2/17

First half results January – June 2017

31 July 2017

Colonial

EPRA NAV per share of €8.07/share, +11% in 6 months

- Total shareholder return of +14% in 6 months (+21% year-on-year)
- Gross rental income: €141m, +3% (+3% like-for-like)
- Recurring net profit: €37m, +19%
- Gross Asset Value of the Colonial Group: €8,666m, +7% like-for-like in 6 months
- Group net profit: €437m, +90%

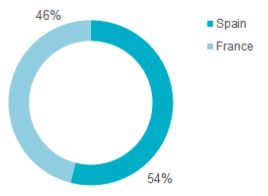
Company KPIs - 1H 2017

Total Shareholder Return (*)			+21%
per share data	**2017**	**2016**	**Variance**
NAV [3]	8.07	6.80	+19%
EPS recurring	0.101	0.087	+15%
DPS [10]	0.165	0.150	+10%
FFO [1]	0.101	0.094	+7%

P/L €m data	2017	2016	Variance
Rental revenues	141	137	+3%
EBITDA recurring	109	109	+0%
Recurring income	37	31	+19%
Net income	437	230	90%

Capital Structure	2017
GAV Group (€m)	8,666
NAV (€m) [3]	3,168
Net debt (€m)	3,318
Cash & undrawn bal. (€m)	1,619
Group LTV [4]	36%
Debt maturity (years)	4.6

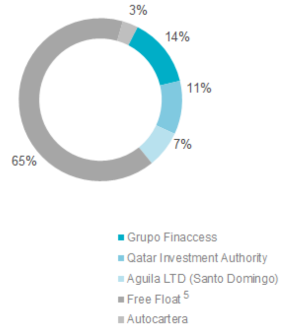
Geographical diversification [2] - 30/06/17



Rating Standard & Poors
BBB estable outlook

Rating Moody's
Baa2 stable outlook

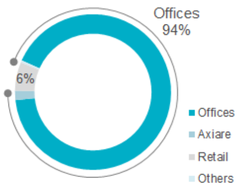
Shareholder structure Colonial



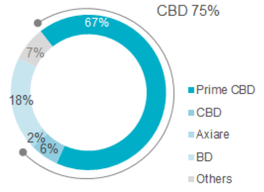
Portfolio KPIs

	2017
GAV Group (€m)	8,666
No. of assets Spain	*42*
No. of assets France	*21*
Total no of assets [6]	63
Lettable surface AG	*776,696*
Developments underway AG [7]	*99,351*
Surface above ground (sqm)	876,047

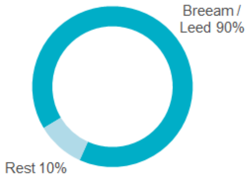
Valuation - by uses



Valuation - by area



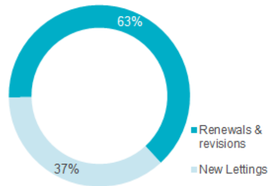
% Buildings with energy certification [8]



Business KPIs

	Total	Barcelona	Madrid	Paris
# contracts signed	55	21	19	15
Contracts signed sq m	69,422	36,728	21,069	11,625
Total EPRA Vacancy [9]	4%	2%	3%	4%
Rental revenues (€m)	141	17	25	99
% EPRA Like-for-like var	*3.3%*	*9.9%*	*0.2%*	*2.9%*

Breakdown letting performance



(*) Total shareholder return= NAV growth per share + Dividend per share
(1) Recurring net result excluding amortisations and accrual of the incentives plan
(2) GAV Parent Company: Value of assets directly-held + NAV of the 55% stake in the SPV Torre Marenostrum + NAV of the 15.5% stake in Axiare + NAV of the 58.6% stake in SFL + Value Plaza Europa JV
(3) EPRA NAV according to the calculation recommended by EPRA
(4) Net debt Group /GAV Group (incl. Transfer costs) + NAV of the 15.1% stake in Axiare + Treasury shares + JV Plaza Europa
(5) Free float: shareholders with minority stakes and without representation on the Board of Directors
(6) Excluding small non-core assets
(7) Projects & refurbishments
(8) Buildings in operation with energy certification
(9) Financial vacancy: Financial vacancy according to the calculation recommended by EPRA
(10) Dividend approved in the General Shareholder Meeting 2017 and corresponding to 2016 Results

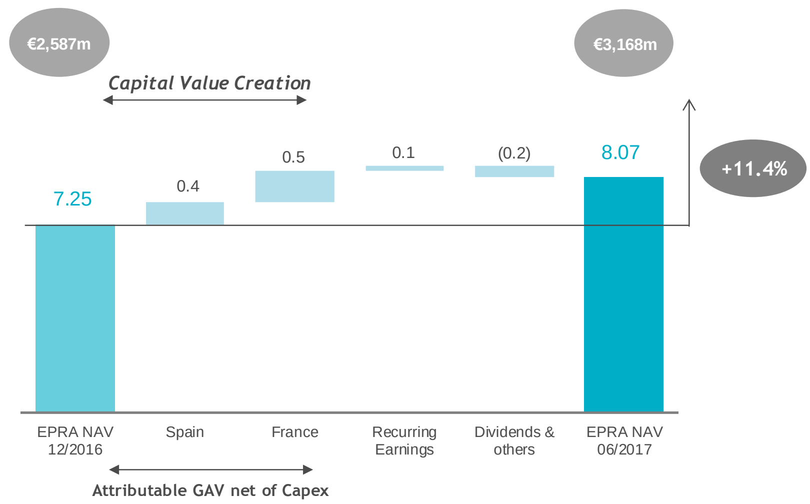
Highlights

First half results 2017

The results of the first half of 2017 further consolidate the positive trend of previous years. The industrial real estate strategy of the Colonial Group, together with a unique prime office portfolio, have generated again, very attractive, returns for our shareholders.

1. The EPRA Net Asset Value at the close of the first half amounted to 11%, reaching €8.07/share, generating a Total Shareholder Return[1] of +14% in 6 months (+21% year-on-year).

EPRA NAV €/share



Total Shareholder Return [1]

	6 months	12 months
NAV Growth per share	+11%	+19%
Dividend paid per share	+2%	+2%
Total Return per share	+14%	+21%

2. The recurring net profit per share and the cash flow (FFO[2]) per share of the company amount to +15% and +7%, respectively.

3. All of the operative parameters show positive signs:
   > EPRA vacancy at minimum levels:4%
   > Significant increase in signed rental contract prices (+16% release spread)
   > Increase in rental income of +2.7% (+3.3% “like-for-like”)

4. The asset value increased +7% like-for-like in 6 months reaching €8,666m.

5. The net profit attributable to the Group amounted to €437m (+90% compared to the previous year), boosted by the increase in the recurring result, the value creation in the asset portfolio and the one-off positive impact of becoming a SOCIMI.

(1) Total return understood as growth of NAV per share + dividends
(2) Net recurring results excluding amortizations and the accrual of the incentive plan

Increase in the recurring results

The recurring result amounted to €37m, an increase of 19%, compared to the first half of the previous year mainly due to three factors:

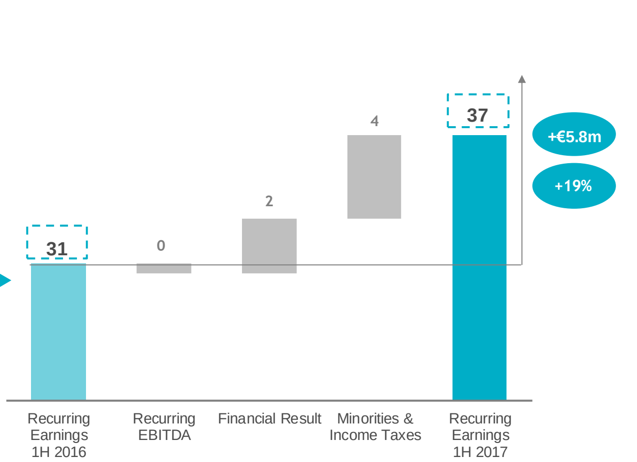
1. A solid 3% increase year-on-year in rental income
2. The reduction in financial expenses based on an active management of the balance sheet
3. A higher attributable results coming from Paris due to a larger stake in SFL

Profit & Loss Accounts

Results analysis - €m	1H 2017	1H 2016
Gross Rents	141	137
Net operating expenses[1]	(13)	(10)
Overheads	(19)	(17)
Recurring EBITDA	109	109
Recurring financial result	(38)	(40)
Income tax expense & others - recurring	(5)	(6)
Minority interests - recurring	(29)	(32)
Recurring Earnings	37	31
Variance asset values & provisions	523	354
Non-recurring financial result & MTM	(0)	(2)
Income tax & others - non-recurring	48	(12)
Minority interests - non-recurring	(170)	(141)
Profit attributable to the Group	437	230

(1) Includes other income

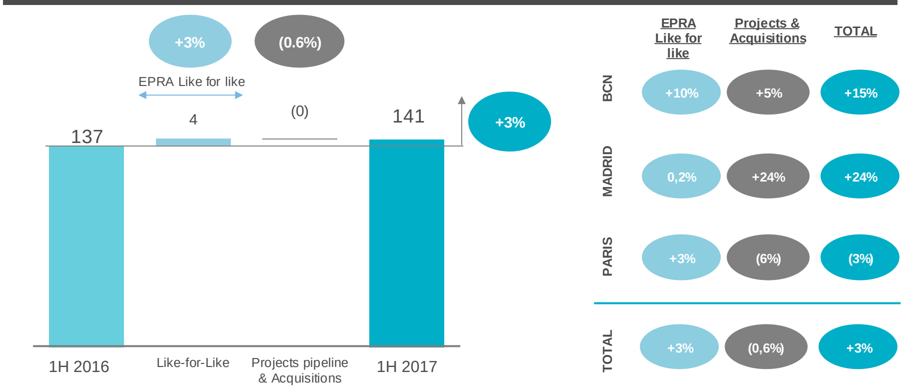
Recurring Income - €m - Variance Analysis



Growth in rental income

The Colonial Group achieved a 3% like-for-like growth in gross rental income compared to the first half of the previous year, which is among the highest increases in the sector.

Gross Rental Income - €m

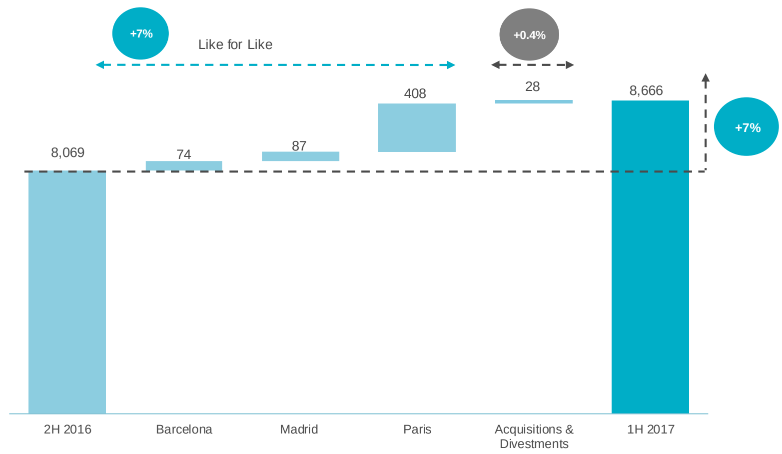


In Spain, the rental income increased 4% like-for-like, thanks to the strong performance of the Barcelona portfolio with an increase of 10% like-for-like. The Paris portfolio increased 3% like-for-like, with contracts signed on the Edouard VII, #Cloud and Cézanne Saint Honoré buildings.

Real estate value creation

At the close of the first half of 2017, the asset value of the Colonial Group amounted to €8,666m (€9,103m including transfer costs), an increase of +7% like-for-like in 6 months (+11% like-for-like in 12 months).

Variance Analysis - Value 6 months - €m



GAV VARIANCE

	6 months	12 months
BARCELONA	+9%	+13%
MADRID	+6%	+10%
PARIS	+7%	+11%
TOTAL LFL	+7%	+11%
ACQUISITIONS & DISVESTMENTS	+0%	+4%
TOTAL VAR	+7%	+15%

The value of the assets in Spain increased by +7% like-for-like in the last 6 months, (+11% year-on-year growth).
It is worth highlighting the portfolio in Barcelona with an increase of +9% like-for-like in 6 months (+13% year-on-year). The Madrid portfolio increased +6% like-for-like in 6 months (+10% year-on-year).

The asset value of the portfolio in Paris increased +7% like-for-like in the last 6 months (+11% in 12 months).

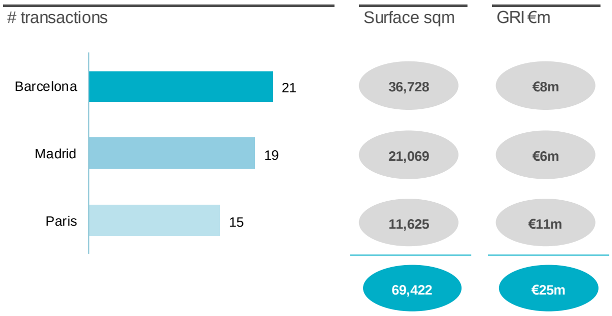
The increase in asset value is a consequence of three factors:

1. A growing interest by investors in prime assets, driving down yields.
2. Rental price increases captured in recent quarters by Colonial's portfolio in the three markets.
3. The Group's industrial approach that permits superior value creation through portfolio repositioning and the successful execution of real estate transformation projects.

Highlights of the rental portfolio

Performance of the contract portfolio

In a rental market where clients demand increasingly higher standards, in the first half of the year, the Colonial Group signed 55 rental transactions corresponding to a rental contract volume of 69,422 sq m with an annualized income of €25m.



The Colonial Group has been able to attract top tier clients that demand unique locations. This has resulted in the signing of rental prices which represent a high increase compared to December 2016 ERVs and a +16% increase in renewals compared to previous rental prices.

In **Barcelona**, more than 36,000 sq m were signed on buildings located in Avenida Diagonal (Prime CBD), as well as in the growth market 22@. The maximum rents obtained in the Barcelona portfolio reached €23.5/sq m/month, setting the benchmark for this city. The most important transactions are as follows:

- ✓ 11,672 sq m with the Ajuntament de Barcelona on Diagonal Glories in the 22@ district
- ✓ 5,595 sq m with Liberty Seguros on Illacuna in the 22@ district
- ✓ 7,058 sq with CaixaBank on the Diagonal, 530 building
- ✓ 4,448 sq m with Caixabank on the Diagonal, 609-615 building

In **Madrid**, it is worth highlighting the signing of 4,100 sq m with a PropTech company on the Alfonso XII building with rental prices +28% higher than that of the previous tenant. Likewise, 4,600 sq m were renewed with a public entity in Santa Engracia, a building acquired in the Alpha I framework.
In the Genova 17 building, more than 1,000 sq m of office space was taken up. In addition, more than 1,000 sq m have been rotated on the retail part, reaching a rental price of €38.5/sq m/month, an increase of +119% compared to the previous rent. This transaction clearly reflects the benefits of a integrated real estate management of our assets to maximize value.

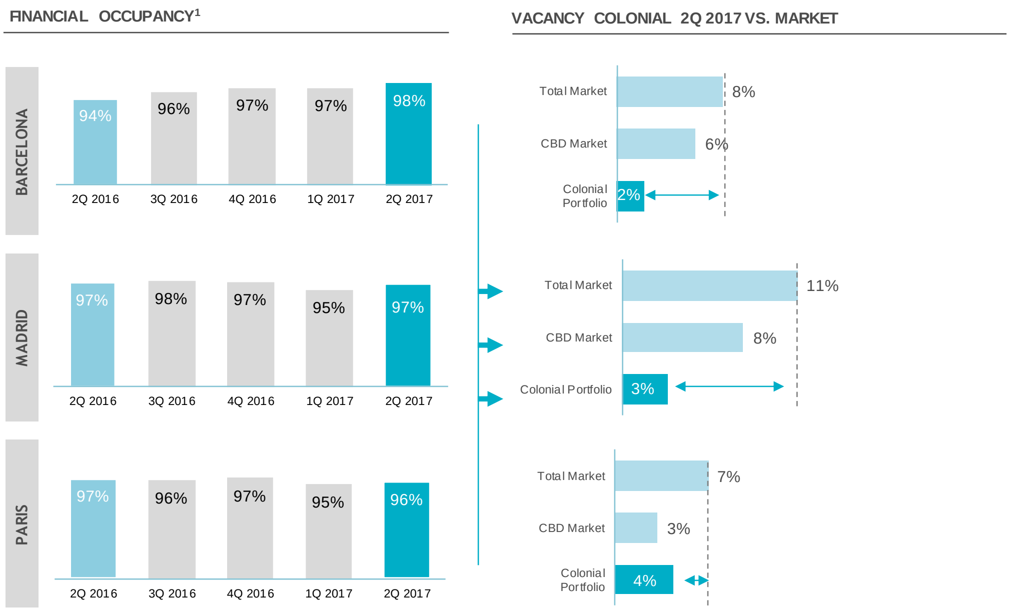
Our business in **Paris** continues with very solid activity indices: contracts have been signed on more than 11,000 sq m, positioning the maximum rental prices at €774/sq m/month. The following transactions are worth highlighting:

- ✓ 1,350 sq m with a Real Estate advisory firm and 1,596 sq m with a fashion company in Grenelle
- ✓ 1,580 sq m with a consulting firm on the Cézanne Saint-Honoré property
- ✓ 1,033 with Mizuho Bank on the Washington Plaza building

Portfolio Occupancy

The excellent letting performance has enabled Colonial to achieve and maintain very solid occupancy levels, clearly higher than the market average in the three cities in which the Group operates.

At the close of the first half of 2017, the Colonial Group reached a financial occupancy of 96%[1], maintaining similar levels to those of the first half of the previous year.



(1) ***Financial occupancy:*** *financial occupancy according to the calculation recommended by EPRA (occupied surfaces multiplied by the market prices/surfaces in operation at market prices).*

The portfolio in Spain reached 97% of financial occupancy, with Barcelona at 98% and Madrid at 97%. It is worth highlighting the improvement in occupancy in the Madrid portfolio in the last quarter, thanks to the transaction signed on the Alfonso XII building.

The Paris portfolio reached an occupancy ratio of 96% at 30 June 2017, an increase of 91 bps in a quarter.

These high occupancy levels exceed those of our competitors, in Spain as well as in France and significantly strengthen the negotiating position of the Colonial Group to capture rental price increases.

Active portfolio management

Acquisitions

Accelerating the fulfilment of growth objectives in the strategic plan, Colonial commenced 2017 with the execution of the Alpha II project, which includes the acquisition of four assets for an investment volume of almost €400m (total investment volume including future capex of development projects). Specifically, three development projects were acquired: Plaza Europa 34 in Barcelona, Paseo de la Castellana 163 in Madrid and 112-122 Av. Emile Zola in Paris. Additionally, Colonial purchased the Spanish headquarters of the Bertelsmann Group, located in the CBD in Barcelona (Travessera de Gracia 47-49).

All of these acquisitions offer a substantial upside potential of industrial value creation based on: (1) the property transformation of the buildings into top quality products and (2) the location in market segments with solid fundamentals.

All the acquisitions were made under very attractive terms, which shows the capacity of the Colonial Group to identify and capture opportunities of real estate value creation.

Asset rotation

The Colonial Group continuously reviews the potential for future value creation for each one of its assets in the portfolio.

