	--	(4,709)	--	(4,709)

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

Segment information first half of 2022	Thousands of euros							
	Rentals (Traditional business)					Flexible Business	Corporate unit	Total Group
	Barcelona	Madrid	Paris	Remainder	Total rentals			
Income								
Revenue (Note 13.1)	22,188	45,281	97,971	852	166,292	6,630	--	172,922
Other income	--	100	1,029	--	1,129	--	2,188	3,317
Gains on sales of assets (Note 13.2)	--	5,549	(420)	--	5,129	--	--	5,129
Changes in value of investment property (Note 13.3)	256	108,423	205,433	512	314,624	--	--	314,624
Gains/(losses) on changes in value of assets and impairment (Note 13.3)	(23)	(218)	--	--	(241)	--	743	502
Operating profit/(loss)	19,183	149,993	298,580	1,672	469,428	1,654	(29,784)	441,298
Financial profit (Note 13.4)	--	--	--	--	--	--	(39,174)	(39,174)
Profit/(Loss) before tax	--	--	--	--	--	--	402,124	402,124
Consolidated net profit/(loss)	--	--	--	--	--	--	403,890	403,890
Net profit/(loss) attributable to non-controlling interests (Note 8.6)	--	--	--	--	--	--	(48,442)	(48,442)
Net profit attributable to the Parent (Note 3)	--	--	--	--	--	--	355,448	355,448

The most significant inter-segment transactions during the first half of 2022 were as follows:

	Thousands of euros			
	Traditional Business	Flexible Business	Corporate Unit	Total Group
Income				
Turnover	4,112	--	--	4,112
Operating profit/(loss)	--	(4,112)	--	(4,112)

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

15. Information on transactions and balances with related parties

At 30 June 2023 and 31 December 2022, the Group has no balances or transactions with related parties.

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

16.1 Composition of the Board of Directors

As at 30 June 2023, the board of directors of the Parent consists of 8 men and 5 women (8 men and 3 women as at 30 June 2022).

At 30 June 2023 the composition of the board of directors of the Parent is as follows:

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

At the General Meeting of Shareholders of the Parent held on 15 June 2023, Ms Miriam González Amézqueta and as proprietary director Mr Manuel Puig Rocha.

16.2 Remuneration of the Board of Directors

The remuneration accrued by the members of the board of directors of the Parent, classified by item, is as follows:

	Thousands of euros					
	30 June 2023			30 June 2022		
	Parent	Other Group companies	Total	Parent	Other Group companies	Total
Remuneration accrued by executive directors (*):	**782**	**--**	**782**	**4,509**	**--**	**4,509**
Non-executive directors per diems:	**543**	**6**	**549**	**434**	**18**	**452**
Fixed remuneration for non-executive directors:	**642**	**10**	**652**	**480**	**15**	**495**
Directors' remuneration	504	10	514	342	15	357
Additional compensation audit and control committee	63	--	63	63	--	63
Additional remuneration appointments and remuneration committee	75	--	75	75	--	75
Total	**1,967**	**16**	**1,983**	**5,423**	**33**	**5,456**

Amount of compensation earned by executive directors (*):	782	--	782	4,509	--	4,509

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

On 30 April 2022, the employment relationship of Mr Juan José Brugera Clavero with the Parent was terminated, which entailed the payment of a severance payment of 3,000 thousand euros, which is included under the heading “Remuneration accrued by executive directors” at June 2022.

At 30 June 2023 and 2022, the Parent had taken out a civil liability insurance policy that covers all directors, members of senior management and employees of the Parent, including for both years the annual civil liability insurance premium for damage caused by acts or omissions. At 30 June 2023 and 2022, the Parent has recognised 255 thousand euros and 473 thousand euros, respectively, in this connection.

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 total annual contributions of 113 thousand euros and 150 thousand euros in 2023 and 2022, respectively. At 30 June 2023, the Parent registered 56 thousand euros, respectively, for said item in the "Personnel expense" section of the condensed consolidated income statement (2022: 75 thousand euros).

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

As at 30 June 2023, one member of the board of directors has signed guarantee or golden parachute clauses for certain cases of dismissal or change of control, all of which were approved at the general meeting of shareholders (two members of the board of directors as at 30 June 2022).

In addition, during the first half of 2023 and 2022, there have been no terminations, modifications or early terminations of contracts outside ordinary business activities between the Parent and the members of the Board of Directors or any person acting on their behalf.

16.3 Compensation to senior management

The senior management of the Parent, excluding the chief executive officer and other executive directors whose remuneration is included in the remuneration of the members of the board of directors, consists of all senior executives and other persons other than the chief executive officer who, reporting directly to the chief executive officer, assume the management of the Parent. At 30 June 2023 the senior management consists of three men and three women (June 2022: three men and two women).

The monetary remuneration received by senior management during the first half of 2023 amounts to 1,173 thousand euros (June 2022: 965 thousand euros).

The General Shareholders' Meeting held on 27 July 2016 approved the granting of a defined contribution scheme for a member of senior management covering retirement and, when applicable, disability and death, with annual contributions of 71 thousand euros and 67 thousand euros in 2023 and 2022, respectively. At 30 June 2023 and 2022, the Parent registered 35 and 34 thousand euros, respectively, for said item in the "Personnel expenses" section of the consolidated income statement.

At 30 June 2023 and 2022, a member of senior management had signed a guarantee or shield clause for certain cases of dismissal or change of control.

16.4 New long-term incentive scheme

On 30 June 2021, the General Shareholders' Meeting approved a new long-term incentive plan consisting of the delivery of shares in the Parent, aimed at executives, including the executive directors of the Parent, and other employees of the Colonial Group (the "Plan"), and supersedes the share delivery plan that was approved by the general shareholders' meeting held on 21 January 2014 and last extended for a period of two years by resolution of the general shareholders' meeting held on 30 June 2020.

The beneficiaries of the Plan must subscribe to and accept the terms and conditions of the Plan in order to be entitled to the Plan, and the delivery of the shares will be conditional in all cases on the beneficiaries of the Plan having an employment or business relationship with any Group company on the dates on which the delivery takes place.

The Plan will have a duration of 5 years and will be divided into 3 overlapping annual cycles of 3 years each, independent of each other (i.e. with delivery of the actions under each cycle after 3 years from the start of each cycle).

Inmobiliaria Colonial, SOCIMI, S.A.
and subsidiaries

Consolidated interim directors' report for the first half of 2023

1. Group Status

Rental Market Situation

Barcelona

The take-up in the Barcelona offices market was 122,000 sqm in the first half of 2023. The locations with the strongest demand continue to be in the city centre and the 22@ district, where 73% of the total market absorption is concentrated. The total market vacancy decreased to 10.21% (12.2% in December 2022), while in the CBD, the vacancy rate decreased to 4.5%. The prime rents were at €28/sqm/month.

Madrid

The demand in the Madrid offices market reached 240,000 sqm in the first half of 2023. The quality of the buildings continues to be one of the main drivers in office take up. Accordingly, it is worth highlighting that 80% of the transactions with a surface area equal to or above 1,000 sqm were signed on grade A buildings. It is important to underline the market polarization; the scarcity of high-quality space in the CBD continues to push up prime rental prices, increasing in the second quarter of 2023 from €37/sqm/month to €37.50/sqm/month. The vacancy rate in the CBD decreased to 4.8%.

Paris

In the Paris office market, take-up in the first half of 2023 reached 421,000 sqm, a figure slightly higher than the figure obtained in the first quarter of 2023. Out of the total take-up, 25% of the market demand was concentrated in the CBD (30% more than the 5-year average). The vacancy rate in the CBD remains low at 2.6% and Grade A availability remains at 0.4%. Prime rents for the best buildings in the CBD, stood at €1,000/sqm/year.

The investment volume in the Paris office market reached €2.8bn in the first half of 2023: 46% of the transactions were carried out in the city centre and the Paris CBD. Domestic investors comprise 90% of the total invested. Prime yields stood at 3.50%.

Organisational structure and operation

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

The company has a market capitalisation of approximately 3,100 million euros with a free float of around 60% and manages an asset volume of more than 12,000 million euros.

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

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

- A business model focused on transformation and creation of top quality offices in prime locations, mainly the CBD.
- Maximum commitment in creating offices that respond to the best demands in the market, with special emphasis on efficiency and sustainability.

- A diversified pan-European strategy in the Barcelona, Madrid and Paris office markets.
- An investment strategy that combines core acquisitions with prime factory acquisitions and value-added components.
- A clearly industrial real estate approach to capture above-market-average value creation.

Today Colonial is the European company with the greatest focus on city centre areas and leads the Spanish real estate market in terms of quality, sustainability and efficiency of its office portfolio.

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

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

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

At the end of the first half 2023, the Group has a robust capital structure with a solid “Investment Grade” rating. At 30 June 2023, the Group’s LTV (loan to value) was 38.8%, although including the sale of CMA II, Somport and Cedro assets and the dividend paid by Colonial, the Group’s pro forma LTV (loan to value) was 39.2%.

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 vocation to maintain 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.

2. Business performance and results

Introduction

As at 30 June 2023, the Group’s turnover was 189 million euros, 183 million euros of correspond to analytical rental income (see Alternative Performance Measures, hereafter “ARM”).

The revaluation of investment property and non-current assets classified as held for sale, in accordance with the independent valuation carried out by CB Richard Ellis and Cushman & Wakefield in Spain and France at the end of the half year, amounted to a negative 524 million euros. The change in value, which was recorded in both France and Spain, does not represent a cash outflow.

The net financial result was 48 million euros of expenses.

Profit/(Loss) before tax and Profit/(Loss) attributable to non-controlling interests at the end of the first half of the financial year 2023 amounted to negative 431 million euros.

Finally, after deducting net income attributable to non-controlling interests of negative 71 million euros and corporate income tax of 12 million euros, net profit/(loss) for the period attributable to the Parent for the period amounted to negative 347 million euros.

Results for the first half of the financial year 2023

1. Recurring net profit (APM) per share grew +14%

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

- ✓ Analytical rental revenues (APM) of 183 million euros, +8% vs the previous year
- ✓ Analytical EBITDA (APM) of 152 million euros, +18% vs the previous year
- ✓ Recurring net profit (APM) of 87 million euros, +14% vs the previous year
- ✓ Recurring net profit per share (APM) of €16.1cts, +14% vs the previous year

The recurring net profit reached double-digit growth levels 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, mainly complemented by 3) income from successful project deliveries.

The efficient management of operating costs has resulted in an analytical EBITDA (APM) growth of +18% year-on-year, which has led to an increase of +14% in the recurring net profit, reaching 87 million euros.

The execution of the disposal program for non-strategic assets has meant that the increase in the recurring net profit (APM) was lower. Excluding this impact of the active management of the portfolio, the recurring net profit of the continued operations has grown +25% compared to the previous year.

The valuation of the asset portfolio shows a resilient performance with an adjustment of (3%) like-for-like, resulting in a net profit for the period attributable to the Parent of 347 million euros. It is worth highlighting that the value variation does not imply a cash outflow.