As a consequence of this analysis, a "promise of sale" has been signed for the disposal of the In&Out asset in Paris, after the close of the first half of the year. This transaction will enable the Group to capture a significant premium on the appraisal value at 31 December 2016 on a building without further value creation potential through real estate management, and located in a secondary area of the French capital.

The transaction is expected to be formalized in the second half of 2017.

Active balance sheet management

Solid financial structure

The Colonial Group has a capital structure with an LTV of 36% at 30 June 2017 and a solid level of "Investment Grade" credit rating:

1. The **Standard and Poor's** ratings agency has revised the Colonial Group's rating upwards to **BBB with a stable outlook.**
2. **Moody's** ratings agency issued a credit rating of **Baa2 with a stable outlook.**

These ratings position Colonial among the companies with the best credit rating in the Spanish real estate sector. Both ratings agencies have positively assessed the high quality and resilience of the prime office portfolio of the Group, as well as its diversification in three markets: Paris Madrid and Barcelona, in combination with a solid capital structure.

Conversion to a SOCIMI

The General Shareholders' Meeting 2017 approved to adopt the Spanish REIT regime (SOCIMI) with retroactive effect from 1 January 2017.

The conversion to a SOCIMI has the following benefits:

1. A reduction in the effective tax rate to 0%
2. An improvement in the cash flow of the company
3. An immediate and one-off positive impact of €72m in equity and consolidated profits
4. The possibility to continue using the tax shield of the Group to structure investment and disposal transactions
5. Better access to capital, being able to attract additional institutional investors with a possible increase in the liquidity of Colonial's share price

Successful capital increase and inclusion in the IBEX35

At the beginning of May, the Colonial Group successfully completed a capital increase for an amount of €253m. The transaction consisted in the issuance of 35,646,657 new shares at a price of €7.1/share. The capital increase was executed through an accelerated bookbuild process and was 3x oversubscribed by top tier investors. The transaction was carried out with a minimum discount over the share price and neutral over the last reported NAV.

Additionally, on 19 June, the Colonial Group was included in the IBEX 35, the benchmark index for the Spanish Stock Exchange, which the increases visibility of the company for institutional investors. To date, the market capitalization of the company amounts to approximately €3,000m with a free-float of 65% and an average daily trading volume of more than €19m in the last month. The share price has increased 16% YTD outperforming the IBEX and EPRA indices.

The target price of the analysts' consensus is €8.1/share with a maximum target price of €9.2/share.

Contents

1. Analysis of the Profit and Loss Account

Analysis of the Consolidated Profit and Loss Account

June cumulative - €m	2017	2016	Var.	Var. % [1]
Rental revenues	141	137	4	3%
Net operating expenses [2]	(13)	(12)	(2)	(14%)
Net Rental Income	127	125	2	2%
Other income	0	1	(1)	(68%)
Overheads	(19)	(17)	(2)	(9%)
EBITDA recurring business	109	109	(0)	(0%)
EBITDA - asset sales	0	0	0	-
Exceptional items	(1)	(0)	(2)	(150%)
Operating profit before revaluation, amortizations and provisions and interests	108	109	(1)	(1%)
Change in fair value of assets	523	357	166	47%
Amortizations & provisions	0	(5)	5	108%
Financial results	(38)	(42)	4	10%
Profit before taxes & minorities	593	419	175	42%
Income tax	43	(16)	59	373%
Minority Interests	(199)	(173)	(26)	(15%)
Profit attributable to the Group	437	230	208	90%

Results analysis - €m	2017	2016	Var.	Var. % [1]
Rental revenues	141	137	4	3%
Net operating expenses [2] & other income	(13)	(10)	(3)	(26%)
Overheads	(19)	(17)	(2)	(9%)
Recurring EBITDA	109	109	(0)	(0%)
Recurring financial result	(38)	(40)	2	6%
Income tax expense & others - recurring result	(5)	(6)	1	22%
Minority interest - recurring result	(29)	(32)	2	8%
Recurring net profit - post company-specific adjustments [3]	37	31	6	19%
EPRA Earnings - pre company-specific adjustments [4]	37	31	7	21%
Profit attributable to the Group	437	230	208	90%

[1] Sign according to the profit impact
[2] Invoiceable costs net of invoiced costs + non invoiceable operating costs
[3] Recurring net profit = EPRA Earnings - post company-specific adjustments.
[4] EPRA Earnings = Recurring net profit pre company-specific adjustments

For details on the reconciliation between the recurring results and the total results, see Appendix 6.1

- The rental revenues of the Colonial Group amounted to €141m at the close of the first half of 2017, 2.7% higher than the same period of the previous year. In like-for-like terms the increase stood at 3.3%.

- The recurring EBITDA of the Group reached €109m, in line with the same period of the previous year.

- As a consequence, the operating profit before net revaluations, amortizations, provisions and interests was €108m at the close of the first half of the year.

- The impact on the profit and loss account due to the change in fair value of property investments at 30 June 2017 reached €523m. This revaluation, which was registered in France as well as in Spain, is the result of a +7% increase like-for-like in the appraisal values of the assets in 6 months. Likewise the value already incorporates the price of the disposal agreement on In&Out.

- The net financial results amounted to €(38)m, 10% lower than the same period of the previous year. The recurring financial results of the Group amounted to €(38)m, 6% lower than the same period of the previous year.

- The result before taxes and minority interests at the close of the first half of 2017 amounted to €593m, 42% higher than that reached during the same period of the previous year, mainly as a result of an increase in gross rental income, asset values, as well as a decrease in financial expenses.

- A positive amount was registered under corporate tax for €43m mainly due to the reversion of a provision related to latent capital gains as consequence of Colonial applying to the SOCIMI regime, which amounts to €72m.

- Finally, after deducting minority interest of €(199)m, the net profit attributable to the Group amounted to €437m, +90% higher than the previous year.

2. Office markets

Macroeconomic context (1)

Global economic growth acceleration was strengthened during the first few months of 2017. Global activity indicators continue to show considerable progress in the second quarter of the year. According to CaixaBank Research forecasts, global growth is expected to gather pace from 3.1% in 2016 to 3.5% in 2017. Both the advanced and emerging economies are enjoying this expansion. The key supports to this expansion are evident: 1) a monetary policy in the advanced countries that is still accommodative, 2) the moderate recovery in commodities and 3) key emerging countries exiting their recessions (a case in point is Brazil). However, falling inflation and political factors are still risks to be taken into account. In particular, global inflation has followed a clearly downward trend over the past months with a lot of countries reporting lower figures than expected, both for headline and core inflation. On the other hand, there are still some sources of political uncertainty which could affect the baseline scenario.

Growth in the **Eurozone** continues at a steady rate and has been more widespread than in the past. Improvements in activity indicators over the past months show that growth in the Eurozone has withstood episodes of financial instability and the political events which have occurred. In view of this, the main analysts forecast a growth of 1.9% in 2017. Over the past months, the main political risks have decreased, however, some sources of risk still remain. Consumption continues to drive economic growth in the Eurozone and private consumption is expected to remain to be one of the driving forces for the Eurozone's recovery, which should continue over the coming months given the low interest rates and improvements in the labour market.

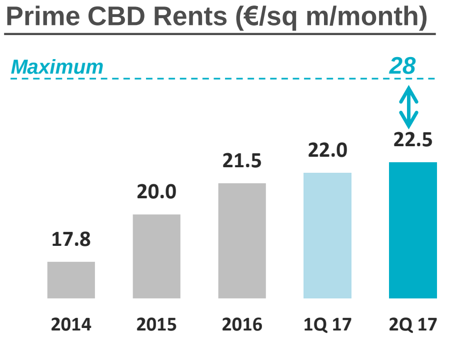
The **Spanish economy** maintains positive growth. This year's strong growth rate is largely due to improvements in the external environment. According to the main analysts, the three key aspects are the following: 1) less political uncertainty following the elections in France and the Netherlands; 2) reinforced British rule results in a soft Brexit and 3) a more moderate increase in oil prices than previously expected, a fact which particularly benefits the Spanish economy, given its high dependence on oil imports.

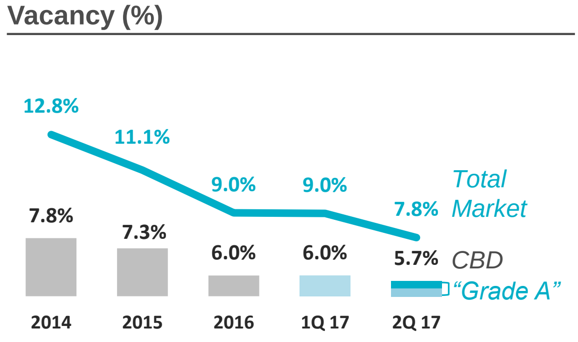
In **France**, political uncertainty has disappeared, following the noteworthy victory of Emmanuel Macron's party winning the absolute majority in the French parliament, which will make it easier to implement its agenda of reforms and can continue to boost the European integration process. GDP growth is expected to be 1.4% in 2017 and 1.6% in 2018, thanks to lower energy prices, tax reductions in the labour market and for companies, as well as permanently low interest rates. It is worth mentioning that during the first few months of the year, employment increased to its highest rate in 10 years.

(1) Source: la Caixa monthly report

Rental market situation - offices [1]

Barcelona – Rental Market





- During the first half of 2017, a total of 128,000 sq m of offices were signed in Barcelona, which was 51% higher than the volume obtained in the previous quarter. In total, take-up in the first half of 2017 represents an increase of +47% with respect to the previous year, with more than 200,000 sq m signed. It is worth mentioning that the number of transactions above 1,500 sq m has significantly increased with 32 transactions, compared to 19 transactions during the first half of the previous year. Regarding sectors, the services sector continues leading the demand, with an outstanding performance by multinational internet and e-commerce companies.

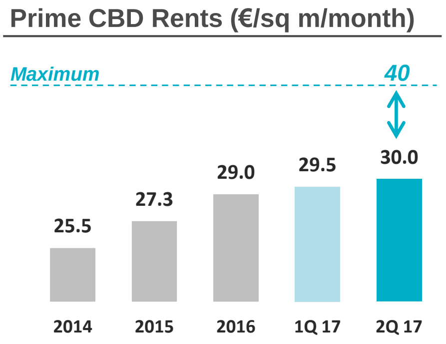
- The average vacancy rate in Barcelona during the first half of 2017 decreased to 7.8%. The lack of supply of quality office space, coupled with steady take-up levels are fuelling a gradual decrease in vacancy rates with a downward trend expected in the future. Vacancies in Grade A and B buildings were below 2% in the Paseo de Gràcia/Diagonal area. In this respect, it is extremely difficult to find available space above 800 sq m in this area in particular.

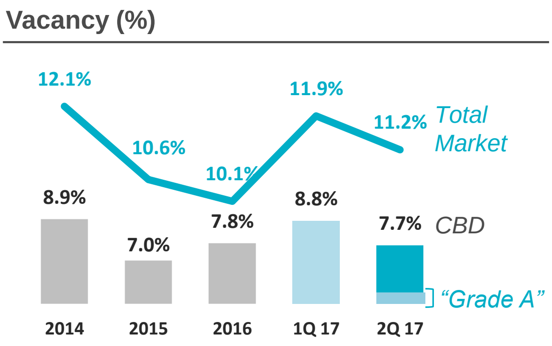
- On the other hand, in the coming year a total of approximately 50,000 sq m of new office constructions will be released in Barcelona, but these levels of new supply are not enough to fulfill current demand for office space, due to the fact that most of the supply is already pre-let. It is worth mentioning that the 22@ is the main area of new development in the city due the lack of land plots in the city centre.

- During the second quarter of 2017, the maximum rents in the CBD continued to experience significant growth, reaching rental levels of €22.50/sq m/month with some transactions at even higher prices. During 2017-2020, the main property consultants forecast an average increase in prime rents above 4%, enabling Barcelona to position itself as one of the top European cities in terms of rental growth.

(1) Sources: Reports by Jones Lang Lasalle, Cushman & Wakefield, CBRE & Savills

Madrid – Rental Market [(1)]





- Improved economic activity and increased employment is reflected in a significant increase in the take up for office spaces. During the second quarter of 2017, the take up in Madrid was 156,000 sq m of offices, +60% more than in the previous quarter. It is worth mentioning that the cumulative take up of the first half of 2017 represents 279,000 sq m, an increase of +30% with respect to the first half of the previous year.

- From a demand point of view, there was a clear trend by companies to increase space in the same building or look for new spaces for expansion in the best buildings. It is estimated that 50% of the demand was for these types of transactions; this fact confirms that the net absorption is positive. By sectors, the main drivers of the office rental market were multinational companies in the technology, financial, automobile and engineering sectors and companies related with the tourism/hotel sector.

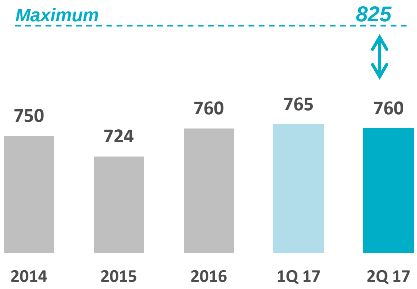
- The vacancy rate during the second quarter of 2017 decreased by 60bp, reaching 11.2%. In the CBD, the vacancy rate significantly decreased to 7.7%. Despite the release of projects in various Class A buildings in the CBD, there continues to be a lack of quality product in general terms. This situation is not expected to change over the coming quarters due to the fact that future supply in construction will remain limited.

- In the second quarter of 2017, the rental prices for the best offices in the capital reached €30/sq m/month, representing a significant increase compared to previous quarters. However, they still remain below those registered in previous cycles and in comparison to cities such as London, Paris and Frankfurt. Madrid contrasts with these large European cities with respect to labour costs, which are much more moderate in comparison.

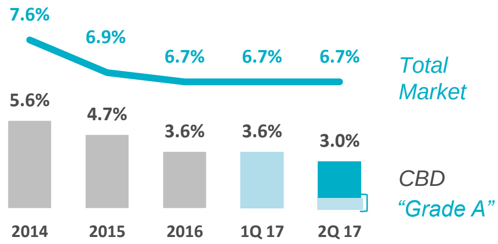
(1) Sources: Reports by Jones Lang Lasalle, Cushman & Wakefield, CBRE & Savills

París – Rental Market [(1)]

Prime CBD Rents (€/sq m/year)



Vacancy (%)



- After a lot of activity in the first quarter of 2017, the office take up during the second quarter of 2017 slowed down, due to the election uncertainty in May. In total, take-up in the Paris region (Ile-de-France) during the first half of the year reached 1,164,600 sq m, resulting in an increase of 4% compared to the first half of the previous year.

- In terms of transaction size, it is worth mentioning the medium-sized transactions (between 1,000 and 5,000 sq m) representing an increase of 8% with respect to the first half of the previous year. Regarding large transactions (from 5,000 sq m) the total take-up was 16% higher than in 2016.

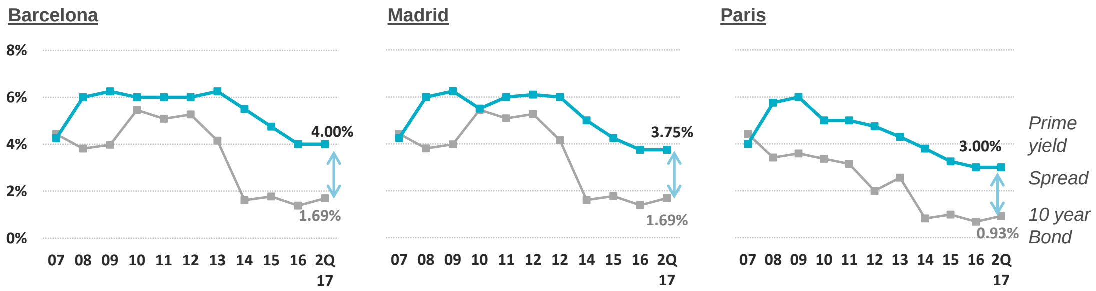
  As a consequence, demand remains strong and the outlook for the second half of 2017 is positive, but there is a significant lack of available space. Currently there is a lack of supply in the centre of Paris with a vacancy rate close to 3% in CBD and below 2% in the Paris 5/6/7 and 12/13 arrondissement. In addition, the pipeline of new office projects over the coming two years is scarce in the CBD (approximately 250,000 sq m) and a significant part of this is already pre-let.

  Prime rental prices in the Paris CBD at the end of the first half of 2017 reached €760/sq m/year. The figure is mainly due to the significant increase in the number of transactions for rents above €750/sq m/year. The consensus of analysts and consultants place the Paris CBD as one of the European markets with good growth expectations in rents in the short term.

(1) Sources: Reports by Jones Lang Lasalle, and Green Street Advisors

Investment market situation – offices

Prime Yields (1)



(1) Market analysts in Spain report gross yields and in France net yields (see definition in the glossary in appendix 6.11)

- **Barcelona**: The investment volume in the first half of 2017 doubled with respect to the previous year, with a cumulative investment of €470m. The main buyers were Spanish domestic property companies, local family offices and international investors. The severe scarcity in prime assets combined with the good prospects for the second half of the year continue to drive prime yields down to 4%, and could even reach lower levels in the case of unique assets.

- **Madrid**: Interest by investors in high quality products in prime locations remains high, with an investment of €630m, during the first months of the year. Insurance companies, family offices and international funds continue to be very active, putting pressure on prime yields, which reached 3.75% at June 2017. It is important to highlight that the spread regarding the yield of the 10-year Spanish bond remains positive and robust (above 200 bps) maintaining a healthy scenario. In some singular transactions, even yields below 3% were obtained, where some investors were buying office buildings to convert them into residential use.

- **Paris**: During the second quarter of 2017, an investment volume of approximately €2,500m was reached, resulting in a total investment volume of €5,000m in the first half of 2017, a figure in line with the average in recent years. It is worth highlighting the large transactions, above €300m, where there is a lot of interest by international Asian and American investors, especially following the noteworthy election victory of Macron and a better outlook for the French economy. Prime yields stood at 3.00% in the CBD.

It is important to highlight that in the three markets, the spread between the prime yields and the 10-year bonds remains high.

Sources: Reports by Jones Lang Lasalle, CBRE, BNP Paribas Real Estate and Cushman, Wakefield & Savills

3. Business performance

Rental revenues and EBITDA of the portfolio

- Rental revenues reached **€141m, 3% higher than that achieved the previous year**.

  In **like-for-like terms**, adjusting for investments, disposals and variations in the project and refurbishment portfolio and other extraordinary items, **the rental revenues of the Group increased by 3% like-for-like.**

  In **Paris, the rental revenues rose by 3% like-for-like**. In **Spain, the rental revenues increased by 4% like-for-like**, especially due to the **Barcelona** portfolio, which increased by **10% like-for-like**. The Barcelona portfolio has experienced significant positive growth, consolidating the good evolution seen in the last quarters.

  In Madrid, like-for-like variance was flat, due to the tenant rotation on 4,000 sq m in Alfonso XII (exit of Banca Marenostrum, surface rented in June to a PropTech company with a higher rent). Excluding this effect the rest of the Madrid contract portfolio has increased by +3% like for like.