2. Revenues & EBITDA rents with strong growth

Revenue growth: Polarisation & Pan-European Prime Positioning

Colonial closed the first half of 2023 of 183 million euros of analytical rental income (APM), and a EBITDA rents (APM) of 170 million euros.

The analytical rental income (APM) growth is solid, in absolute terms at +8%, as well as in comparable terms, with an increase of +10% like-for-like, demonstrating the strength of Colonial's prime positioning.

The +10% increase in like-for-like analytical rental income is among the highest in the sector and is a clear reflection of the market polarization towards the best offices product. Particularly worth highlighting are the portfolios in Madrid (+13% like-for-like) and in Paris (+10% like-for-like).

EBITDA rents (APM) increased +11%, and in like-for-like terms, net rents increased by +13%.

1. The EBITDA rents (APM) in the Paris market increased by +14% in absolute terms and +10% in like-for-like terms. This like-for-like increase is mainly due to the higher rents and occupancy levels in the Édouard VII, Washington Plaza, 103 Grenelle, Louvre Saint Honoré offices and #Cloud assets, among others.

2. In the Madrid portfolio, the EBITDA rents (APM) increased by +15% in absolute terms, driven by a strong increase of +23% like-for-like. This like-for-like increase is mainly due to higher rents on the Recoletos 37, Ortega y Gasset 100, The Window, Castellana 163 and Santa Engracia assets, among others, based on a combination of higher rents and occupancy levels.

3. In the Barcelona portfolio, the EBITDA rents (APM) decreased by 6%, mainly due to the entry into renovation on the Parc Glories II and Diagonal 197 assets. In like-for-like terms, the EBITDA rents (APM) increased by +4%, highlighting the increase in rental income on the Diagonal 682, Diagonal 409 and Diagonal Glories assets, among others.

Income growth derived from multiple drivers

The 14 million euros increase in income is based on a business model with multiple growth drivers.

1. Pricing Power: Growth in signed rents + capturing of indexation – a contribution of +8% to total growth

The Core portfolio contributed +14 million euros to income growth deriving from a solid like-for-like growth of +10% due to the strong Pricing Power, enabling the full capture of the indexation impact and maximum market rents.

2. Projects deliveries – a contribution of +8% to total growth

Project deliveries and the renovation program contributed +14 million euros to income growth (a contribution of +8% to overall growth). Highlighted is the income contribution from Biome, Cézanne Saint-Honoré and Washington Plaza in Paris, Velázquez 86D and Miguel Ángel 23 in Madrid, as well as Diagonal 530 and Wittywood in Barcelona..

3. Acquisition of Prime Assets – a contribution of +3% to total growth

The acquisition of the Amundi headquarters in Paris in April 2022 contributed +6 million euros to income growth in the first half of 2023.

4. Disposals programme - Flight to Quality

The disposal of non-strategic assets and other non-like-for-like impacts have led to a (12%) 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, 54 office rental contracts, corresponding to 97,209 sqm.

The signed contracts correspond to annualized rents of 43 million euros, of which more than 50% correspond to clients in the luxury, media, and technology sectors, as well as consultancy and advisory services.

These solid commercial results are clear evidence of the polarization trend in the office markets, marked by a demand that prioritizes top-quality Grade A products in the CBD.

After a strong first quarter of 45,860 sqm, in the second quarter of 2023, more than 51,000 sqm were also signed, half in Madrid and the rest in Paris and Barcelona.

In cumulative terms, 44% of the total letting activity (42,787 sqm) corresponds to new contracts signed, spread over the three markets in which the Group operates.

Regarding contract renewals, a total of 54,422 sqm were signed, highlighting 31,159 sqm renewed in Madrid.

2. 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 97%.

Since the beginning of the year, portfolio occupancy has increased by more than 150 basis points (hereafter bps), boosted by an improvement in occupancy in all segments. The most significant progress in the first half took place in Barcelona with an improvement in occupancy of more than 500 bps in 6 months.

It is worth mentioning that the current vacancy in the Barcelona portfolio is concentrated on the recent entries into operation of the renovation programs of Diagonal 530 and Torre Marenostrum, as well as the secondary building in Sant Cugat. Excluding these three assets, the occupancy of the rest of the Barcelona portfolio is at 95%.

3. Rent Increase - Polarisation & Pricing Power

Pricing Power – Capturing of the indexation in all contracts with an average growth of +5.7%

Thanks to its prime client portfolio, the Colonial Group's has captured the impact of the indexation on rents, applying in all the contracts the corresponding update of the rent.

As a result of the indexation on the contract portfolio in the first half of 2023, the annualized passing rents of the corresponding contracts have increased by +5.7% (+4% in Spain and +6% in Paris).

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

Pricing Power - Acceleration of growth in market rents

The Colonial Group registered in the second quarter a growth of +7% in signed office rents compared to the market rents (ERV) as of 31 December 2022. The highest increases in rental prices were signed on the Paris portfolio with an +11% increase compared to the market rents at 31 December 2022.

Worth mentioning is the accelerated growth in rents of 400 bps in the office contracts signed in the second quarter of the year. Specifically, growth increased from +3% in the first quarter up to +7% in the second quarter.

Highlighted is the progress of the Paris market with a growth of +11%, boosted by the signing of a contract with a luxury company of more than 9,000 sqm at rental levels above €940/sqm/year.

Pricing Power - Increase in rental renewals, release spreads of +7%.

During the second quarter of 2023, the Colonial Group increased the office rents with current clients by +7% compared to previous rents (release spreads).

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

Worth mentioning is the Paris office portfolio with a release spread of +13% in the second half of 2023.

Project Pipeline

1. Project pipeline almost fully delivered and pre-let

The Colonial Group has a project pipeline of 183,884 sqm across 8 assets.

In July 2023, the Louvre Saint Honoré project was delivered. This delivery took place before the estimated delivery date and at maximum returns, thanks to the controlled construction costs and high rents. This ambitious project was commissioned to the award-winning architect Jean Nouvel together with the prestigious architecture studio B. Architecture. This historic, iconic building, with exceptional views of the Louvre, is rented to the Cartier Foundation, of the Cartier Group, for 40 years of which 20 years of mandatory compliance and at maximum rental prices.

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

At the date of publication of these results, 7 out of the 8 projects in the project pipeline have been fully delivered. The only ongoing project is the Méndez Álvaro Campus (located in the South of the Castellana in Madrid) with an estimated delivery date at the beginning of 2024.

>High degree of progress in deliveries/entries into operation: 7 out of 8 projects delivered confirming yield on cost of 6-7%.

>High degree of pre-letting in the portfolio: 7 out of 8 projects: Out of the 8 projects in the project pipeline, 7 are already pre-let, with the exception of 1,100 sqm in the Velázquez asset, currently in negotiations, and the Campus Méndez Álvaro, the commercialization of which began at the end of 2022.

Currently, a new project is being analysed on the Rives de Seine building, which is located in the Bercy/Gare de Lyon district of Paris, with excellent accessibility to public transport.

The asset has a surface area of 22,000 sqm and will become a reference building with the highest standards of sustainability, with the most technologically advanced quality infrastructures and architectural and design excellence.

Asset Valuation and Capital Structure

1. Asset values - Polarization & Prime Positioning

The Gross Asset Value of the Colonial Group at the close of the first half of 2023 amounted to 12,209 million euros (12,880 million euros including transfer costs), 6% less than the value at December 2022, specifically due to the sale of non-strategic assets carried out in the first half of 2023 and the value adjustments of 3%.

In like-for-like terms, Colonial's portfolio was adjusted by 3% in 6 months.

Polarization & 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 (+30 bps in 6 months).

Increases in rental cash flow due to the indexation and rental growth, together with successful project delivery, have led to an Alpha capital value creation offsetting partially 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 (NTA)

The Net Asset Value at the close of the first half of 2023 amounted to 5,870 million euros corresponding to €10.88/share. Including the dividend paid of €0.25/share, the total Net Asset Value for Colonial's shareholders was €11.12/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. Additional disposals strengthening the capital structure

After the close of the first half of the year, the Colonial Group registered asset disposals for 75 million euros.

Specifically, the disposals were closed on two non-strategic assets in peripheral locations in the north of Madrid: the land plot Puerto Somport in the sub-market of Las Tablas, and the Cedro building, located in the secondary area of Madrid in Alcobendas, with a vacancy of 17%.

These two disposals complete the delivery of the disposal program of 500 million euros announced at the beginning of the year together with an enhancement of the divestment volume by more than 40 million euros, reaching a total amount of sales of 548 million euros. Colonial will remain in a net divestment position during the coming months, as long as interesting disposal opportunities arise.

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

3. Capital structure

At the close of the first half of 2023, the Colonial Group has a solid balance sheet, with a pro forma LTV of 39.2% (including the sale of CMAII, Somport and Cedro assets and the dividend paid by Colonial).

In the first half of 2023, the Group executed a large part of its disposal program, reducing its net debt by 317 million euros and expanding its average maturity.

During the first half of 2023, the Group executed a large part of its divestment programme, reducing its net debt by 317 million euros and extending its average maturity.

Likewise, the Group has improved its liquidity profile and reinforced it with a new credit line of 835 million euros, maturing in 5 years. This new credit line has been contracted with a pool of 10 international banks and has been structured as a sustainable loan. This credit facility is linked to 3 ESG objectives: carbon footprint reduction, GRESB rating, and building certificates. Therefore, if the Group performs well in terms of ESG, the associated financial cost will be reduced.

Thus, the current liquidity of the Colonial Group amounts to 2,857 million euros between cash and undrawn credit lines, enabling the Colonial Group to cover all their debt maturities until 2027.

At 30 June 2023, 100% of the Colonial Group’s net debt was at a fixed or hedged interest rate with a spot interest rate of 1.69%, 2 bps below the spot financial cost at the close of 2022.

The Colonial Group’s exposure to the impact of interest rate hikes is considerably limited as a result of the financial instruments:

- ✓ 53% of the future issues of the Group's debt have interest rate pre-hedging instruments at a 0.64% strike rate.
- ✓ At 30 June 2023, the market value (Mark-to-Market) of the interest rate coverage contracted by the Colonial Group, registered under equity, amounts to 262 million euros.

The strong financial profile of the Group is reflected in its BBB+ credit rating, confirmed in the first half of 2023, by Standard & Poor’s, the highest rating in the Spanish real estate sector.

3. Liquidity and capital resources

See “Capital management and risk management policy” section of Note 14.13 of the consolidated annual financial statements for the year ended 31 December 2022, and Note 9.13 of these condensed interim financial statements.