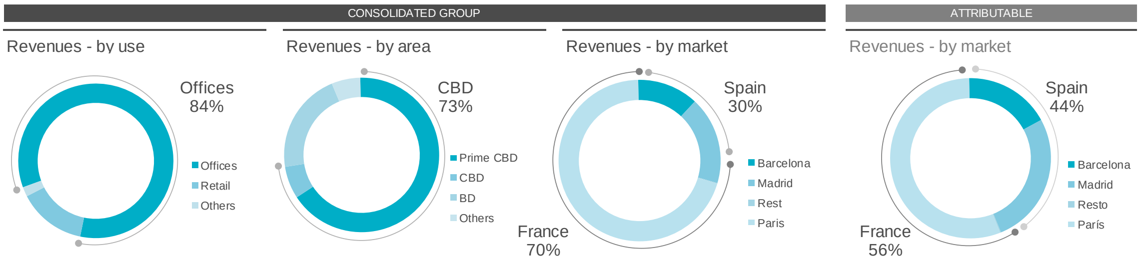
  The like-for-like increase in rental revenues mainly corresponds to the contracts signed on the Travessera/Amigó, Avenida Diagonal 220-240 (Glories), Avenida Diagonal 609-615 and Sant Cugat buildings, among others, in Barcelona and the Edouard VII, #Cloud and Cézanne Saint Honoré buildings in Paris.

Variance in rents (2017 vs. 2016) €m	Barcelona	Madrid	París	Total
Rental revenues 2016R	**14.9**	**20.1**	**102.0**	**137.0**
EPRA Like-for-Like	1.5	0.0	2.7	4.2
Projects & refurbishments	0.0	(0.8)	(4.3)	(5.1)
Acquisitions & Disposals	0.8	5.4	0.0	6.1
Indemnities & others	0.0	0.2	(1.8)	(1.5)
Rental revenues 2017R	**17.2**	**24.9**	**98.6**	**140.7**
Total variance (%)	***15.1%***	***24.0%***	***(3.3%)***	***2.7%***
Like-for-like variance (%)	**9.9%**	**0.2%**	**2.9%**	**3.3%**

  An additional increase in the rental revenues comes from new acquisitions, in particular €5.4m in Spain. In Paris there was a temporary downward impact due to the rotation in the project portfolio.

(1) ***EPRA like for like:*** *Like for like calculated according EPRA recommendation.*

- **Breakdown – Rental revenues:** The majority of the Group's revenues (84%) are from office buildings. Likewise, the Group maintains its high exposure to CBD markets (73%).
  In consolidated terms, 70% of the rental revenues (€99m) came from the subsidiary in Paris and 30% were generated by properties in Spain. In attributable terms, 56% of the rents were generated in France and the rest in Spain.



- **Rental EBITDA reached €127m, a 3% increase in like-for-like terms,** with an EBITDA margin of 91%.

Property portfolio

June cumulative - €m	2017	2016	Var. %	EPRA Like-for-like [1] €m	EPRA Like-for-like [1] %	Adjusting Alfonso XII
Rental revenues - Barcelona	17	15	15%	1.5	9.9%	9.9%
Rental revenues - Madrid	25	20	24%	0.0	0.2%	2.7%
Rental revenues - Paris	99	102	(3%)	2.7	2.9%	2.9%
Rental revenues	**141**	**137**	**3%**	**4.2**	**3.3%**	**3.7%**
EBITDA rents Barcelona	16	13	21%	1.8	13.7%	13.7%
EBITDA rents Madrid	20	17	19%	0.0	0.2%	3.2%
EBITDA rents Paris	92	96	(4%)	2.1	2.4%	2.4%
EBITDA rents	**127**	**125**	**2%**	**3.9**	**3.4%**	**3.8%**
EBITDA rents/Rental revenues - Barcelona	*92%*	*87%*	*4.5 pp*			
EBITDA rents/Rental revenues - Madrid	*80%*	*83%*	*(3.4 pp)*			
EBITDA rents/Rental revenues - Paris	*93%*	*94%*	*(0.7 pp)*			
EBITDA rents/Rental revenues	***91%***	***91%***	*(0.9 pp)*			

Pp: percentage points

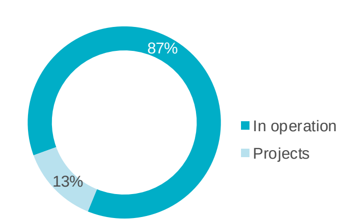
*(1) **EPRA like for like:** Like for like calculated according to EPRA recommendations.*
(2) Excluding the leave of Banca Marenostrum from the Alfonso XII asset in Madrid (surface re-let in June 2017).

Portfolio letting performance

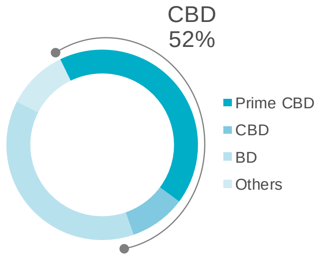
- **Breakdown of the current portfolio by surface area:** At the close of the first half of 2017, the Colonial Group's portfolio totalled 1,235,155 sq m (876,047 sq m above ground), concentrated mainly in office assets.

  At 30 June 2017, 87% of the portfolio was in operation and the rest corresponded to an attractive portfolio of projects and refurbishments and the Parc Central plot of land in Barcelona.

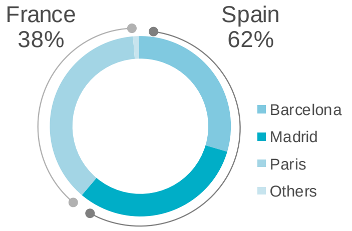
Surface - by condition



Surface - by area



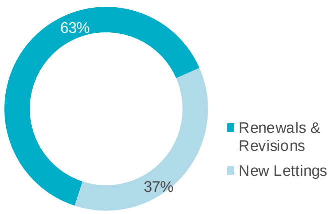
Surface - by market

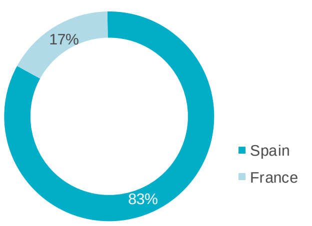


- **Signed contracts:** During the first half of 2017, the Colonial Group signed contracts for a **total of 69,422 sq m**. Out of the total contracts, 83% (57,797 sq m) were signed in Barcelona and Madrid, and the rest (11,625 sq m) were signed in Paris.

  New lettings: Out of the total commercial effort, 37% (25,375 sq m) related to new contracts, of which almost 16,000 sq m were signed in Barcelona and Madrid**.**

  Renewals: Contract renewals were carried out for 44,047 sq m, highlighting 30,000 sq m renewed in Barcelona**.**





Letting Performance

June cumulative - sq m	2017	Average maturity	% New rents vs. previous
Renewals & revisions - Barcelona	30,114	3	*19%*
Renewals & revisions - Madrid	11,883	3	*12%*
Renewals & revisions - Paris	2,050	9	*0%*
Total renewals & revisions	**44,047**	**3**	***16%***
New lettings Barcelona	6,614	3	
New lettings Madrid	9,186	5	
New lettings Paris	9,575	10	
New lettings	**25,375**	**7**	
Total commercial effort	**69,422**	**4**	

Signed rents were 16% above previous rents, in particular signed rents in Barcelona were up +19% and in Madrid up +12%.

Colonial's total commercial effort is spread over the three markets in which the company operates, highlighting the following actions:

Main actions

	Building	Tenants	Surface (sq m)
BARCELONA	Diagonal, 220-240 Glories	Ajuntament de Barcelona	11,672
	Diagonal, 530	Caixabank	7,058
	Illacuna	Liberty Seguros & others	6,262
	Diagonal, 609-615 (Dau/Prisma)	Caixabank, Ceva Salud Animal & others	6,128
MADRID	Santa Engracia	Public service company, Canal Isabel II Gestion & others	8,269
	Alfonso XII	PropTech company	4,100
	Génova, 17	Caixabank & Zooplus Services	2,619
	López de Hoyos, 35	ICEA Invest. Industrial	1,336
	Recoletos,37-41	BDO Audiberia	1,005
PARIS	Edouard VII	Theatre Edouard VII & otros	2,421
	103 Grenelle	Real Estate Group & Appareal company	2,946
	Cezanne Saint-Honoré	Consulting firm	1,580

In Spain, during the first half of 2017, more than 57,000 sq m were signed, corresponding to 38 contracts.

In **Barcelona**, more than 36,000 sq m were signed, in particular the renewal of more than 11,000 sq m with the Ajuntament de Barcelona on the Diagonal Glories building, the renewal with Caixabank of more than 7,000 sq m on the Diagonal 530 building, the renewal of almost 6,000 sq m with Liberty Seguros on the Illacuna building, as well as the signing of almost 2,000 sq m and the renewal by Caixabank of 2,500 sq m on the Diagonal, 609-615 building.

In **Madrid**, it is worth highlighting the renewal of a contract of nearly 5,000 sq m with a public entity on the Santa Engracia building, the signing of 4,100 sq m on the Alfonso XII building with a PropTech company, the renewal of almost 1,400 sq m with ICEA on López de Hoyos, as well as the signing of 1,054 sq m with Zooplus Services and 1,038 sq m with Caixabank on the Génova 17 building.

In **Paris**, more than 11,000 sq m were signed during the first half of 2017. Among others, it is worth highlighting the renewal on Theatre Edouard VII of more than 2,000 sq m, the signing of 1,350 sq m with a Real Estate advisory firm and 1,596 sq m by a fashion company on the Grenelle 103 building, as well as the signing of 1,580 sq m on the Cézanne Saint-Honoré property with a consulting firm. Also worth mentioning is the signing of 1,033 sq m by Mizuho Bank on the Washington Plaza building.

The transactions described above were closed with rental prices at the high end of the market.

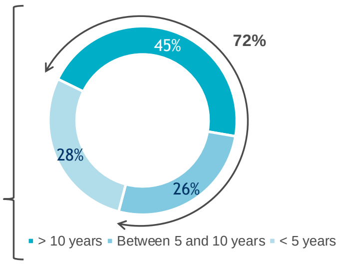
Analysis of the tenant portfolio

Regarding the volume of rental renewals in the contract portfolio, 41,997 sq m of renewals were signed in Spain, and 2,050 sq m were signed in France.

This high volume of renewals shows the capacity of the Colonial Group to retain clients. This fact is also reflected in the length of time the tenants stay, as 72% of the main tenants have been clients of the Group for more than 5 years.

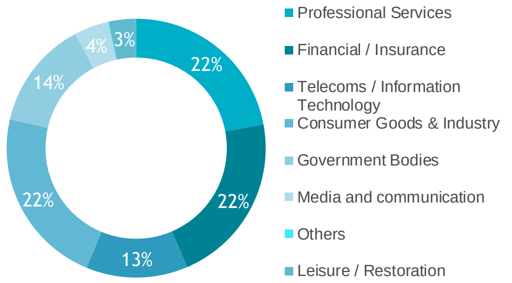
Ranking of the most important tenants (45% of rental income)

RK	Tenant	City	% total income	% cumul.	Age - Years
1	OCDE	Paris	6%	6%	2
2	GRDF	Paris	4%	10%	150
3	NATIXIS IMMO EXPLOITATION	Paris	4%	14%	13
4	LA MONDIALE GROUPE	Paris	3%	17%	10
5	INTERNATIONAL BUSSINES MACHINES	Madrid	3%	21%	5
6	EXANE	Paris	3%	24%	2
7	HENNES & MAURITZ / H & M	Paris	3%	26%	7
8	ZARA FRANCE	Paris	2%	29%	7
9	COMUTO	Paris	2%	31%	3
10	FRESHFIELDS BRUCKHAUS DERINGER	Paris	2%	33%	13
11	GAS NATURAL SDG	Barcelona	2%	35%	11
12	TV5 MONDE SA	Paris	2%	37%	12
13	GRUPO CAIXA	Barcelona / Madrid	2%	39%	25
14	GRUPO COMUNIDAD DE MADRID	Madrid	2%	40%	21
15	SOCIEDAD ESTATAL LOTERIAS Y APUESTAS DEL ESTADO	Madrid	1%	42%	12
16	IBERIA, LINEAS AEREAS DE ESPAÑA	Madrid	1%	43%	4
17	AJUNTAMENT DE BARCELONA	Barcelona	1%	43%	20
18	CASINO DE JUEGO GRAN MADRID	Madrid	1%	44%	5
19	GRUPO EDITORIAL BERTELSMANN	Barcelona	1%	45%	19
20	MELIA HOTELS INTERNATIONAL	Madrid	1%	45%	15
Average					**18**



It is important to point out that Colonial has a solvent and diversified client base.
The sectors that stand out are those which, due to their type of business, require quality offices located in central business areas.

Top Tenants - Breakdown by economic sector (1)



(1) *Calculated based on the entire portfolio*

Portfolio occupancy

- **At the close of the first half of 2017, the Colonial Group's financial occupancy[(1)] for the office portfolio reached 96%,** a figure in line with the previous year.
- **The total financial occupancy[(1)] for the portfolio including all uses also reached 96%.**

FINANCIAL OCCUPANCY[(1)]

Office & Total Occupancy – Evolution of Colonial's Portfolio

[(1)] ***Financial occupancy****: financial occupancy according to the calculation recommended by EPRA (occupied surfaces multiplied by the market prices/surfaces in operation at market prices).*

In **Barcelona**, the financial occupancy[(1)] of the office portfolio increased +410 bps compared to the previous year, reaching a ratio of 98%. This increase is mainly due to the contracts signed on the Travessera de Gràcia /Amigó, Avinguda Diagonal 609-615, Illacuna and Sant Cugat buildings, among others. In **Madrid** the financial occupancy[(1)] of the office portfolio is 97%, a figure in line with the same period of the previous year.

In **Paris**, the financial occupancy[(1)] of the office portfolio is 96% , which means an increase of 91 bp in a quarter, mainly due to the commercialization of Percier and 103 Grenelle.

Currently, Colonial has more than 25,000 sq m of available GLA which corresponds to 4% of EPRA vacancy over the total portfolio.

Vacancy surface of offices

Surface above ground (sq m)	BD area and others	CBD area	2017	EPRA Vacancy Offices
Barcelona	3,010	1,119	4,129	2%
Madrid	1,728	4,298	6,026	3%
París	6,026	8,831	14,856	5%
TOTAL	10,764	14,248	25,012	4%

The vacant surfaces correspond to a supply of top quality spaces in very central areas, highlighting assets such as:

Av. Diagonal, 609-615

José Abascal, 56

Cézanne Saint Honoré

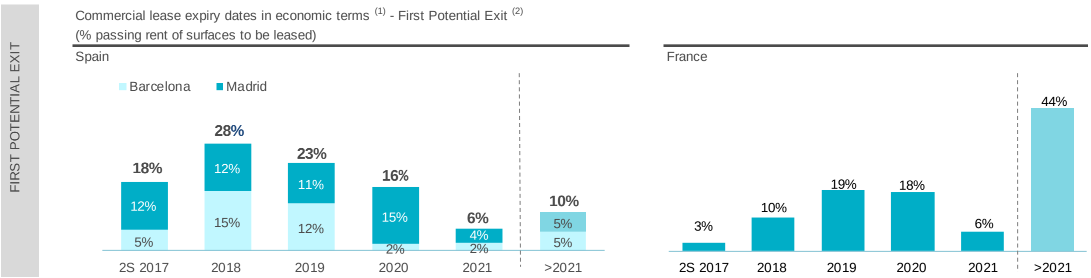
Illacuna

Agustín de Foxá, 29

Washington Plaza

Commercial lease expiry and reversionary potential

- **Commercial lease expiry**: The following graphs show the contractual rent roll for the coming years in the portfolios in Spain and France.
  The **first graph** shows the commercial lease expiry dates if the tenants choose to end the contract at the first possible date (break option or end of contract).

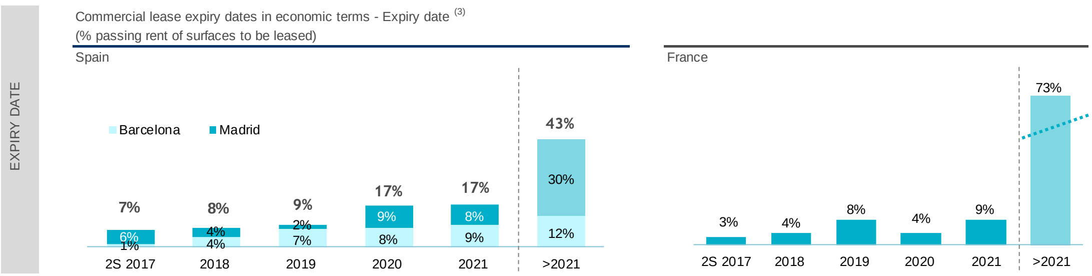


(1) % = surface to rent x current rents / current rental revenues
(2) Renewal dates based on first potential exit of the current contracts

In this context, in the Spanish portfolio, approximately 69% of contracts could be renewed in the next 30 months, which will enable the company to capture the rental growth cycle with one of the best products available in the market.

In France, the contract structure is longer term, in line with the behaviour of the players in that market.

The **second graph** shows the rent roll of the portfolio if the tenants remain until the contract expires. The contract structure in Spain is more short-term than in France.



(1) % = surface to rent x current rents / current rental revenues
(3) Renewal dates based on the expiry date of the current contracts

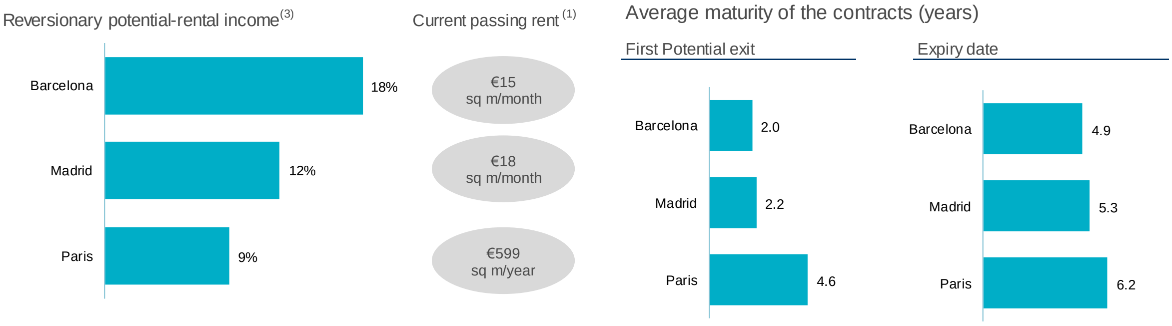
- **Reversionary Potential of the rental portfolio**

The Colonial Group's contract portfolio has significant reversionary potential.

This reversionary potential is the result of comparing the rental revenues of the current contracts (contracts with current occupancy and current rents) with the rental revenues that would result from letting the total surface at the market prices estimated by independent appraisers at 30 June 2017 (not including the potential rents from the substantial projects and refurbishments underway).

At the close of the first half of 2017, the static reversionary potential(2) of the rental revenues of the properties in operation (considering current rental prices without future impacts from a recovery in the cycle) stoods at 18% in Barcelona, 12% in Madrid and 9% in Paris.

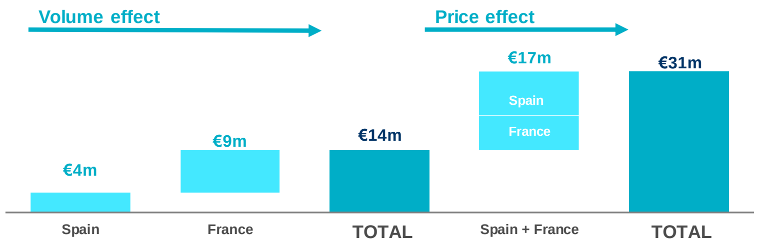
Figures at June 2017



(1) Current office rent of occupied surfaces

Specifically, the static reversionary potential(2) in the current portfolio would result in approximately €31m in additional annual rental revenues.

Reversionary potential-rental income



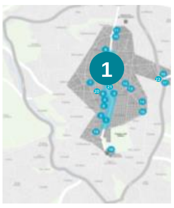
(2) Without including the positive impacts of the recovery cycle in rents
(3) Reversionary potential: maximum portfolio potential of surface in operation

Acquisitions

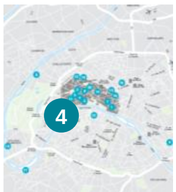
- Accelerating the fulfilment of growth objectives in the strategic plan, Colonial commenced 2017 with the execution of the Alpha II project, which includes the acquisition of four assets for an investment volume of almost €400m (total investment volume including future capex of development projects). Specifically, three development projects were acquired: Plaza Europa 34 in Barcelona, Paseo de la Castellana 163 in Madrid and 112-122 Av. Emile Zola in Paris. Additionally, Colonial purchased the Spanish headquarters of the Bertelsmann Group, located in the CBD in Barcelona (Travessera de Gracia 47-49).

- All of these acquisitions offer a substantial upside potential of industrial value creation based on: (1) the property transformation of the buildings into top quality products and (2) the location in market segments with solid fundamentals.

- All the acquisitions were made under very attractive terms, which shows the capacity of the Colonial Group to identify and capture opportunities of real estate value creation.

MADRID


BARCELONA


PARIS


1	Paseo de la Castellana, 163 *Madrid Prime CBD*		Value Added – Prime factory GLA: 10,910 sq m	Total Investment[1]: €51m
2	Travessera de Gracia, 47-49 *Barcelona Prime CBD*		Core with value added potential GLA: 8,939 sq m	Total Investment[1]: €41m
3	Plaza Europa, 34 *Barcelona Plaza Europa*		Value Added – Prime factory GLA: 14,306 sq m	Total Investment[1]: €32m
4	112-122 Av. Emile Zola *Paris South Center*		Value Added – Prime factory GLA: 20,340 sq m	Total Investment[1]: €245m - €265m

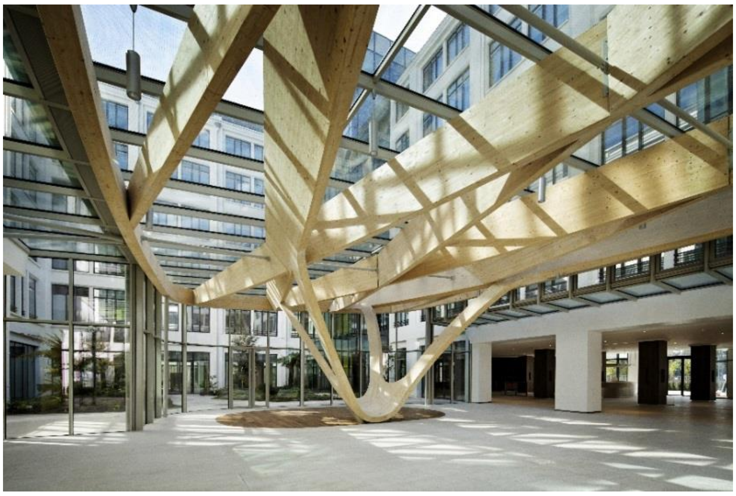
(1) Acquisition price + total project CAPEX

Asset Rotation

- The Colonial Group continuously reviews the potential for future value creation for each one of its assets in the portfolio.

- As a consequence of this analysis, a “promise of sale” has been signed for the disposal of the In&Out asset in Paris, after the close of the first half of the year. This transaction will enable the Group to capture a significant premium on the appraisal value at 31 December 2016 on a building without further value creation potential through real estate management, and located in a secondary area of the French capital.

- The transaction is expected to be formalized in the second half of 2017.



Portfolio of projects and refurbishments

Project portfolio

- As of the close of the first half of 2017, Colonial owns a portfolio of development and refurbishment projects of more than 125,000 sq m above ground, with significant potential for value creation.

- Current ongoing projects in Madrid correspond to the Estébanez Calderón and Príncipe de Vergara assets, acquired in 2015. In Barcelona it is worth highlighting the Parc Glòries project in the 22@ district, acquired in 2016 and the plot of land at Plaza Europa 34 acquired during the first quarter of 2017. The Paris portfolio offers interesting returns through the Avenue Emile Zola project and the full refurbishment of the commercial part of the Louvre Saint Honoré, through the creation of prime space in the centre of Paris in front of the Louvre. Unique Prime Factory development projects will be carried out on all of these assets.

  The projects are progressing as planned and delivery is expected during the next five years.

Projects	Entry into operation	% Group	% Prelet	Market	Use	Surface above ground (sq m) (1)
Estébanez Calderón, 3-5	2H 2017	100%	-	Madrid	Offices	10,152
Príncipe de Vergara, 112	2018	100%	-	Madrid	Offices	11,368
Parc Glòries	2018	100%	38%	Barcelona	Offices	24,551
Louvre Saint Honoré	2021	100%	-	Paris	Retail	16,000
Plaza Europa, 34	>2020	50%	-	Barcelona	Offices	14,306
112-122 Avenue Emile Zola	>2020	100%	-	Paris	Offices	20,340 (2)
Projects in development						**96,717**
Yield on cost[3]						**7%**
Castellana, 43	2017	100%	-			5,998
92 Champs Eysées	2017	100%	-			3,381
Cezanne Saint-Honoré	2017	100%	-			1,544
Rest of portfolio			na			3,225
Surface in refurbishment						**14,149**
Parc Central 22@	na	100%	na			14,737
Solar Parc Central 22@						**14,737**
TOTAL PROJECTS & REFURBISHMENTS						**125,603**

(1) Surface area of completed project
(2) Current surface. The project targets a GLA increase of 10%-15%. The execution of the acquisition of this asset will be formalized in 3Q 2017
(3) Yield on cost: market rent 100% rented/market value at start of project net of impairment in value + capex

In addition to these development projects, the Colonial Group is currently carrying out substantial refurbishments on almost 14,000 sq m above ground, with the aim of optimizing the positioning of these assets in the market. These include refurbishments on the Castellana 43, 92 Champs Elysées and Cézanne Saint-Honoré buildings, among others. In addition, Colonial owns a plot of land of more than 14,000 sq m above ground in the 22@ submarket in Barcelona.

It is worth highlighting that during the coming years, 10,900 sq m will be refurbished on the Paseo de la Castellana 163 building in Madrid.

- Regarding the current projects underway, it is worth highlighting the following features:

  ✓ **<u>Estébanez Calderón, 3-5 - Discovery building:</u>** A property acquired in May 2015, located in the centre of Madrid. Demolition work has begun on the current building to build a new unique LEED Gold property with a total of 10,500 sq m of surface area above ground. This building will incorporate the latest technologies and innovation in materials and will receive the most prestigious environmental and sustainability certificates. The project, led by the Lamela studio, is expected to be delivered in the second half of 2017.

  ✓ **<u>Príncipe de Vergara, 112:</u>** A property acquired in July 2015, located in the centre of Madrid. The transaction involves demolishing the current property to build a unique new office building which will provide a total surface area above ground of 11,400 sq m, with optimal space efficiency on all floors, enabling it to obtain the LEED Gold energy certificate.

  ✓ **<u>Parc Glòries:</u>** A new project of an emblematic office building in the most prime area of 22@ with extremely high quality finishes, technical specifications and sustainability with expected delivery in 2018. The project will have more than 24,000 sq m designed by Batlle & Roig, distributed over 17 floors, each with a surface area of approximately 1,800 sq m. Parc Glòries is a project destined to become an imminent symbol of the city. The building will be one of the first properties with "LEED Platinum" certification in the Barcelona office market. Currently more than 9,000 sq m have been pre-let to Schibsted Iberica.

- ✓ **<u>Plaza Europa, 34:</u>** A new project to build a unique office building in one of the new business districts in Barcelona. This project is being developed in a joint venture with the Inmo Company, a subsidiary of the Puig family, the land owner, whose current corporate headquarters is located in the adjacent plot. The project consists in creating a 21-storey building with a total surface area above ground of 14,000 sq m and 150 parking spaces. The building will incorporate the latest technologies and obtain the LEED Gold energy certificate.

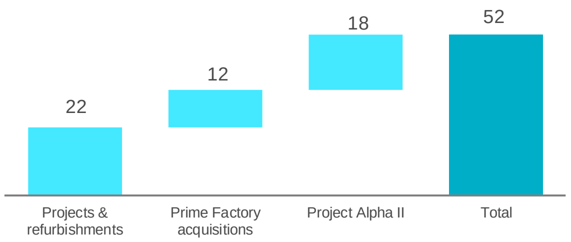
- ✓ **<u>112-122 Avenue Emile Zola</u>**: A new project to create a prime office complex of more than 20,000 sq m with 201 parking spaces located in the centre of the South of Paris. Built on 6,300 sq m plot of land located on the “Rive” left of Paris (district 15), next to the Eiffel tower, surrounded by a variety of properties, both commercial and residential and well connected to public transport. The project will have 1,400 sq m of office space with high luminosity and efficient functionality. It will have a double entrance, optimizing divisibility and with a wooded garden that surrounds the property.

- ✓ **<u>Louvre Saint Honoré</u>**: A new retail development project in the Louvre Saint Honoré building which will count on approximately 15,000 sq m. It is the development of a retail space on the below ground floors, ground floor and first floor of the building. This Prime Factory project will be carried out with top quality finishes and technical specifications and is expected to be completed by 2021, with the capacity to attract top tier tenants.

- During the first half of 2017, more than €29m were invested in Prime Factory projects and refurbishments to optimize the positioning of the property portfolio.

- The project portfolio, as well as new acquisitions, will result in additional rental revenues of approximately €52m per annum.

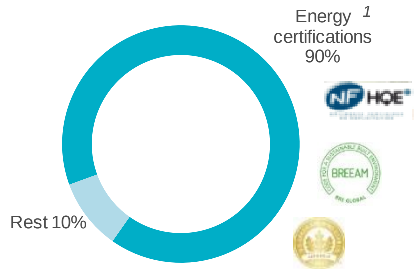
Additional rental income of projects and significant refurbishments - €m



- Colonial is clearly at the forefront in terms of energy efficiency and sustainability of its property portfolio.

- Currently 90% of the buildings have top quality environmental certificates (BREEAM and LEED). This is a very high percentage for the sector. This fact gives the Colonial Group a competitive advantage in attracting top tier demand and maximising the value creation of the portfolio.

% Buildings with energy certification



1 Inmuebles en explotación con certificación energética

The Colonial Group is the only Spanish company with the EPRA Gold Award in sustainability reporting and the French subsidiary, at the BREEAM Awards 2017, received the Corporate Investment in Responsible Real Estate Award. SFL is being recognized by BREEAM and GRESB, main rating agency in Corporative Social Responsibility, for its long-term commitment to the responsible management of its portfolio.

Valuation of the portfolio

- At the close of the first quarter of 2017, the assets of the Colonial Group were appraised at €8,666m (€9,103m including transfer costs) by Jones Lang LaSalle and CB Richard Ellis.

- The assets of Spain and France have been appraised by Jones Lang LaSalle, Cushman & Wakefield and CB Richard Ellis. The appraissal figures are updated half-yearly, following the best market practices, in compliance with the Regulation Standards of the Royal Institution of Chartered Surveyors (RICS) comprised in the Red Book valuation manual. The valuations of the market defined by the RICS are internationally recognized by advisors and accountants of investors and corporations that own real estate assets, as well as The European Group of Valuers (TEGoVA) and the International Valuation Standards Committee (IVSC). The appraisers' fees are determined by the volume for the specific workout of each assignment.

- Out of the total valuation of the property business, €8,497m correspond to the asset portfolio directly held by the Colonial Group and €169m correspond to the value of the 15% stake in Axiare (valued at attributable NAV as of 31 December 2016).

Gross Asset Values - Excluding transfer costs

Asset valuation (€m)	30-Jun-17	30-dec-16	31-dec-15	Jun 17 vs Dec 16		Jun 17 vs Jun 16	
				Total	LfL (1)	Total	LfL (1)
Barcelona	827	761	710	8.7%	8.7%	16.6%	12.6%
Madrid	1,339	1,273	1,189	5.2%	5.5%	12.6%	8.7%
París	6,144	5,736	5,520	7.1%	7.1%	11.3%	11.3%
Portfolio in operation (2)	**8,311**	**7,771**	**7,419**	**7.0%**	**7.0%**	**12.0%**	**11.0%**
Projects	**174**	**144**	**130**	**21.2%**	**12.0%**	**34.2%**	**24.0%**
Others	12	14	7	(14.8%)	(14.8%)	60.6%	3.8%
Property business	**8,497**	**7,928**	**7,556**	**7.2%**	**7.1%**	**12.4%**	**11.2%**
Axiare	**169**	**141**		**19.8%**			
Colonial group	**8,666**	**8,069**	**7,556**	**7.4%**	**7.0%**	**14.7%**	**11.2%**
Spain	2,522	**2,333**	**2,036**	8.1%	6.9%	23.8%	11.0%
France	6,144	**5,736**	**5,520**	7.1%	7.1%	11.3%	11.3%

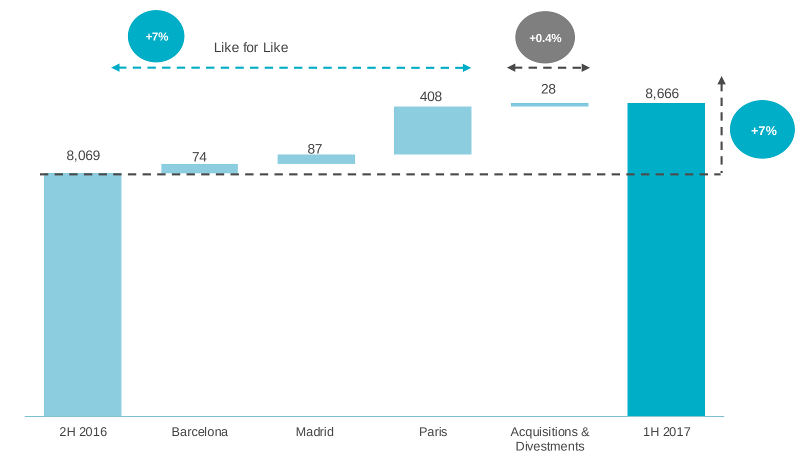
Gross Asset Values - Including transfer costs

Colonial group	**9,103**	**8,478**	**7,949**	**7.4%**	**7.0%**	**14.5%**	**11.2%**
Spain	2,580	2,387	2,086	8.1%	6.9%	23.7%	11.0%
France	6,523	6,092	5,863	7.1%	7.1%	11.3%	11.3%

(1) Portfolio in comparable terms
(2) Portfolio in operation: current rental portfolio as well as new entries into operation of completed projects
Note: Includes the price of the disposal agreement on In/Out and the value of the JV with Plaza Europa 34

- The **Colonial Group's** Gross Asset Value at June 2017 increased +7% compared to December 2016 (+11% like-for-like in 12 months).

Variance Analysis - Value 6 months - €m



GAV VARIANCE

	6 months	12 months
BARCELONA	+9%	+13%
MADRID	+6%	+10%
PARIS	+7%	+11%
TOTAL LFL	+7%	+11%
ACQUISITIONS & DISVESTMENTS	+0%	+4%
TOTAL VAR	+7%	+15%

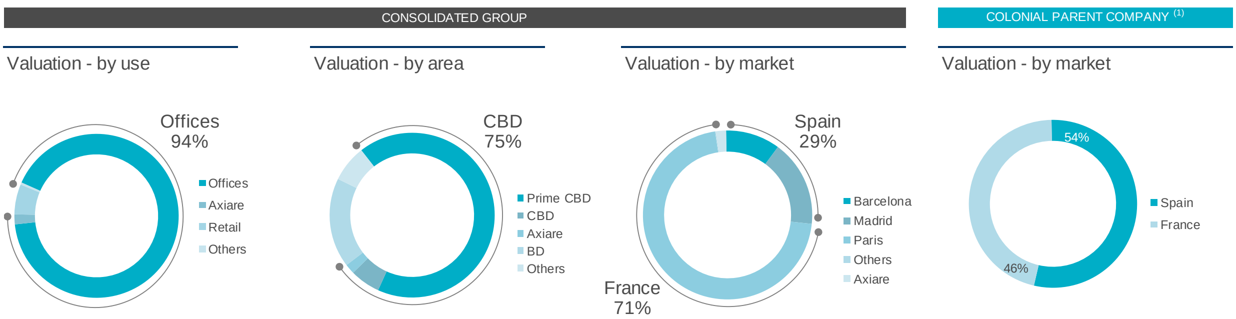
In **Spain,** the Gross Asset Value increased by +7% like-for-like in the last 6 months, (+11% year-on-year growth).It is worth mentioning that the Barcelona portfolio increased +9% like-for-like in 6 months (+13% year-on-year). The portfolio in Madrid increased by +6% like-for-like in 6 months (+10% year-on-year).

The appraisal value of the portfolio in Paris increased +7% like-for-like in the last 6 months (+11% in 12 months).

This increase in asset value is a consequence of three factors:

1. A growing interest by investors in prime assets, driving down rents
2. An increase in rental prices in recent quarters for the Colonial Group's portfolio assets in all three markets
3. An industrial focus by the Group that enables additional value creation through portfolio repositioning and the successful execution of real estate transformation projects

- The breakdown of the valuation of the rental portfolio by use, market and type of product is shown below:



(1) France = SFL shares valued at NAV. Spain = GAV assets directly held + NAV stake SPV TMN + NAV stake Axiare + Value JV Plaza Europa 34

- Regarding the valuation of the portfolio in operation, the main value parameters are as follows:

Portfolio in operation	€m	sq m above ground (*)	€/sq m (*)	Valuation Yield	
Barcelona	827	189,447	4,367	4.92%	Gross Yields
Madrid	1,339	240,651	5,566	4.59%	
Paris	6,144	403,599	15,224	3.45%	Net Yields

When **comparing the valuation parameters of Colonial's appraisal values with market data**, the following must be taken into consideration:

1. In Spain, consultants publish *gross yields* in their market reports
(Gross yield = gross rent/value excluding transfer costs).

2. In France, consultants publish *net yields* in their market reports
(Net yield = net rent/value including transfer costs)

(*) In Barcelona the sq m for the calculation of the capital value correspond to the surface above ground of all the assets which amount to 243,144 sq m, excluding 14,737 sq m of the Parc Central project, 24,551 sq m of the Parc Glories project, 14,306 sq m of the Plaza Europa project and 103 sq m of non-core retail assets.
In Madrid, the sq m correspond to the surface above ground of all assets of 262,171 sq m, excluding the Estébanez Calderón project of 10,152 sq m and Príncipe de Vergara of 11,368 sq m.
In France, the sq m correspond to the surface above ground of the entire portfolio which amount to 358,347 sq m including certain rentable surfaces below ground in the portfolio not corresponding to parking units (45,253 sq m).