4. Objective and risk management policies

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

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

The main responsibilities assigned 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. For the management of this function, it has the support of the Audit and Control Committee, which performs, among others, the following functions related to the field of control and risk management:

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

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

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

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

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

- Economic risks, arising from the geopolitical and macroeconomic situation in the countries in which it operates, and from changes in investors' own expectations and those of the capital market.
- 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 to financial market constraints, interest rate fluctuations, the impact of changes in tax regulations and counterparty risks of major customers.
- 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 to the size and diversification of the Group and the composition of the asset portfolio.
- Various operational risks related to maintaining the occupancy levels of the properties and the contracted rental levels, the cost of construction projects and the timeframe for their execution, the management of the level of indebtedness and the current credit rating, cyber-attacks or failures in the information systems, as well as those inherent in 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 invasion of Ukraine by Russia and the resulting geopolitical uncertainties have contributed to a further deterioration of the macroeconomic environment since 2022, leading, among other things, to increased expectations of recession as well as greater instability and volatility in global financial markets. Against this backdrop, the risk linked to the fluctuation of the real estate cycle has been highly impacted, as a result of the historic increase in interest rates adopted by the European Central Bank with the aim of trying to contain the high inflation that characterised 2022, extending into the first half of 2023, albeit in a more contained manner. In this regard, the management of the financial structure continued to be a priority for the Group in the first half of 2023.

In addition, the complexity to materialise divestments of non-strategic assets has remained high, as investment market strategies have been paralysed.

Likewise, the physical and transitional risks linked to climate change have led to the implementation of policies and strategies in this area, so that the Group carries out specific actions aimed at improving the quality of buildings and measuring their energy consumption levels, as well as optimising their environmental impact. In this ESG area, regulatory risks are still considered relevant, given the uncertainty generated by the impact of the European taxonomy.

In this highly complex environment, the Group continues to monitor the evolution of these risks and the proper functioning of the control systems in place, in order to mitigate them adequately and ensure the Group’s operations, value and strategic objectives.

5. Events after the reporting date

Since 30 June 2023 and up to the date of authorising for issue these condensed interim consolidated financial statements, no significant events have occurred except for the sale of two properties by the Parent, sites in the province of Madrid, for a total sale price of 75,000 thousand euros.

6. Outlook

The last six months have been characterised by an economic context marked by high inflation and uncertainty. The conflict between Russia and Ukraine and the energy crisis, among other factors, have led to economic deterioration.

Having closed the first half of the year with the business cycle overcoming obstacles of a very diverse nature and with significant sectoral and regional divergences, the feeling is that we are close to a turning point, from which the effects of the monetary tightening accumulated over the last year and a half will become more evident.

The European outlook is more optimistic than initial signs suggested a few months ago, largely driven by lower energy prices, although growth is still expected to be low in 2023. The growth outlook for 2024 is expected to improve.

Future strategy

Against this market backdrop, Colonial’s strategy remains committed to long-term value creation in the prime office sector, with a focus on quality and risk-adjusted returns, and with a strong credit rating and liquidity position.

7. Research and development activities

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

8. Treasury Shares

At 30 June 2023, the Parent had a closing balance of 8,149,519 shares of 20,374 thousand euros nominal value (2.5 euros per share), representing 1.51% of the Parent's share capital.

Alternative Performance Measures (European Securities and Markets Authority)

An explanatory glossary of alternative performance measures is included below, including their definition and relevance for Colonial, in accordance with the recommendations of the European Securities and Markets Authority (ESMA) published in October 2015 (ESMA Guidelines on Alternative Performance Measures). These Alternative Performance Measures have not been audited or reviewed by the Parent's auditor (PricewaterhouseCoopers).

Alternative Performance Measure	Form of calculation	Definition/Relevance
Market Value including transaction costs or *GAV including Transfer costs*	Valuation of all assets in the Group's portfolio made by appraisers outside the Group, before subtracting transaction costs or transfer costs.	Standard analysis ratio in the real estate sector.
Market Value excluding transaction costs or *Gross Asset Value (GAV) excluding Transfer costs*	Valuation of all assets in the Group's portfolio made by appraisers outside the Group, deducting transaction costs or transfer costs.	Standard analysis ratio in the real estate sector.
***Like-for-like* Valuation**	Amount of market valuation excluding transaction costs or market valuation including transaction costs comparable between two periods. In order to obtain it, income from rentals from investments or divestitures made between both periods is excluded from both periods.	This makes it possible to compare, on a like-for-like basis, the change in the portfolio's market valuation.
EPRA NTA **(EPRA Net Tangible Assets)** 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.	It is calculated on the basis of Equity attributable to equity holders of the parent and adjusted for certain items in accordance with EPRA recommendations.	Standard analysis ratio in real estate and recommended by EPRA.
EPRA NDV **(EPRA Net Disposal Value)** EPRA (*European Public Real Estate Association*) which recommends best practice standards to be followed in the real estate sector. The calculation of these APMs follows the instructions set by EPRA.	Calculated by adjusting the following items in the EPRA NTA: the market value of the financial instruments, the market value of the financial debt, the taxes that would accrue on the sale of the assets at their market value, applying the tax credits available to the Group on a going concern basis.	Standard analysis ratio in real estate and recommended by EPRA.
Gross Financial Debt (GFD)	Calculated as the sum of *"Bank borrowings and other financial liabilities"* and *"Issuance of bonds and similar securities"*, and *"Commercial paper issues"* excluding *"Interest"* (accrued), *"Arrangement costs" and "Other financial liabilities"* of the condensed consolidated statement of financial position for the six months ended 30 June 2023.	Relevant indicator for analysing the Group's financial position.
Net Financial Debt (NFD)	Calculated by adjusting the item *"Cash and cash equivalents"* in *Gross financial debt (GFD)*.	Relevant indicator for analysing the Group's financial position.