4. Financial structure

Main debt figures

Colonial Group	06/2017	Var. Vs 12/2016
Gross financial debt	3,537	*(3%)*
Net financial debt	3,318	*(6%)*
Undrawn balances	1,619	*85%*
% debt fixed or hedged	86%	*4%*
Average maturity of the debt (years)	4.6	*(0,4)*
Cost of current debt	1.97%	*1 p.b.*
Rating COL	BBB stable outlook	*improvement from BBB-*
Rating SFL	BBB positive outlook	*improvement from stable outlook*
LtV Group (including transfer costs)	36.1%	*(534 b.p.)*

In the first half of 2017, Colonial formalized a new credit line for €375m, maturing in five years. This credit line is intended to meet the general corporate demands of the company, and counts on the participation of a total of 10 banks, with Credit Agricole acting as the agent bank. This new financing increases Colonial's liquidity and investment capacity, maximizing its strength and financial flexibility.

In June 2017, SFL increased its credit lines by €195 by formalizing two new bilateral loans for a total amount of €175m and by increasing the limit of an existing loan by €20m. The new bilateral loans mature in 6 and 7 years, respectively.

Finally, the subsidiary Torre Marenostrum renewed the mortgage security loan, of which it is the holder, extending the maturity term by 8 years (from 2024 to 2032) and adjusting the cost of debt (loan + hedging) to the current market situation.

These transactions have enabled the Group to increase its liquidity by €746m compared to 31 December 2016 and increase the average maturity of the undrawn debt.

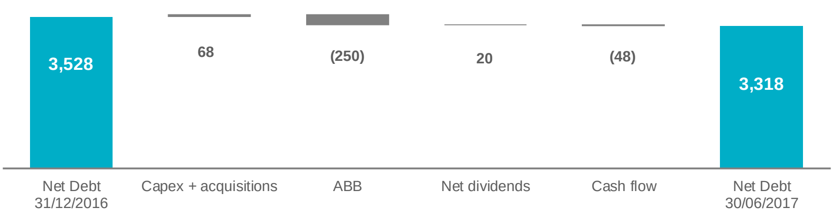
The net financial debt of the Group at 30 June 2017 stood at €3,318m, the breakdown of which is as follows:

Breakdown of the consolidated net financial debt	June 2017			December 2016			Var.
	SP	FR	Total	SP	FR	Total	Total
Syndicate loan	0	0	0	122	20	142	(142)
Mortgage debt/leases	36	204	240	36	205	241	(1)
Unsecured debt and others	0	471	471	0	425	425	46
Bonds	1,525	1,301	2,826	1,525	1,301	2,826	0
Total gross debt	**1,561**	**1,976**	**3,537**	**1,682**	**1,951**	**3,633**	**(97)**
Cash & cash equivalents	**(192)**	**(27)**	**(219)**	**(85)**	**(20)**	**(105)**	**(114)**
Group Net Debt	**1,369**	**1,949**	**3,318**	**1,597**	**1,931**	**3,528**	**(211)**
Average maturity of drawn debt (years)	**5.7**	**3.8**	**4.6**	**6.0**	**4.1**	**5.0**	**(0.3)**
Cost of debt %	**2.02%**	**1.93%**	**1.97%**	**1.96%**	**1.95%**	**1.96%**	**-**

The net Group debt decreased by €211m (6%) compared to December 2016, mainly as a result of the capital increase carried out by Colonial in May 2017.

The evolution of the Group's net debt during the first half of 2017 is as follows:

Net Debt Movement €m - June 2017



Main leverage ratios and liquidity

As at 30 June 2017, the Colonial Group's net debt amounted to €3,318m. The LTV (Loan to Value) of the Group, calculated as the total net debt ratio between the total GAV of the Group, was 36% (40% at 30 June 2016). The LTV of the parent company, calculated as the net debt of the parent company between the GAV of the parent company and the NAV of its 100% subsidiaries, plus the NAV of the rest of its subsidiaries, was 27% (32% at 30 June 2016).

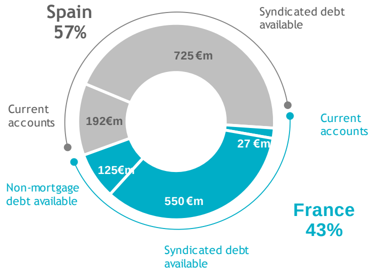
Main leverage ratios

30/06/2016 - €m	Holding	Group
GAV incl. transfer costs (1)	4,924	9,201
Net debt - excluding committed cash	1,340	3,318
LTV incl. transfer costs	27%	36%

(1) **Holding**: GAV at 30/06/2017 including holding transfer costs and subsidiaries 100% + NAV SFL, TMN, 15,5% Axiare+ Autocartera + NAV JV Plaza Europa 34
Group: GAV Group at 30/06/2017 including transfer costs.

Cash & undrawn balances of the Colonial Group at 30 June 2017 amounted to €1,619m, and were distributed as shown in the graph below:

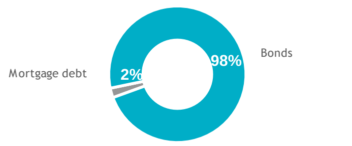
Cash & Undrawn balances



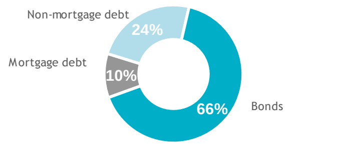
The main characteristics of the Group's debt are shown below:

TYPE OF DRAWN DEBT 30/06/2017

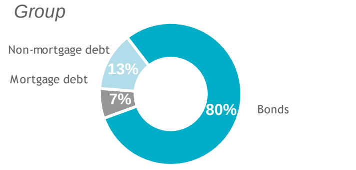
Spain



France

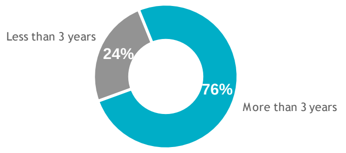


Group

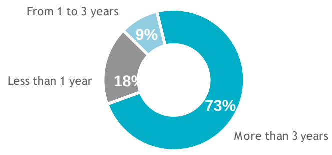


MATURITY OF CONTRACTED DEBT 30/06/2017

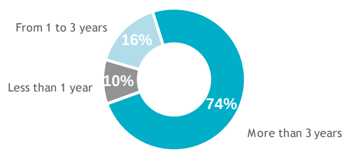
Spain



France

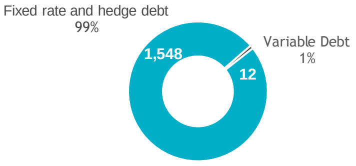


Group

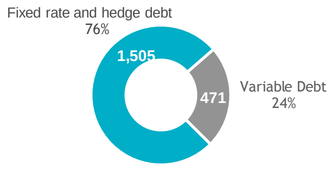


FIXED RATE AND HEDGE DEBT

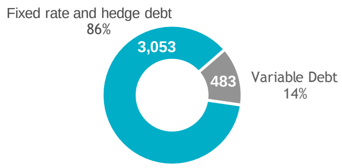
Spain



France



Group

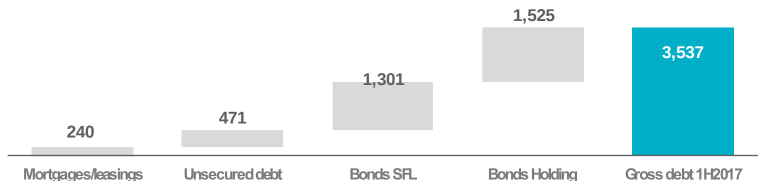


	Spain	***France***	***Total***
Spread	161 p.b.	154 p.b.	157 p.b.
Cost of debt *	202 p.b.	193 p.b.	197 p.b.
Average maturity of drawn down debt (years)	5.7	3.8	4.6
Average maturity of the contracted debt (years)	5.3	3.7	4.4
Contracted debt	€2,286m	€2,651m	€4,937m

(*) Cost of debt: Euribor + Spread as of 30/6/2017. Without commissions and hedgings.

The composition of the Group's debt at 30 June 2017 is as follows:

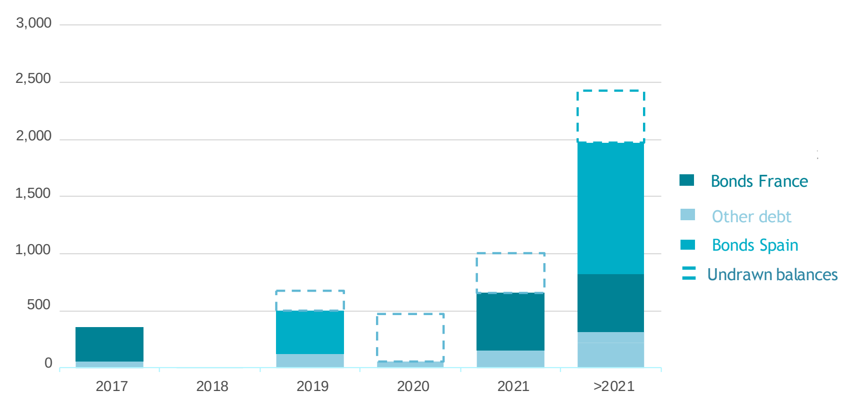
Composition of the drawn gross debt of the Group at June 30, 2017 - €m



	Mortgages/leasings	Unsecured debt	Bonds SFL	Bonds Holding	Gross debt 1H2017
Cost of debt	1.46%	0.82%	2.39%	2.03%	Average cost of debt: 1.97% & 4.6 years
Maturity (years)	5.4	3.3	3.9	5.6	

The breakdown of the debt in terms of maturity is as follows:

Maturity profile of drawn debt



	2017	2018	2019	2020	2021	>2021	TOTAL
SPAIN	1	2	377	2	2	1,177	1,561
FRANCE	353(*)	2	122	52	652	795	1,976
TOTAL	354	4	499	54	654	1,972	3,537

(*) From this amount, €301m corresponds to bonds issued by SFL in 2012, maturing in November 2017, and the rest are short term policies. As of today, the Group has enough liquidity to cover this maturities.

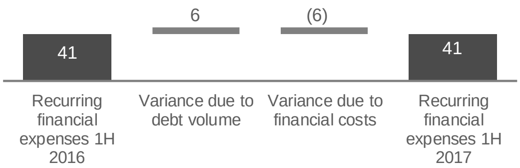
Financial results

- The main figures of the financial results of the Group are found in the following table:

Financial results

June cumulative - €m	SP	FR	2017	2016	Var. %
Recurring financial expenses - Spain	(19)	0	(19)	(17)	13%
Recurring financial expenses - France	0	(22)	(22)	(24)	(9%)
Recurring Financial Income	2	0	2	1	49%
Capitalized interest expenses	0	1	1	0	262%
Recurring Financial Result	**(17)**	**(21)**	**(38)**	**(40)**	**(5%)**
Change in fair value of financial instruments	0	0	0	(2)	(106%)
Financial Result	**(17)**	**(21)**	**(38)**	**(42)**	**(9%)**

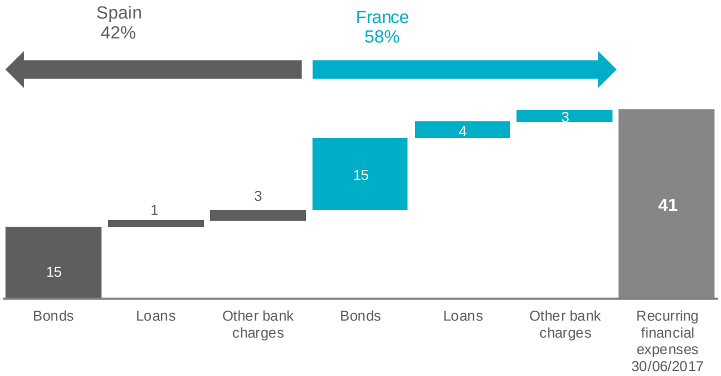
- The recurring financial results of the Group for the first half of the year improved 5% compared to the first half of the previous year due to a decrease in financial expenses in France (mainly as a result of lower costs drawn debt). In Spain, the recurring financial expenses slightly increased compared to the same period of the previous year due to the bond issuances carried out by Colonial in October and November 2016. However, the recurring financial expenses of the Group remained at the same level as in June 2016 thanks to a decrease in the financing costs.



- The average credit spread in the first half of 2017 amounted to 157 bps (versus 165 bps in the same period in 2016). This improvement is mainly due to the liability management carried out by Colonial in the fourth quarter of 2016 and the maturity of an SFL bond in May 2016 for an amount of €156m.

- The breakdown of the recurring financial expenses at 30 June 2017 is as follows:

Breakdown recurring financial expenses - June 2017



At 30 June 2016, 86% of the Group's net debt was at a fixed or hedged rate. During the first half of 2017 SFL formalized a pre-hedging for a nominal amount of €100m, maturing in 2022, which will start in November 2017.

More details on the financial structure are found in Appendix 6.7.

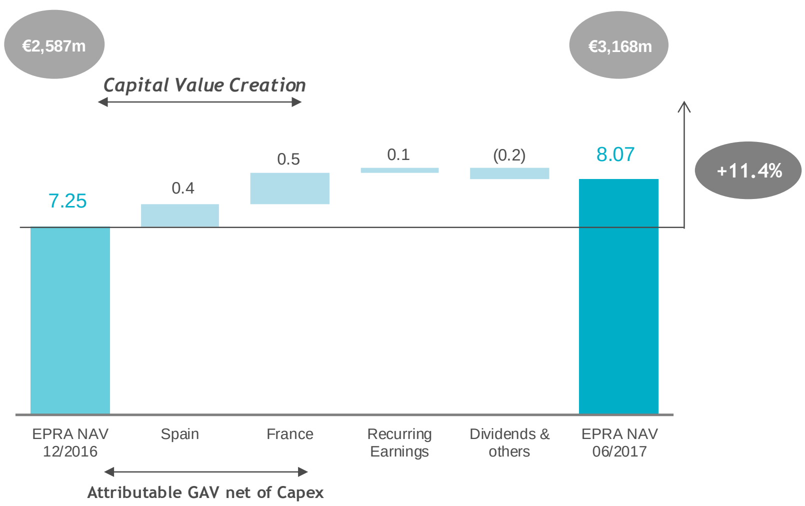
5. EPRA Net Asset Value & Share price performance

EPRA Net Asset Value (NAV)

At the close of the first half of 2017, the EPRA NAV of the Colonial Group amounted to €8.07/share, an increase of +11% in 6 months.

The total shareholder return, understood as NAV growth per share plus the dividend paid, amounted to 14%[1] in 6 months, positioning it among one of the highest returns in the listed sectors in Spain as well as in Europe.

EPRA NAV €/share



Total Shareholder Return [1]

	6 months	12 months
NAV Growth per share	+11%	+19%
Dividend paid per share	+2%	+2%
Total Return per share	+14%	+21%

(1) Total return understood as NAV growth per share + dividends

This high Total Shareholder Return is a result of the industrial strategy of the Colonial Group, focused on the transformation and creation of prime offices in the centre of Paris, Madrid and Barcelona, which enables Colonial to capture a value creation above market average.

The **EPRA Net Asset Value (EPRA NAV)** is calculated based on the Group's consolidated equity and adjustments of specific items following EPRA recommendations.

EPRA Net Asset value - €m	06/2017	12/2016
NAV per the Consolidated financial statements	**2,891**	**2,302**
Include:		
(i.a) Revaluation of investment properties (if IAS 40 cost option is used)	12	11
(i.b) Revaluation of investment property under construction (IPUC) (if IAS 40 cost option is used)	na	na
(i.c) Revaluation of other non-current investment	106	51
(ii) Revaluation of tenant leases held as finance leases	na	na
(iii) Revaluation of trading properties	na	na
Exclude:		
(iv) Fair value of financial instruments	0	2
(v.a) Deferred tax	159	221
(v.b) Goodwill as a result of deferred tax	-	-
Include/exclude:		
Adjustments (i) to (v) above in respect of joint ventures interests	na	na
EPRA NAV - €m	**3,168**	**2,587**
EPRA NAV - Euros per share	*8.07*	*7.25*
Nº of shares (m)	*392.5*	*356.8*

Calculation of the EPRA NAV: Following the EPRA recommendations and starting from the consolidated equity of €2,891m, the following adjustments were carried out:

1. Revaluation of investments: corresponding to latent capital gains (not accounted for on the balance sheet) of specific assets registered at book value, amounting to €12m.
2. Revaluation of other investments: corresponding to latent capital gains (not accounted for on the balance sheet) of other investments carried out by the Group.
3. Adjustment of deferred taxes: adjustment of the amount of deferred taxes associated with the revaluation of the property assets (+€159m), registered on the balance sheet.

EPRA NNNAV amounted to €2,906m at 30 June 2017, which corresponds to **€7.4/share**.

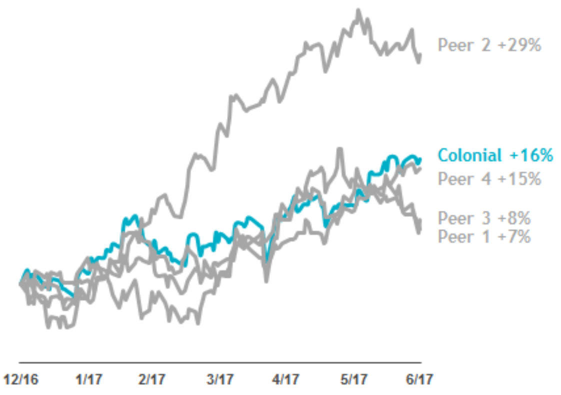
EPRA Triple Net Asset value (NNNAV) - €m	12/2016	12/2016
EPRA NAV	**3,168**	**2,587**
Include:		
(i) Fair value of financial instruments	(0)	(2)
(ii) Fair value of debt	(103)	(79)
(iii) Deferred tax	(160)	(222)
EPRA NNNAV - €m	**2,906**	**2,284**
EPRA NNNAV - Euros per share	*7.40*	*6.40*
Nº of shares (m)	*392.5*	*356.8*

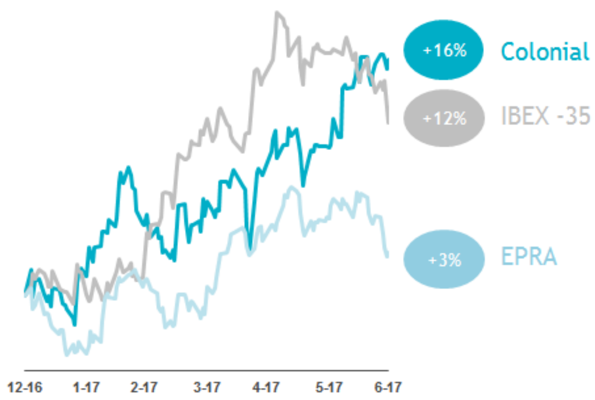
For its calculation, the following items have been adjusted in the EPRA NAV: the fair market value of the financial instruments, the fair market value of the debt (-€103m), and the taxes that would be accrued in case of the disposal of the assets at their market value (-€160m).

As a result of Colonial's conversion to a SOCIMI, a provision related to accrued taxes in case of not being a SOCIMI (impact of €72m) has been revoted. This has resulted in a positive impact of €0.18/share on EPRA NNNAV.

Share price performance

Colonial's shares closed the first half of 2017 with a revaluation of 16%, outperforming the benchmark indices (EPRA and IBEX 35).





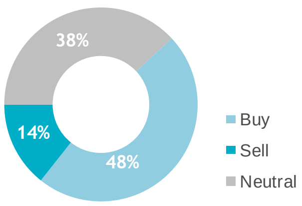
The average daily trading volume during 2017 reached €12m, positioning it among the most liquid values of the Spanish Real Estate Companies. Additionally, on 19 June 2017, the Colonial Group was included in the IBEX 35, the benchmark index for the Spanish Stock Exchange, increasing the visibility of the company for institutional investors.

With respect to analyst coverage, it is worth highlighting that in the last two years, the number of analysts covering the company has significantly increased, both nationally and internationally, with a total of 21 analysts currently covering the company.

One of the most recent incorporations was Societe Generale, issuing a buy recommendation with a target price of €8.8/share and ING with a hold recommendation and a target price of €8.0/share.

The target prices of analysts have substantially increased over recent months, reaching the highest target price since the initial coverage with a current consensus target price of €8.0/share (with a maximum target price of €9.2m/share by Goldman Sachs).

Out of the total recommendations, 48% of the analysts issued a buy recommendation.



The target prices and recommendations are as follows:

	Institution	Analyst	Date	Recommendation	Target Price actual (€/share)	Rental Income		Recurring Net Profit		NAV/ share (€)	
						2017	2018	2017	2018	2017	2018
1	Banco Santander	Jose Alfonso Garcia	17/10/2016	Buy	7.5	310	na	117	na	7.6	na
2	Mirabaud	Ignacio Méndez Terroso	23/01/2017	Sell	6.8	297	303	na	na	na	na
3	Fidentiis	Pepa Chapa	23/02/2017	Buy	7.6	291	301	74	76	8.0	8.7
4	Deutsche Bank	Markus Scheufler	02/03/2017	Buy	8.3	na	na	75	na	8.3	9.0
5	Kepler Cheuvreux	Carlos Ais	21/03/2017	Sell	6.5	295	321	na	na	8.3	8.7
6	Morgan Stanley	Bart Gysens	23/03/2017	Overweight	8.8	285	301	na	na	8.0	8.8
7	Intermoney Valores	Esther Martín	05/05/2017	Maintain	7.5	282	na	na	na	7.7	na
8	Kempen	Max Nimmo	08/05/2017	Buy	8.4	296	318	90	101	8.1	8.6
9	Merrill Lynch	Samuel Warwood	07/05/2017	Neutral	7.4	291	300	na	na	7.6	7.7
10	Alantra Equities	Jaime Amoribieta	24/05/2017	Neutral	7.5	300	313	114	125	8.2	8.9
11	Green Street Advisors	Peter Papadakos	01/06/2017	Buy	7.7	280	285	92	na	7.9	8,7
12	Goldman Sachs	Jonathan Kownator	14/06/2017	Buy	9.2	288	314	117	142	8.0	8.8
13	BPI	Gonzalo Sanchez Bordona	14/01/2017	Maintain	8.5	304	326	91	103	na	na
14	JB Capital	Daniel Gandoy	19/06/2017	Neutral	8.0	301	314	na	na	7.7	8.1
15	Alpha Value	Alda Kule Dale	21/06/2017	Overweight	8.6	298	323	na	na	9.2	10.3
16	Bankinter Securities	Juan Moreno Martínez de Le	26/06/2017	Sell	7.4	302	316	na	na	na	na
17	Bankinter	Jesús Amador	18/07/2017	Neutral	8.1	300	322	na	na	na	na
18	ING	Jaap Kuin	10/07/2017	Maintain	8.0	283	300	82	93	8.1	8.7
19	Societe Generale	Alvaro Soriano De Miguel	10/07/2017	Buy	8.8	292	320	84	130	8.0	9.0
20	Haitong	Juan Carlos Calvo	13/07/2017	Neutral	8.1	304	322	100	116	8.0	8.4
21	Banco Sabadell	Ignacio Romero	20/07/2017	Buy	8.7	288	304	na	na	na	na
	Analysts consensus				**8.0**	**294**	**311**	**94**	**111**	**8.0**	**8.7**

Source: Bloomberg & reports of analysts

Colonial is a member of the following indices: IBEX 35, the FTSE EPRA/NAREIT Developed Europe, the FTSE EPRA/NAREIT Developed Eurozone and the Global Property Index 250 (GPR 250 Index).

In addition, Colonial is a member of the Morgan Stanley Capital International (MSCI) index, a global property benchmark index for profitability.

During the first half of 2017, MSCI rated Colonial as the best performing specialist fund for Spain. In particular, MSCI highlighted that Colonial had obtained the highest total annualized return in the last 3 years as at 31 December 2016 compared to the property sector benchmark.

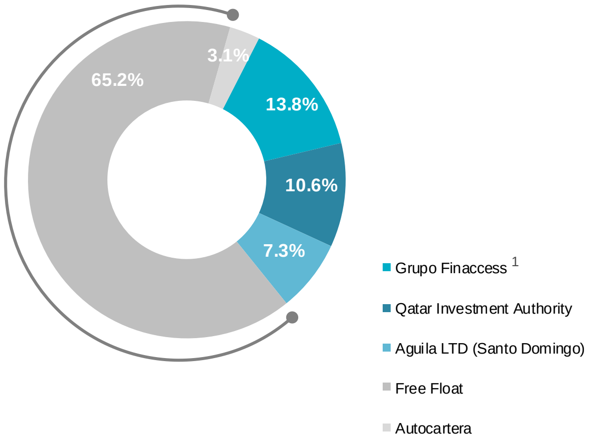
Company shareholder structure

Colonial's shareholder structure is as follows:

Shareholder structure at 5/07/2017 (*)

Inmo, S.L	*5%*
Third Avenue Mng.	*3%*
BlackRock	*3%*
Amura Capital	*2%*
Deutsche Bank	*2%*
Fidelity	*1%*
Invesco	*1%*
Orbis	*1%*
Resto Free Float	*48%*

Free Float [2]



(*) According to reports in the CNMV and notifications received by the company
(1) Through Hofinac BV, Finaccess Capital, S.A. de C.V. and Finaccess Capital Inversores, S.L.
(2) Free float: shareholders with minority stakes and without representation on the Board of Directors

Board of Directors

Name of Director			Executive Committee	Nominations & Remunerations Committee	Audit & Control Committee
Juan José Brugera Clavero	Chairman	Colonial	Chairman		
Pere Viñolas Serra	Chief Executive Officer	Colonial	Member		
Sheikh Ali Jassim M. J. Al-Thani	Director	QIA		Member	
Adnane Moussanif	Director	QIA	Member		
Juan Carlos García Cañizares	Director	Aguila LTD (Santo Domingo)	Member	Member	
Carlos Fernández González	Director	finaccess fondos de inversión	Member		
Ana Sainz de Vicuña	Independent Director				Chairman
Carlos Fernández-Lerga Garralda	Independent Director		Member	Chairman	Member
Javier Iglesias de Ussel Ordís	Independent Director			Member	Member
Luis Maluquer Trepat	Independent Director			Member	Member
Francisco Palá Laguna	Secretary - Non-Director		Secretary	Secretary	Secretary
Nuria Oferil Coll	Vice-secretary - Non-Director		Vice-secretary	Vice-secretary	Vice-secretary

6. Appendices

6.1 Appendix – EPRA ratios

1) EPRA Earnings

EPRA Earnings - €m	1H 2017	1H 2016
Earnings per IFRS Income statement	**437**	**230**
Earnings per IFRS Income statement - Euros cents per share	*1.19*	*0.64*
Adjustments to calculate EPRA Earnings, exclude:		
(i) Changes in value of investment properties, development properties held for investment and other interests	(521)	(354)
(ii) Profits or losses on disposal of investment, development properties held for investment and other interests	(0)	0
(iii) Profits or losses on sales of trading properties including impairment charges in respect of trading properties	0	0
(iv) Tax on profits or losses on disposals	0	0
(v) Negative goodwill / goodwill impairment	0	0
(vi) Changes in fair value of financial instruments and associated close-out costs	0	2
(vii) Acquisition costs on share deals and non controlling joint venture interests	0	0
(viii) Deferred tax in respect of EPRA adjustments	(49)	11
(ix) Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation)	0	0
(x) Non-Controlling interests in respect of the above	170	141
EPRA Earnings	**37**	**31**
EPRA Earnings per Share (EPS) - Euros cents per share	*0.102*	*0.086*
Company specific adjustments:		
(a) Discontinued operations	0	0
(b) Extraordinary expenses	(0)	0
Company specific Adjusted Earnings	**37**	**31**
Company adjusted Earnings per Share (EPS) - Euros cents per share	*0.101*	*0.087*
Weighted average nº of shares (m)	*367.3*	*356.8*

6.1 Appendix – EPRA ratios (cont.)

2) EPRA NAV

EPRA Net Asset value - €m	06/2017	12/2016
NAV per the Consolidated financial statements	**2,891**	**2,302**
Include:		
(i.a) Revaluation of investment properties (if IAS 40 cost option is used)	12	11
(i.b) Revaluation of investment property under construction (IPUC) (if IAS 40 cost option is used)	na	na
(i.c) Revaluation of other non-current investment	106	51
(ii) Revaluation of tenant leases held as finance leases	na	na
(iii) Revaluation of trading properties	na	na
Exclude:		
(iv) Fair value of financial instruments	0	2
(v.a) Deferred tax	159	221
(v.b) Goodwill as a result of deferred tax	-	-
Include/exclude:		
Adjustments (i) to (v) above in respect of joint ventures interests	na	na
EPRA NAV - €m	**3,168**	**2,587**
EPRA NAV - Euros per share	***8.07***	***7.25***
Nº of shares (m)	***392.5***	***356.8***

3) EPRA NNNAV

EPRA Triple Net Asset value (NNNAV) - €m	12/2016	12/2016
EPRA NAV	**3,168**	**2,587**
Include:		
(i) Fair value of financial instruments	(0)	(2)
(ii) Fair value of debt	(103)	(79)
(iii) Deferred tax	(160)	(222)
EPRA NNNAV - €m	**2,906**	**2,284**
EPRA NNNAV - Euros per share	***7.40***	***6.40***
Nº of shares (m)	***392.5***	***356.8***

6.1 Appendix – EPRA ratios (cont.)

4) EPRA Net initial Yield & Topped-up Net Initial Yield

D. EPRA Net Initial yield & "Topped-Up" Net Initial Yield		Barcelona	Madrid	Paris	Total 2017	Total 2016
Figures in €m						
Investment property – wholly owned		895	1,445	6,144	8,484	7,928
Investment property – share of JVs/Funds		13	na	na	13	na
Trading property (including share of JVs)		na	na	na	na	na
Less: developments		(81)	(165)	(241)	(486)	(576)
Completed property portfolio	**E**	**827**	**1,279**	**5,904**	**8,010**	**7,352**
Allowance for estimated purchasers' costs		22	31	364	417	380
Gross up completed property portfolio valuation	**B**	**849**	**1,311**	**6,268**	**8,427**	**7,732**
Annualised cash passing rental income		34	50	167	252	252
Property outgoings		(2)	(5)	(5)	(12)	(9)
Annualised net rents	**A**	**33**	**45**	**162**	**240**	**243**
Add: notional rent expiration of rent free periods or other lease incentives		1	4	44	48	42
"Topped-up" net annualised rent	**C**	**33**	**48**	**207**	**288**	**286**
EPRA Net Initial Yield	**A/B**	**3.9%**	**3.4%**	**2.6%**	**2.8%**	**3.1%**
EPRA "Topped-Up" Net Initial Yield	**C/B**	**3.9%**	**3.7%**	**3.3%**	**3.4%**	**3.7%**
Gross Rents 100% Occupancy	F	37	56	223	317	307
Property outgoings 100% Occupancy		(2)	(4)	(5)	(11)	(8)
Annualised net rents 100% Occupancy	**D**	**35**	**52**	**218**	**305**	**299**
Net Initial Yield 100% Occupancy	**D/B**	**4.1%**	**4.0%**	**3.5%**	**3.6%**	**3.9%**
Gross Initial Yield 100% Occupancy	**F/E**	**4.5%**	**4.4%**	**3.8%**	**4.0%**	**4.2%**

5) EPRA Vacancy Rate

EPRA Vacancy Rate - Offices Portfolio

€m	1H 2017	1H 2016	Var. %
BARCELONA			
Vacant space ERV	1	2	
Portfolio ERV	35	31	
EPRA Vacancy Rate Barcelona	**2%**	**6%**	*(4 pp)*
MADRID			
Vacant space ERV	2	1	
Portfolio ERV	53	50	
EPRA Vacancy Rate Madrid	**3%**	**3%**	*0 pp*
PARIS			
Vacant space ERV	9	6	
Portfolio ERV	192	187	
EPRA Vacancy Rate Paris	**4.7%**	**3.4%**	*1.2 pp*
TOTAL PORTFOLIO			
Vacant space ERV	11	10	
Portfolio ERV	279	268	
EPRA Vacancy Rate Total Office Portfolio	**4%**	**4%**	*0 pp*

EPRA Vacancy Rate - Total Portfolio

€m	1H 2017	1H 2016	Var. %
BARCELONA			
Vacant space ERV	1	2	
Portfolio ERV	36	33	
EPRA Vacancy Rate Barcelona	**2%**	**6%**	*(4 pp)*
MADRID			
Vacant space ERV	2	1	
Portfolio ERV	54	51	
EPRA Vacancy Rate Madrid	**3%**	**3%**	*0 pp*
PARIS			
Vacant space ERV	9	7	
Portfolio ERV	230	223	
EPRA Vacancy Rate Paris	**4%**	**3%**	*1 pp*
TOTAL PORTFOLIO			
Vacant space ERV	12	10	
Portfolio ERV	321	307	
EPRA Vacancy Rate Total Portfolio	**3.7%**	**3.4%**	*0.3 pp*

Annualized figures

6.1 Appendix – EPRA ratios (cont.)

6) EPRA Capex disclosure

€m

Property-related CAPEX	06/2017	12/2016
Acquisitions (1)	37	168
Development (ground-up/green field/brown field)	19	71
Like-for-like portfolio	10	11
Other (2)	1	4
Capital Expenditure	**67**	**255**

(1) Does not include contribution of assets in exchange of shares

(2) Includes capitalised interest relating to projects, tenant incentives, letting fees and other capitalised expenses

6.2 Appendix – Consolidated balance sheet

Consolidated balance sheet

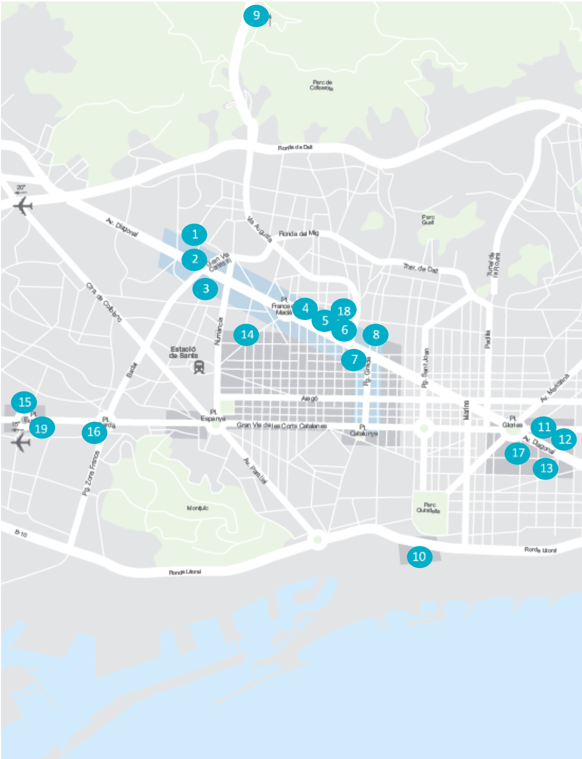
€m	1S 2017	2016
ASSETS		
Property investments	7,926	7,763
Other non-current assets	226	198
Non-current assets	8,153	7,960
Debtors and other receivables	134	125
Other current assets	243	142
Assets available for sale	408	0
Current assets	785	267
TOTAL ASSETS	8,938	8,228
LIABILITIES		
Share capital	981	892
Reserves and others	1,472	1,136
Profit (loss) for the period	437	274
Equity	2,891	2,302
Minority interests	1,889	1,706
Net equity	4,779	4,008
Bond issues and other non-current issues	2,511	2,510
Non-current financial debt	712	712
Deferred tax	301	347
Other non-current liabilities	58	143
Non-current liabilities	3,582	3,712
Bond issues and other current issues	324	314
Current financial debt	57	89
Creditors and other payables	85	61
Other current liabilities	110	43
Current liabilities	577	507
TOTAL EQUITY & LIABILITIES	8,938	8,228

MARKET VALUE RECONCILIATION - €m	2017
Tangible fixed assets - own use [(1)]	38
Real estate investment (w/o advances on fixed assets) [(2)]	7,918
Non-current assets held for sale - Investment properties [(3)]	408
Value accounted on balance	**8,364**
Unrealised capital gains - own use	25
Not appraised & other	(4)
Tangible fixed assets	2
Rent free periods	110
Adjustments	**133**
Appraisal value according to external appraisers	**8,497**

[(1)] Included in the line of "Other non-current assets"
[(2)] Included in the line of "Property Investments"
[(3)] Included in the line of "Assets available for sale"

6.3 Appendix – Asset portfolio – Locations

Barcelona



1. Paseo de los Tilos, 2-6
2. Av. Diagonal, 682
3. Av. Diagonal, 609-615
4. Travessera de Gràcia, 11
5. Amigó, 11-17
6. Av. Diagonal, 530-532
7. Av. Diagonal, 409
8. Via Augusta, 21-23
9. Complejo de oficinas Sant Cugat Nord
10. Torre Marenostrum
11. Diagonal Glories
12. Complejo de oficinas Parc Central 22@
13. Complejo de oficinas Illacuna
14. Berlin, 38-48 / Numància, 46
15. Plaza Europa, 42-44
16. Torre BCN
17. Parc Glories
18. Travessera de Gràcia, 47-49
19. Plaza Europa, 34