Alternative Performance Measure	Form of calculation	Definition/Relevance
Loan to Value **Group or LtV Group**	Calculated as the result of dividing the *"Net Financial Indebtedness (NFI)"* by the sum of the "*Market Valuation including transaction costs of the Group's asset portfolio"* plus the "Parent's treasury shares valued at EPRA NTA."	This makes it possible to analyse the relationship between net financial debt and the valuation of assets in the Group's portfolio.
Holding Company LtV or Colonial LtV	Calculated as the result of dividing "*Gross Borrowings"* less the amount of item *"Cash and cash equivalents"* of the Parent and wholly-owned Spanish subsidiaries", adjusted by the amount of commitments for *"deferrals for real estate asset purchase and sale transactions"* between the sum of "*the Market Valuation including transaction costs of the asset portfolio of the Group's Parent and wholly-owned Spanish subsidiaries",* the *"treasury stock of the Parent" and the EPRA NTA of the remaining financial holdings in subsidiaries*".	This makes it possible to analyse the relationship between net financial debt and the valuation of assets in the Group's Parent.
Like-for-like **Rental Income**	Amount of rental income for rentals included in "*Revenue*" comparable between two periods. In order to obtain this amount, income from investments or divestitures made between both periods, those from assets included in the project and renovation portfolio, as well as other atypical adjustments (for example, compensation for early termination of rental agreements) are excluded from both periods.	This makes it possible to compare, on a like-for-like basis, the change in rental income of an asset or group of assets.
Analytical EBITDA **(*Earnings Before Interest, Taxes, Depreciation and Amortisation*)**	Calculated as "*Operating profit*" adjusted by "*Depreciation and amortisation", "Changes in value of investment property", "Net changes in provisions" and "Gains/(losses) due to changes in value of assets and impairment", as well as the expenses incurred in "Depreciation and amortisation" and "Financial result" arising from the recording of the "IFRS 16 finance leases" standard, associated with the flexible business (co-working).*	Indicator of the Group's capacity to generate profits considering only its productive activity, eliminating depreciation allowances, the effect of indebtedness and the tax effect.
EBITDA rents	Calculated as "*Analytical rental income"* minus *"Analytical net operating expenses".*	Indicator of the Group's profit generation capacity considering only its leasing activity, before depreciation, provisions, the effect of indebtedness and the tax effect.
Analytical rental income	Calculated as *"Revenue"* adjusted by the *"Revenues from flexible business"* and by *"Net revenue eliminated on consolidation associated with flexible business".*	Relevant magnitude for analysing the Group's results.

Alternative Performance Measure	Form of calculation	Definition/Relevance
Analytical net operating expenses	Calculated as the sum of *"Personnel expenses"* and "*Other operating expenses"* adjusted by *"Personnel expenses and Other operating expenses not associated with the corporate segment"*, by *"Personnel expenses and Other operating expenses not associated with the flexible business"*, by *"Personnel expenses and Other extraordinary operating expenses"*, by "*Other operating expenses eliminated in the consolidation process associated with flexible business*" by *"Changes in provisions".*	Relevant magnitude for analysing the Group's results.
Other analytical income	Calculated as the item of *"Other income"* of the condensed consolidated income statement for the six-month period ending 30 June 2023 and adjusted by *"Other corporate segment revenues", "Revenue, Personnel expenses and Other operating expenses eliminated in the consolidation process associated with flexible business", "Revenue eliminated on consolidation associated with the flexible business", "Amortisation derived from recording under IFRS 16 finance leases"* and *"Financial result from recording under IFRS 16 finance leases".*	Relevant magnitude for analysing the Group's results.
Analytical overheads	Calculated as the sum of the items *"Other income", "Personnel expenses"* and *"Other operating expenses"* of the condensed consolidated income statement for the six-month period ending 30 June 2023 and adjusted by *"Analytical net operating expense"*, **"***Personnel expenses and Other operating expenses associated with the generation of flexible business income"*, *"Personnel expenses and Other operating expenses not associated with the corporate segment", "Personnel expenses and Other operating expenses not associated with the corporate segment"*, *"Net change in provisions"*, *"Other operating expenses eliminated in the consolidation process associated with flexible business*" and *"Other income associated with the leasing business".*	Relevant magnitude for analysing the Group's results.

Alternative Performance Measure	Form of calculation	Definition/Relevance
Analytical exceptional items	Calculated as the sum of the items *"Personnel expenses"* and *"Other operating expenses"* of the condensed consolidated income statement for the six-month period ending 30 June 2023 and adjusted by *"Analytical net operating expenses", "Personnel expenses and Other operating expenses associated with the corporate segment"*, *"Personnel expenses and Other operating expenses associated with the generation of flexible business income", "Other operating expenses eliminated in the consolidation process associated with flexible business"* and *"Net change in provisions"*.	Relevant magnitude for analysing the Group's results.
Analytical change in fair value of assets and capital gains	Calculated as the sum of the headings "*Net gain/(loss) on sales of assets" and "Changes in value of investment property" of the consolidated summary income statement for the six-month period ending 30 June 2023.*	Relevant magnitude for analysing the Group's results.
Analytical depreciation and provisions	Calculated as the sum of the items *"Depreciation and amortisation"* and *"Gains/(losses) on changes in value of assets due to impairment"* of the condensed consolidated income statement for the six-month period ending 30 June 2023 and adjusted by *"Amortisation derived from recording under IFRS 16 finance leases"* and by *"Net change in provisions"*.	Relevant magnitude for analysing the Group's results.
Analytical financial result	Calculated as the sum of the items *"Finance income"* and *"Finance costs"* of the condensed consolidated income statement for the six-month period ending 30 June 2023 and adjusted by *"Financial result from recording under IFRS 16 finance leases".*	Relevant magnitude for analysing the Group's results.
EPRA Earnings and Recurring Net Profit	Calculated in accordance with EPRA recommendations, adjusting certain items to the net profit for the year attributable to the Parent.	Standard analysis ratio in real estate and recommended by EPRA.