1- Paseo de los Tilos, 2-6


2- Av. Diagonal, 682


3- Av. Diagonal, 609-615


4- Travessera de Gràcia, 11


5- Amigo, 11-17


6- Av. Diagonal, 530-532


7- Av. Diagonal, 409


8- Vía Augusta, 21-23


9- Sant Cugat Nord


10- Torre Marenostrum


11- Diagonal Glories


12- Parc Central 22@


13- Complejo Oficinas Illacuna


14- Berlín 38-48/Numancia,46


15.- Plaça Europa, 42-44


16- Torre Bcn

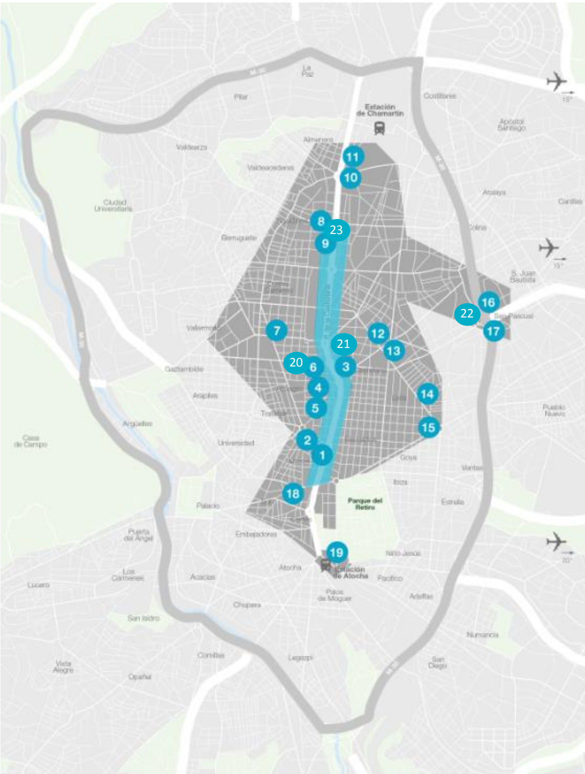

17- Parc Glories


18- Travessera Gràcia, 47-49


19- Plaza Europa 34

6.3 Appendix – Asset portfolio – Locations (cont.)

Madrid



1. Paseo de Recoletos, 37-41
2. Génova, 17
3. Paseo de la Castellana, 52
4. Paseo de la Castellana, 43
5. Miguel Ángel, 11
6. José Abascal, 56
7. Santa Engracia
8. Poeta Joan Maragall, 53
9. Estébanez Calderón, 3-5
10. Agustín Foxá, 29
11. Hotel Tryp Chamartín
12. López de Hoyos, 35
13. Príncipe de Vergara, 112
14. Francisco Silvela, 42
15. Ortega y Gasset, 100
16. Ramírez de Arellano, 37
17. MV 49 Business Park
18. Alcalá, 30-32
19. Alfonso XII, 62
20. José Abascal, 45
21. Serrano, 73
22. Santa Hortensia, 26-28
23. Paseo de la Castellana, 163


1- Paseo Recoletos, 37-41


2- Génova, 17


3- Castellana, 52


4- Castellana, 43


5- Miguel Angel, 11


6- José Abascal, 56


7- Santa Engracia


8- Poeta Joan Maragall, 53


9- Estébanez Calderón,3-5


10- Agustín Foxá, 29


11- Hotel Tryp Chamartín


12- López de Hoyos, 35


13- Príncipe de Vergara, 112


14- Francisco Silvela, 42


15- Ortega y Gasset, 100


16- Ramírez Arellano, 37


17- MV 49 Business Park


18- Alcalá, 30-32


19- Alfonso XII, 62


20- José Abascal,45

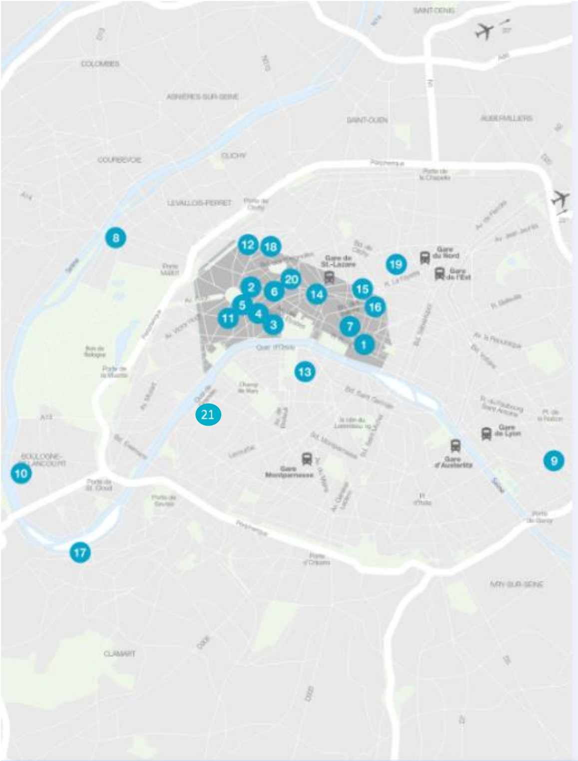

21- Serrano, 73


22- Santa Hortensia, 26-28


23- Paseo Castellana, 163

6.3 Appendix – Asset portfolio – Locations (cont.)

Paris



1. Louvre Saint-Honoré
2. Washington Plaza
3. Galerie des Champs-Élysées
4. 90 Champs-Élysées
5. 92 Champs-Élysées Ozone
6. Cézanne Saint-Honoré
7. Édouard VII
8. 176 Charles de-Gaulle
9. Rives de Seine
10. In/Out
11. 96 Iéna
12. 131 Wagram
13. 103 Grenelle
14. 104-110 Haussmann Saint-Augustin
15. 6 Hanovre
16. #Cloud
17. Le Vaisseau
18. 112 Wagram
19. 4-8 Rue Condorcet
20. 9 Avenue Percier
21. 112-122 Av. Emile Zola


1- Louvre-Saint-Honoré


2- Washington Plaza


3- Galerie de Champs-Élysées


4- 90, Champs-Élysées


5- 92, Champs-Élysées


6- Cézanne Saint-Honoré


7- Édouard VII


8- 176, Charles de Gaulle


9- Rives de Seine


10- In/Out


11- 96, Iéna


12- 131, Wagram


13- 103, Grenelle


14- 104 Haussmann St-Agustin


15- 6, Hanovre


16- #Cloud


17- Le Vaisseau


18- 112, Wagram


19- 4-8, Rue Condorcet


20- 9, Avenue Percier


21- Emile Zola

6.4 Appendix – Asset portfolio - Details

Spain

RENTAL PORTFOLIO SPAIN	Acquisition year	Floor space above ground				Floor space above ground	Floor space below ground	Total surface	Parking units
		Offices	Retail	Resid.	Hotel				
DIAGONAL, 409	2001	**3,680**	851			**4,531**	0	**4,531**	
DIAGONAL, 530	1992	**9,226**	2,555			**11,781**	4,708	**16,489**	**99**
DIAGONAL, 609-615 - DAU/PRISMA	1997	**21,996**				**21,996**	18,839	**40,835**	**438**
AV. DIAGONAL, 682	1997	**8,372**	250			**8,622**	1,795	**10,417**	**50**
PEDRALBES CENTRE	1997	**0**	5,558			**5,558**	1,312	**6,870**	
BERLIN, 38-48/NUMANCIA, 46	1997	**9,644**	3,173			**12,817**	3,779	**16,596**	**99**
DIAGONAL 220-240, GLORIES	2000	**11,672**				**11,672**	536	**12,208**	**40**
ILLACUNA	2006	**18,883**	812			**19,695**	13,620	**33,315**	**481**
Pº TILOS, 2-6	2000	**5,143**				**5,143**	3,081	**8,224**	**79**
TRAVESSERA, 47-49	2016	**8,939**				**8,939**	1,705	**10,644**	**6**
VIA AUGUSTA, 21-23	1999	**4,620**	218			**4,838**	0	**4,838**	
TRAVESSERA, 11	1994	**4,105**	410			**4,515**	1,994	**6,509**	**61**
AMIGÓ, 11-17	1994	**2,960**	620			**3,580**	1,695	**5,275**	**88**
PLZ. EUROPA 42-44	2014	**4,869**				**4,869**	2,808	**7,677**	**68**
TORRE BCN	2000	**9,600**	235			**9,835**	3,398	**13,233**	**88**
TORRE MARENOSTRUM	2003	**22,394**				**22,394**	19,370	**41,764**	**616**
SANT CUGAT	1999	**27,904**				**27,904**	20,531	**48,435**	**690**
CASTELLANA, 52	1998	**6,496**	1,027			**7,523**	2,615	**10,138**	**49**
P. CASTELLANA, 163	2016	**9,610**	600			**10,210**	1,855	**12,065**	**52**
RECOLETOS, 37-41	2005	**13,642**	3,560			**17,202**	5,340	**22,542**	**175**
MIGUEL ANGEL, 11	2005	**5,370**	930			**6,300**	2,200	**8,500**	**81**
JOSE ABASCAL, 56	2005	**10,857**	1,468			**12,325**	6,437	**18,762**	**219**
GÉNOVA, 17	2015	**3,638**	1,038			**4,676**	2,601	**7,277**	**70**
JOSE ABASCAL, 45	2016	**5,354**				**5,354**	1,929	**7,284**	**54**
SERRANO,73	2016	**4,242**				**4,242**	3,220	**7,462**	**104**
ALCALA, 30-32	1994	**8,573**	515			**9,088**	1,700	**10,788**	**52**
ALFONSO XII, 62	2002	**13,135**				**13,135**	2,287	**15,422**	**78**
SANTA ENGRACIA	2015	**13,664**				**13,664**	5,562	**19,226**	**180**
FRANCISCO SILVELA, 42	1999	**5,393**				**5,393**	3,926	**9,319**	**105**
JOSÉ ORTEGA Y GASSET 100	2000	**6,870**	922			**7,792**	2,563	**10,355**	**96**
POETA JOAN MARAGALL, 53	2001	**13,685**	2,330			**16,015**	9,668	**25,683**	**295**
LÓPEZ DE HOYOS, 35	2005	**7,140**				**7,140**	4,105	**11,245**	**111**
AGUSTÍN DE FOXÁ, 29	2003	**6,402**	873			**7,275**	2,515	**9,789**	**158**
HOTEL CENTRO NORTE	2003	**0**	385		8,073	**8,458**	11,089	**19,547**	
MARTÍNEZ VILLERGAS, 49	2006	**24,135**				**24,135**	14,746	**38,881**	**437**
RAMIREZ DE ARELLANO, 37	1999	**5,988**				**5,988**	4,923	**10,911**	**160**
SANTA HORTENSIA, 26-28	2016	**46,928**				**46,928**	25,668	**72,596**	**946**
HOTEL MOJACAR	2006	**0**			11,519	**11,519**	0	**11,519**	
OTHER SMALL RETAIL UNITS			969			**969**	350	**1,319**	
PORFOLIO IN OPERATION SPAIN		**385,129**	**29,299**	**0**	**19,592**	**434,020**	**214,470**	**648,490**	**6,325**
PARC GLORIES	2010	**24,551**				**24,551**	5,343	**29,894**	**141**
PARC CENTRAL 22@	2016	**14,737**				**14,737**	14,737	**29,474**	**184**
PLAZA EUROPA, 34	2017	**14,306**				**14,306**	4,500	**18,806**	
ESTÉBANEZ CALDERÓN, 3-5	2015	**10,152**				**10,152**	4,751	**14,903**	**103**
PRÍNCIPE DE VERGARA, 112-114	2015	**11,368**				**11,368**	4,530	**15,898**	**108**
CASTELLANA, 43	2005	**5,998**				**5,998**	2,441	**8,439**	**81**
P. CASTELLANA, 163	2016	**700**				**700**	0	**700**	
REST OF ASSETS		**768**	1,100			**1,868**	3,306	**5,174**	13
PROJECTS UNDERWAY SPAIN		**82,580**	**1,100**	**0**	**0**	**83,680**	**39,608**	**93,394**	**630**
TOTAL SPAIN		**467,710**	**30,399**	**0**	**19,592**	**517,700**	**254,078**	**771,778**	**6,955**
BARCELONA		***228,357***	*14,787*	*0*	*0*	***243,144***	*125,348*	***368,493***	***3,228***
MADRID		***239,352***	*14,746*	*0*	*8,073*	***262,171***	*128,380*	***390,550***	***3,727***
OTHERS		***0***	*866*	*0*	*11,519*	***12,385***	*350*	***12,735***	***0***

Note: In order to facilitate the analysis of the portfolio, part of the office buildings have been specified to be dedicated to retail/commercial use (generally on the ground floors).
The assets in the Barcelona rental portfolio are 100% owned by Colonial, with the exception of Torre Marenostrum of which Colonial has a 55% stake and the plot of land at Plaza Europa 34 which is held through a joint venture with Inmo, S.L at 50%.
The assets in the Madrid rental portfolio and the rest of Spain are 100% owned by Colonial.

6.4 Appendix – Asset portfolio (cont.)

France

RENTAL PORTFOLIO FRANCE	Acquisition year	Floor space above ground				Floor space above ground	Floor space below ground	Total surface	Parking units
		Offices	Retail	Resid.	Hotel & others				
LOUVRE SAINT-HONORE	1995	**24,897**	198		2,134	**27,229**	5,730	**32,959**	**236**
EDOUARD VII	1999	**28,412**	15,351	4,509	4,202	**52,474**	10,145	**62,619**	**523**
6 HANOVRE	1958	**3,325**				**3,325**	1,246	**4,571**	**0**
#CLOUD.PARIS	2004	**28,192**			1,860	**30,051**	3,164	**33,216**	**99**
CONDORCET	2014	**20,376**		1,562	1,301	**23,239**	2,457	**25,696**	**50**
GALERIE CHAMPS-ELYSEES	2002	**0**	4,187			**4,187**	3,849	**8,036**	**125**
90 CHAMPS-ELYSEES	2002 / 2009	**7,912**	932			**8,844**	0	**8,844**	
92 CHAMPS-ELYSEES	2000	**729**	3,089			**3,818**	0	**3,818**	
CEZANNE SAINT-HONORE	2001 / 2007	**22,893**	1,849	0		**24,743**	3,337	**28,080**	**128**
131 WAGRAM	1999	**7,100**			449	**7,549**	3,119	**10,668**	**124**
96 IENA	2001 / 2007	**7,379**				**7,379**	4,711	**12,091**	**264**
112 WAGRAM	2008	**4,470**	892			**5,362**	546	**5,908**	**29**
WASHINGTON PLAZA	2000	**39,663**	416		2,214	**42,294**	13,280	**55,574**	**662**
HAUSSMANN SAINT-AUGUSTIN	2002 / 2004	**11,683**	791			**12,474**	2,650	**15,124**	**104**
9 PERCIER	2015	**5,945**				**5,945**	419	**6,364**	**14**
176 CHARLES DE GAULLE	1997	**5,749**	389			**6,138**	2,739	**8,876**	**145**
IN / OUT	2000	**30,954**			1,660	**32,614**	11,680	**44,294**	**581**
LE VAISSEAU	2006	**6,026**				**6,026**	2,321	**8,347**	**124**
RIVES DE SEINE	2004	**20,270**			1,760	**22,030**	6,589	**28,619**	**366**
103 GRENELLE	2006	**15,585**	258		1,052	**16,895**	1,891	**18,786**	**100**
SAINT DENIS		**0**		60		**60**	16	**76**	**1**
PORTFOLIO IN OPERATION FRANCE		291,560	28,352	6,132	16,632	342,675	79,890	422,565	3,675
LOUVRE SAINT-HONORE	1995	**1,081**	9,007			**10,089**	8,462	**18,551**	
92 CHAMPS-ELYSEES	2000	**3,381**				**3,381**	493	**3,874**	
CEZANNE SAINT-HONORE	2001 / 2007	**1,544**				**1,544**	1,504	**3,048**	
WASHINGTON PLAZA	2000	**0**				**0**	2,177	**2,177**	
103 GRENELLE	2006	**0**				**0**	1,704	**1,704**	
#CLOUD.PARIS	2004	**0**				**0**	3,397	**3,397**	
REST OF ASSETS		**126**	531			**657**	7,404	**8,061**	
PROJECTS UNDERWAY FRANCE		6,132	9,539			15,671	25,140	40,811	0
TOTAL FRANCE		297,692	37,891	6,132	16,632	358,347	105,030	463,377	3,675
TOTAL PROPERTY COLONIAL		765,402	68,290	6,132	36,223	876,047	359,108	1,235,155	10,630

Colonial has 58.6% of the share capital of SFL. SFL has 100% ownership of the totality of its rental portfolio with the exception of Washington Plaza of which it owns 66%, as well as the assets of Champs Élysées 90, Galeries Champs Élysées 82-88 and Haussmann 104-110 of which it owns 50%.

6.5 Appendix – Project portfolio & new acquisitions

Projects underway & new acquisitions

BARCELONA

Parc Glòries – Barcelona 22@ (Proyecto en curso)

A new project of an emblematic office building in the most prime area of 22@ with extremely high quality finishes, technical specifications and sustainability with delivery expected in 2018. Parc Glòries is a project destined to become an imminent symbol of the city. The project will have more than 24,000 sq m designed by Batlle & Roig, distributed over 17 floors, each with a surface area of approximately 1,800 sq m. The building is located in the heart of the newest and most modern business district in Barcelona, next to Plaça de les Glòries and adjacent to Avenida Diagonal. The building will be one of the first properties to obtain the LEED Platinum certificate in the Barcelona office market.

Travessera de Gràcia, 47-49

This is an acquisition in the framework of the Alpha II project for an office building located in the Barcelona CBD with a surface area above ground of almost 9,000 sq m, distributed between a ground floor, a mezzanine floor, and 8 additional floors, as well as 1,700 sq m of surface area below ground. The asset is the Spanish headquarters of the Bertelsmann Group and its subsidiaries with a 5-year contract.

Plaza Europa, 34

At the beginning of 2017, Colonial strengthened its position in Plaza Europa, one of the business areas with the most development in recent years in Barcelona, with a new project to build a 21-storey office building with 14,000 sq m above ground and 150 parking spaces. The total investment amounted to €32m. This project is being developed in a joint venture with the Inmo Company, a subsidiary of the Puig family, the land owner, whose current corporate headquarters is located in the adjacent plot. The building will obtain the LEED Gold energy certificate.

6.5 Appendix – Project portfolio & new acquisitions (cont.)

Projects underway and recent acquisitions

MADRID

Discovery Building (Estébanez Calderón) *(Project underway)*

Property acquired in May 2015, located at Estébanez Calderón 3-5, just a few metres from Paseo de la Castellana. The transaction involves demolishing the current building to build a new unique property, which will incorporate the latest technologies and innovation in materials. The property will obtain the most prestigious environmental and sustainability certificates. The new office building will provide a total of 10,200 sq m of rentable surface area, with optimal space efficiency on all floors, enabling it to obtain the LEED Gold energy certificate.

Príncipe de Vergara *(Project underway)*

Property acquired in July 2015, located at Príncipe de Vergara, 112, Madrid. The transaction involves demolishing the current property to build a unique new building, which will incorporate the latest technologies and innovation in materials. The property will receive the most prestigious environmental and sustainability certificates. The new office building will provide a total of 11,400 sq m of rentable surface area, with optimal space efficiency on all floors, enabling it to obtain the LEED Gold energy certificate,

Paseo de la Castellana, 163

An office building acquired in the Alpha II project, located in the CBD in Madrid. The asset has a surface area above ground of 10,900 sq m, divided among 11 floors of office space and a ground floor allocated for commercial premises. The flexible floors are approximately 900 sq m with an efficient design and high luminosity. The building has two entrances: one in Paseo de la Castellana and the other in Capitán Haya 50. Over the coming two years, the property will be refurbished to obtain the BREEAM Very Good certificate.

6.5 Appendix – Project portfolio & new acquisitions (cont.)

Projects underway and recent acquisitions

MADRID – cont.

Serrano, 73 – Madrid Prime CBD

A building located in calle Serrano, 73 in Madrid, a unique location in the super-prime market in Madrid. The property has a surface area of 4,200 sq m, and is one of the office buildings in Madrid with the highest recognition due to its extraordinary location and quality.

José Abascal, 45 – Madrid Prime CBD

Colonial has acquired a building located in calle José Abascal, 45 in Madrid. It is an architecturally unique building with a surface area of over 5,300 sq m, located in the prime CBD and rented to top tier companies. Colonial has carried out refurbishment works on the building. The amount of the investment stands at €35m, and confirms the positioning of Colonial as one of the leaders in prime assets in the Madrid market.

Santa Hortensia, 26-28 – Madrid BD

This building, located in calle Santa Hortensia, 26-28 in Madrid, is also included in the agreement with Grupo Finaccess. The property has a surface area of 47,000 sq m and is one of the 7 largest office buildings in Madrid. Located on a strategically-located land plot of 12,500 sq m, it is a unique building in its characteristics, and fits perfectly into Colonial's strategy to develop the best portfolio of prime assets in Spain.

6.5 Appendix – Project portfolio & new acquisitions (cont.)

Projects underway and new acquisitions

PARIS

112-122 Avenue Emile Zola

At the beginning of 2017, The Colonial Group completed a transaction for €165m, though its French subsidiary, to acquire the historical headquarters of the SMA Group. This building stands at a prime location at 112-122 Avenue Emile Zola, in the centre of district 15 in Paris. The building has a surface area of approximately 21,000 sq m². SMA will move to a new headquarters in the fourth quarter of 2017, at which time the Colonial Group will restructure the building to transform it into one of the largest office complexes in the South of the French capital.

Louvre Saint Honoré

New retail development project in the Louvre Saint Honoré building which will count on approximately 15,000 sq m. It is the development of a retail space on the underground floors, ground floor and the first floor of the building. This Prime Factory project will be carried out with top quality finishes and technical specifications and is expected to be completed by 2021, with the capacity to attract top tier tenants.

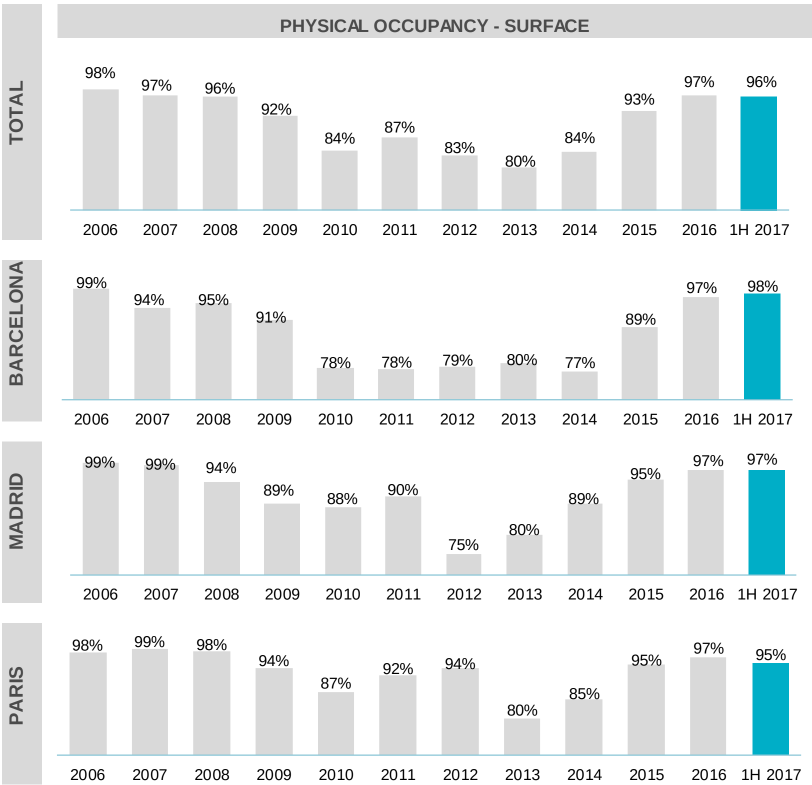
6.6 Appendix – Historical series

Historical series breakdown

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	1H 17
Barcelona														
Physical Offices Occupancy (%)	97%	100%	99%	94%	95%	91%	78%	78%	79%	80%	77%	89%	97%	98%
Rental revenues (€m)	55	53	56	60	51	49	39	32	31	28	28	27	30	17
Net Rental Income (€m)	53	51	55	58	49	47	37	28	27	25	23	23	28	16
NRI / Rental revenues (%)	95%	96%	97%	97%	96%	97%	93%	88%	89%	89%	85%	85%	92%	92%
Madrid														
Physical Offices Occupancy (%)	93%	98%	99%	99%	94%	89%	88%	90%	75%	80%	89%	95%	97%	97%
Rental revenues (€m)	37	44	68	70	56	50	47	45	44	35	32	35	43	25
Net Rental Income (€m)	34	42	66	66	52	46	42	41	40	30	28	31	38	20
NRI / Rental revenues (%)	93%	94%	96%	95%	92%	92%	90%	90%	90%	86%	85%	88%	88%	80%
Paris														
Physical Offices Occupancy (%)	97%	96%	98%	99%	98%	94%	87%	92%	94%	80%	85%	95%	97%	95%
Rental revenues (€m)	157	153	162	170	182	183	175	152	150	149	152	169	198	99
Net Rental Income (€m)	147	145	153	162	171	173	162	141	138	137	139	155	188	92
NRI / Rental revenues (%)	94%	95%	95%	95%	94%	94%	93%	93%	92%	92%	92%	92%	95%	93%

Evolution of physical office occupancy

Office Occupancy[(1)] – Evolution of Colonial's Portfolio



(1) Occupied surfaces/Surfaces in operation

6.7 Appendix – Financial structure – Details

The main characteristics of the Colonial Group's debt are as follows:

1. Bonds issued in two tranches in June 2015 for a total amount of €875m according to the following breakdown:
   a) Initial issuance of €750m, with a pending amount of €375 after the buybacks carried out in October 2016, and maturing in June 2019 with an annual fixed coupon of 1.863%.
   b) Issuance of €500m, maturing in June 2023 with an annual fixed coupon of 2.728%.
2. Two bond issuances for €650m, carried out under the EMTN program:
   a) Issuance of €600m, maturing in October 2024, with a fixed annual coupon of 1.45%.
   b) Private bond issuance for €50m, maturing in November 2026, with an annual fixed coupon of 1.875%.

   These bonds are unsubordinated and non-preferential between them, and have been accepted for listing on the Main Securities Market of the Irish Stock Exchange.
3. Three SFL bond issuances for €1,301m according to the following breakdown:
   a) Issuance in November 2012 of the initial amount of €500m, with a pending amount after the buybacks carried out in November 2014 and November 2015 of €301m, maturing in November 2017, with an annual fixed coupon of 3.5%.
   b) Issuance in November 2014 for €500m, with an annual fixed coupon of 1.875%, maturing in November 2021.
   c) Issuance in November 2015 for €500m with an annual fixed coupon of 2.250%, maturing in November 2022.

      These bonds are unsubordinated and non-preferential between them and have been accepted for listing on the regulated market of Euronext Paris.
4. Colonial's two syndicate loans:
   a) Syndicate loan for a nominal value of €350m, of which the agent bank is Natixis S.A. Sucursal en España, maturing in November 2021. The objective of this syndicate loan is to finance possible acquisitions, as well as refurbishments and other investment needs (CAPEX). The interest rate of the loan has been fixed at Euribor plus 160 bps and the only guarantees provided have been corporate.
   b) Syndicate loan for a nominal value of €375m, of which the agent bank is "Credit Agricole Corporate and Investment Bank Sucursal en España, S.A." maturing in March 2022. The objective of this syndicate loan is to cover general corporate needs. The interest rate of the loan has been fixed at Euribor plus the market spread. The only guarantees provided have been corporate.

   Both loans are subject to the fulfilment of certain financial ratios. At 30 June 2017 these loans were totally undrawn.

6.8 Appendix – Financial structure – Details (cont.)

5. SFL's two syndicate loans:
   a) A syndicate loan for a nominal amount of €400m, the agent bank of which is "BNP PARIBAS", maturing in July 2020 with an applicable spread, subject to the LTV level. At 30 June 2017 this loan was totally undrawn.
   b) A syndicate loan, the agent bank of which is "Natixis Banques Populaires" for a nominal amount of €150m, maturing in October 2019. The applicable spread varies depending on the LTV. At 30 June 2017 this loan was totally undrawn.
6. Bilateral loans with mortgage securities:
   a) In Spain the Colonial Group, through one of its subsidiaries, holds €36m in bilateral loans, with mortgage securities on various property assets. The average maturity of this loan is 8 years and the average financing spread is 150 bps.
   b) SFL, through various subsidiaries, holds a total of €204m in bilateral loans with various financial institutions, with mortgage securities on property assets. The average maturity of these loans is 4.9 years.
7. Bilateral loans without mortgage securities:
   SFL holds various loans for the amount of €420m, at a variable interest rate, with an average maturity of 3.7 years.

Hedging portfolio

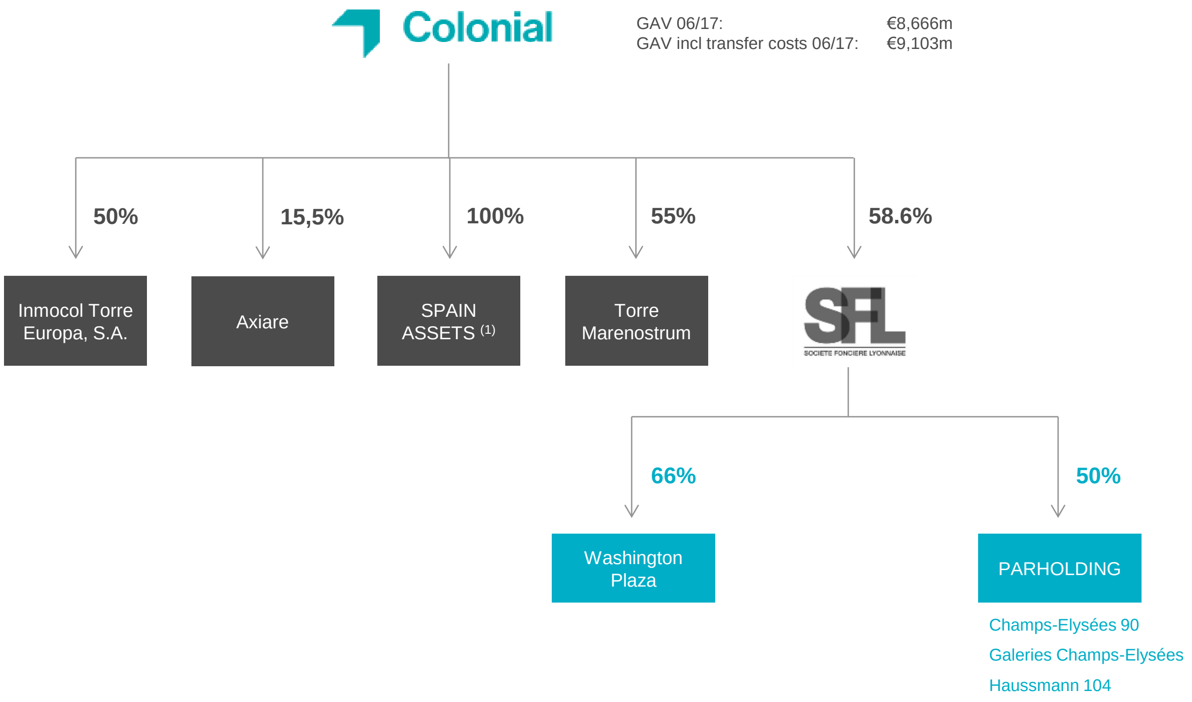
The breakdown of the hedging portfolio at 30 June 2017 is the following:

June 2017 Financial instrument - €m	Spain	France	TOTAL	MTM (Ex-coupon)
Total hedging portfolio (Variable - Fixed)	28	100	128	0
Maturity (years)	15	5	8	
% Hedging portfolio / Gross debt	80%	21%	25%	
% Fixed rate or hedged debt vs/ Gross debt	99%	76%	86%	

At 30 June 2017, 86% of the Group's debt was contracted at a fixed rate. In addition, the Group uses derivative financial instruments that enable it to manage its exposure to interest rate fluctuations. The objective of the risk management policy is to reduce exposure to interest rate volatility in order to limit and control the impact of interest rate fluctuations on the cash flow and results, maintaining an appropriate global cost of debt. In addition, the policy of the Group is to contract instruments that comply with the requirements established under IFRS 39, allowing the variance in the market value (MTM) to be registered directly in net equity.

At 30 June 2017 the Group had interest rate derivatives contracted (IFRS) for €128m. In Spain these related to a hedging associated with the loan by the company Torre Marenostrum. During the first half of the year, with the aim of renewing this loan, the previous hedging was cancelled, with a new one being formalized which was adapted to the new market situation and the new loan maturity.
In France, SFL signed a pre-hedging for €100m, maturing in 2022, the commencement of which will be in November 2017.

6.8 Appendix – Legal structure

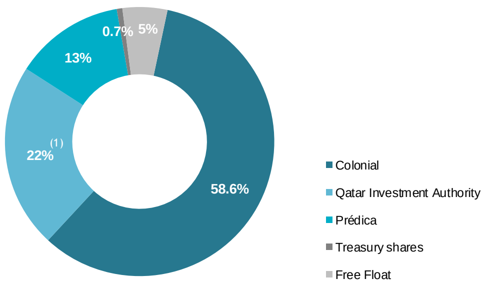


(1) Excluding Torre Marenostrum and Plaza Europa

6.9 Appendix – Subsidiaries - Details

▪ Shareholder structure and Board of Directors of SFL

***SFL** - Shareholder structure at 30/06/2017*



(1) Stake held through Qatar Investment Authority (13.7%) and DIC Holding (8.6%)

Board of Directors SFL

Name of Director			Executive Committee	Nominations & Remunerations Committee	Audit & Control Committee	Independent Directors Committee
Juan José Brugera Clavero	Chairman	Colonial	Chairman			
Pere Viñolas Serra	Vice-Chairman - Director	Colonial	Member	Member		
Carlos Fernández-Lerga Garralda	Director	Colonial			Chairman	
Carmina Ganyet Cirera	Director	Colonial	Member		Member	
Angels Arderiu Ibars	Director	Colonial				
Carlos Krohmer	Director	Colonial				
Luis Maluquer Trepat	Director	Colonial				
Nuria Oferill Coll	Director	Colonial				
Ali Bin Jassim Al Thani	Director	QIA				
Adnane Moussanif	Director	QIA				
Jean-Jacques Duchamp	Director	Crédit Agricole Assurances	Member		Member	
Chantal du Rivau	Director	Crédit Agricole Assurances				
Sylvia Desazars de Montgailhard	Independent Director					Member
Anne-Marie de Chalambert	Independent Director			Member	Member	Member
Anthony Wyand	Independent Director			Chairman		Member

6.11 Appendix - Glossary

Earnings per share (EPS)	Profit from the year attributable to the shareholders divided by the basic number of shares
BD	Business District
Market capitalisation	The value of the company's capital obtained from its stock market value. It is obtained by multiplying the market value of its shares by the number of shares in circulation
CBD	Central Business District (prime business area)
Property company	Company with rental property assets
Portfolio (surface area) in operation	Property/surfaces with the capacity to generate rents at the closing date of the report
EBIT	Calculated as the operating profit plus variance in fair value of property assets as well as variance in fair value of other assets and provisions.
EBITDA	Operating result before net revaluations, amortizations, provisions, interests and taxes
EPRA	European Public Real Estate Association: Association of listed European property companies that sets best market practices for the sector
Free float	The part of share capital that is freely traded on the stock market and not controlled in any stable way by shareholders
GAV excl. transfer costs	Gross Asset Value of the portfolio according to external appraisers of the Group, after deducting transfer costs
GAV incl. transfer costs	Gross Asset Value of the portfolio according to external appraisers of the Group, before deducting transfer costs
GAV Parent Company	Gross Asset Value of directly-held assets + NAV of the 55% stake in the Torre Marenostrum SPV + Value JV Plaza Europa + NAV of 58.5% stake in SFL. + NAV stake in Axiare value of the portfolio

6.11 Appendix – Glossary (cont.)

Holding	A company whose portfolio contains shares from a certain number of corporate subsidiaries.
IFRS	International Financial Reporting Standards.
JV	Joint Venture (association between two or more companies).
Like-for-like valuation	Data that can be compared between one period and another (excluding investments and disposals).
LTV	Loan to Value (Net financial debt/GAV of the business).
EPRA Like-for-like rents	Data that can be compared between one period and another, excluding the following: 1) investments and disposals, 2) changes in the project and refurbishment portfolio, and 3) other extraordinary items, for example, indemnities from tenants in case of anticipated leave. Calculation based on EPRA Best Practices guidelines.
EPRA NAV	EPRA Net Asset Value (EPRA NAV) is calculated based on the consolidated equity of the company and adjusting some items following the EPRA recommendations.
EPRA NNNAV	The EPRA NNNAV is calculated adjusting the following items in the EPRA NAV: the fair market value of the financial instruments, the fair market value of the debt, the taxes that would be accrued with the sale of the assets at their market value applying tax benefits for reinvestments and the tax credit on balance, considering a going concern assumption.
EPRA Cost Ratio	Administrative & operating costs (including & excluding costs of direct vacancy) divided by gross rental income.
Physical Occupancy	Percentage: occupied square metres of the portfolio at the closing date of the report/surfaces in operation of the portfolio
Financial Occupancy	Financial occupancy according to the calculation recommended by the EPRA (occupied surface areas multiplied by the market rental prices/surfaces in operation at market rental prices).

6.11 Appendix – Glossary (cont.)

EPRA Vacancy	Vacant surface multiplied by the market rental prices/surfaces in operation at market rental prices. Calculation based on EPRA Best Practices guidelines.
Reversionary potential	This is the result of comparing the rental revenues from current contracts (contracts with current occupancy and current rents in place) with the rental revenues that would result from 100% occupancy at market prices, estimated by independent appraisers. Projects and refurbishments are excluded.
Projects underway	Property under development at the closing date of the report
RICS	Royal Institution of Chartered Surveyors
SFL	Société Foncière Lyonnaisse
Take-up	Materialized demand in the rental market, defined as new contracts signed
TMN	SPV of Colonial (55%) and Gas Natural (45%) related to the Torre Marenostrum building
Valuation Yield	Capitalization rate applied by the independent appraisers in the valuation
Yield on cost	Market rent 100% occupied/Market value at the start of the project net of impairment of value + invested capital expenditure.
Yield occupancy 100%	Passing rents + vacant spaces rented at the market prices/market value
EPRA net initial yield (NIY)	Annualised rental income based on passing rents as at the balance sheet date, reduced by the non-recoverable expenses, divided by the market value, including transfer costs (estimated purchasing costs)
EPRA Topped-Up Net Initial Yield	EPRA Net Initial Yield adjusted in respect of the expiration of rent-free periods
Gross Yield	Gross rents/market value excluding transfer costs
Net Yield	Net rents/market value including transfer costs
€m	In millions of euros

6.12 Appendix – Contact details

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Colonial Website

www.inmocolonial.com

Capital Market registry data – Stock market

Bloomberg: COL.SM
ISIN Code: ES0139140042
Indices: IPD, EPRA (FTSE EPRA/NAREIT Developed Europe and FTSE EPRA/NAREIT Developed Eurozone), IBEX 35, Global Property Index 250 (GPR 250 Index) & Index Ibex Medium Cap.

About Colonial

Colonial is a Spanish listed REIT company, leader in the European Prime office market with presence in the main business areas of Barcelona, Madrid and Paris with a prime office portfolio of more than one million of sq m of GLA and assets under management with a value of more than €8.6bn.

6.13 Appendix – Disclaimer

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