The *alternative performance measures* included in the foregoing table originate from items in the consolidated financial statements and condensed consolidated interim financial statements of Inmobiliaria Colonial, SOCIMI, S.A. and subsidiaries or from breakdowns of items (sub-items) included in the related explanatory notes to the financial statements, 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	
	30/06/2023	31/12/2022
Total Market Value excluding transaction costs	12,209	13,005
Plus: transaction costs	671	722
Total Market Value including transaction costs	**12,880**	**13,727**
Spain	4,431	4,904
France	8,449	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	
	30/06/2023	31/12/2022
Barcelona	1,209	1,261
Madrid	2,268	2,733
Paris	7,116	7,525
Leased out	**10,594**	**11,519**
Projects	1,616	1,466
Other	--	20
Total Market Value excluding transaction costs	**12,209**	**13,005**
Spain	4,300	4,759
France	7,909	8,246

***Like-for-like* Valuation**

Like-for-like Valuation	Millions of euros	
	30/06/2023	31/12/2022
Valuation at 1 January	**13,005**	**12,436**
Like for like Spain	(109)	(21)
Like for like France	(279)	179
Acquisitions and divestitures	(407)	412
Total Market Value excluding transaction costs	**12,209**	**13,005**

EPRA NTA (EPRA Net Tangible Assets)

EPRA NTA (EPRA Net Tangible Assets)	Millions of euros	
	30/06/2023	31/12/2022
"Equity attributable to the Parent's shareholders"	**5,651**	**6,159**
Includes/Excludes:		
Adjustments from (i) to (v) with respect to strategic alliance interests	--	--
Diluted NTA	**5,651**	**6,159**
Includes:		
(ii.a) Revaluation of investment assets	--	--
(ii.b) Revaluation of assets under development	--	--
(ii.c) Revaluation of other investments	135	147
(iii) Revaluation of finance leases	--	--
(iv) Inventories revaluation	13	14
Diluted NTA at Fair Value	**5,799**	**6,321**
Excludes:		
(v) Deferred taxes	318	339
(vi) Market value of financial instruments	(247)	(276)
EPRA NTA	**5,870**	**6,384**
Number of shares (millions)	539.6	539.6
EPRA NTA per share	10.88	11.83

EPRA NDV (Net Disposal Value)

EPRA NDV (EPRA Net Disposal Value)	Millions of euros	
	30/06/2023	31/12/2022
“Equity attributable to the Parent’s shareholders”	**5,651**	**6,159**
Includes/Excludes:		
Adjustments from (i) to (v) with respect to strategic alliance interests	--	--
Diluted NDV	**5,651**	**6,159**
Includes:		
(ii.a) Revaluation of investment assets	--	--
(ii.b) Revaluation of assets under development	--	--
(ii.c) Revaluation of other investments	135	147
(iii) Revaluation of finance leases	--	--
(iv) Inventories revaluation	13	14
Diluted NDV at Fair Value	**5,799**	**6,321**
Excludes:		
(v) Deferred taxes	--	--
(vi) Market value of financial instruments	--	--
Includes:		
(ix) Market value of debt	418	541
EPRA NDV	**6,217**	**6,862**
Number of shares (millions)	539.6	539.6
EPRA NDV per share	11.52	12.72

Loan to Value Group or LtV Group

Loan to Value Group or LtV Group	Millions of euros	
	30/06/2023	31/12/2022
Gross financial debt	5,295	5,515
Commitments to defer property asset purchase and sale transactions	--	-
Less: *"Cash and cash equivalents"*	(257)	(160)
(A) Net financial debt	**5,038**	**5,355**
Market Value including transaction costs	12,880	13,727
Plus: Own shares of the Parent valued at EPRA NTA	89	98
(B) Market Value including transaction costs and Parent's own shares	**12,969**	**13,825**
***Loan to Value* Group (A)/(B)**	**38.8%**	**38.7%**

Holding Company LtV or Colonial LtV

Holding Company LtV or Colonial LtV	Millions of euros	
Holding Company	30/06/2023	31/12/2022
Gross financial debt	2,812	2,988
Commitments to defer property asset purchase and sale transactions	--	--
Less: *"Cash and cash equivalents"* of the Parent and the fully-owned Spanish subsidiaries	(195)	(85)
(A) Net financial debt	**2,617**	**2,903**
(B) Total Market Value including transaction costs and Parent's treasury shares and EPRA NTA of subsidiaries with non-controlling interests	**9,106**	**9,971**
***Loan to Value* Holding (A)/(B)**	**28.7%**	**29.1%**

Like-for-like Rental Income

Like-for-like Rental Income	Millions of euros			
	Barcelona	Madrid	Paris	Total
Analytical Rental Income 30/06/2022	**24**	**48**	**98**	**170**
Like for like	0	5	8	14
Projects and inclusions	(2)	3	0	2
Investments and divestitures	0	(6)	5	(2)
Other and compensation	(0)	0	0	(0)
Analytical Rental Income 30/06/2023	**22**	**50**	**111**	**183**

Analytical EBITDA

Analytical EBITDA	Millions of euros	
	30/06/2023	30/06/2022
Operating profit	(382)	441
Adjustment: "*Depreciation and amortisation*"	5	5
Adjustment: "*Net gains/(losses) on sales of assets*"	7	(5)
Adjustment: "*Net change in provisions*"	(1)	0
Adjustment: "*Changes in fair value of investment property*"	524	(315)
Adjustment: "*Gains/(losses) on changes in value of assets due to impairment*"	1	(1)
Adjustment: "Extraordinary expenses"	1	5
Adjustment: "Depreciation and a*mortisation arising from recording under IFRS 16 finance leases*"	(2)	(1)
Adjustment: "*Financial result arising from recording under IFRS 16 finance leases*"	(1)	(1)
Analytical EBITDA	**152**	**129**

EBITDA rents (Net rental income)

EBITDA rents	Millions of euros	
	30/06/2023	30/06/2022
Revenue	189	173
Adjustment: "*Flexible business income*"	(9)	(7)
Adjustment: "*Revenue eliminated on consolidation associated with flexible business*"	4	3
Analytical rental income (rental revenues)	**183**	**170**
Personnel expenses	(16)	(22)
Other operating expenses	(25)	(29)
Adjustment: "*Personnel expenses and Other operating expenses not associated with the corporate segment*"	24	25
Adjustment: "*Personnel expenses and Other operating expenses not associated with the flexible business*"	3	3
Adjustment: "*Personnel expenses and Other extraordinary operating expenses*"	1	5
Adjustment: "Other operating expenses eliminated in the consolidation process associated with the flexible business".	1	1
Adjustment: "*Net change in provisions*"	(1)	0
Analytical net operating expenses	**(13)**	**(17)**
EBITDA rents (Net rental income)	**170**	**153**

Other analytical income

Other analytical income	Millions of euros	
	30/06/2023	30/06/2022
Other income	6	3
Adjustment: “*Other corporate segment revenues*”	(2)	(2)
Adjustment: “*Revenue and Personnel expenses and Other operating expenses eliminated in the consolidation process associated with the flexible business*”	8	5
Adjustment: “*Revenue eliminated on consolidation associated with flexible business*”	(5)	(4)
Adjustment: “Depreciation and a*mortisation arising from recording under IFRS 16 finance leases*”	(2)	(1)
Adjustment: “*Financial result arising from recording under IFRS 16 finance leases*”	(1)	(1)
Other analytical income	**4**	**0**

Analytical overheads

Analytical overheads	Millions of euros	
	30/06/2023	30/06/2022
Other income	6	3
Personnel expenses	(16)	(22)
Other operating expenses	(25)	(29)
Adjustment: *“Analytical net operating expenses”*	13	17
Adjustment: “*Personnel expenses and Other operating expenses associated with the generation of flexible business income*”	2	2
Adjustment: “*Personnel expenses and Other extraordinary operating expenses*”	1	5
Adjustment: “*Net change in provisions*”	(1)	0
Adjustment: “Other operating expenses eliminated in the consolidation process associated with the flexible business”.	1	1
Adjustment: “*Other income associated with the leasing business*”	(4)	(1)
Analytical overheads	**(23)**	**(24)**

Analytical exceptional items

Analytical exceptional items	Millions of euros	
	30/06/2023	30/06/2022
Personnel expenses	(16)	(22)
Other operating expenses	(25)	(29)
Adjustment: *“Analytical net operating expenses”*	13	17
Adjustment: “*Personnel expenses and Other operating expenses associated with the corporate segment*”	24	25
Adjustment: “*Personnel expenses and Other operating expenses associated with the generation of flexible business income*”	3	3
Adjustment: “Other operating expenses eliminated in the consolidation process associated with the flexible business”.	1	1
Adjustment: “*Net change in provisions*”	(1)	0
Analytical exceptional items	**(1)**	**(5)**

Analytical change in fair value of assets and capital gains

Analytical change in fair value of assets and capital gains	Millions of euros	
	30/06/2023	30/06/2022
Net gains/(losses) on sales of assets	(7)	5
Changes in fair value of investment property	(524)	315
Analytical change in fair value of assets and capital gains	**(532)**	**320**

Analytical depreciation and provisions

Analytical depreciation and provisions	Millions of euros	
	30/06/2023	30/06/2022
Depreciation and amortisation	(5)	(5)
Gains/(losses) on changes in value of assets due to impairment	(1)	1
Adjustment: "*Amortisation arising from recording under IFRS 16 finance leases*"	2	1
Adjustment: "*Net change in provisions*"	1	(0)
Analytical depreciation and provisions	**(3)**	**(3)**

Analytical financial result

Analytical financial result	Millions of euros	
	30/06/2023	30/06/2022
Finance income	2	0
Finance costs	(51)	(39)
Adjustment: "*Financial result arising from recording under IFRS 16 finance leases*"	1	1
Analytical financial result	**(48)**	**(39)**

EPRA Earnings and Recurring Net Profit

EPRA Earnings and Recurring Net Profit	Millions of euros	
	30/06/2023	30/06/2022
Net profit/(loss) attributable to the Group	**(347)**	**355**
Net profit/(loss) attributable to the Group - €Cts/share	***(64.34)***	***65.87***
Includes/(excludes):		
(i) Changes in value of investments, investment projects and other interests	525	(315)
(ii) Profits or losses from asset sales, investment projects and other interests	7	(5)
(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	(4)	0
(v) Impairment of goodwill	--	--
(vi) Changes in value of financial instruments and cancellation costs	2	1
(viii) Deferred taxes for EPRA adjustments considered	(11)	(5)
(ix) Adjustments from (i) to (viii) regarding strategic alliances (unless if included by proportional consolidation)	--	--
(x) Minority interests with respect of the above items	(89)	36
EPRA Earnings (company specific pre-adjustments)	83	67
Company-specific adjustments:		
(a) Extraordinary expenses and provisions	4	9
(b) Non-recurring financial result	(0)	--
(c) Tax credits	--	--
(d) Minority interests with respect of the above items	(0)	(0)
Recurring Net Profit (company specific post adjustments)	**87**	**76**
Average number of shares (millions)	539.6	539.6
Recurring Net Profit (company specific post adjustments) - €Cts/share	***16.10***	***14.13***