Colonial

Annual Results 2016
28 February 2017

EPRA BPR GOLD FINANCIAL REPORTING

EPRA SBPR GOLD SUSTAINABILITY REPORTING

Most Improved Annual Report SUSTAINABILITY REPORTING

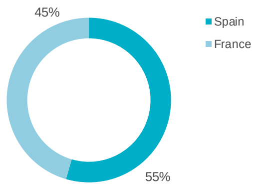
EPRA NAV: €7.25/share[(2)], +18% vs. the previous year

- Recurring net profit: €68m, +83%
- Gross rental income: €271m, +17% (+7% like-for-like)
- Group Recurring EBITDA: €220m, +24% (+10% like-for-like)
- Gross Asset Value of the Colonial Group: €8,069m, +9.4% like-for-like
- Group Net profit: €274

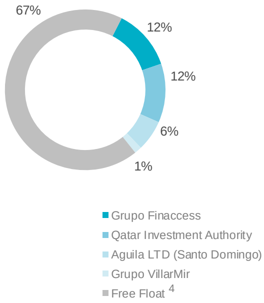
Company KPIs - 31/12/2016

Total Shareholder Return 2016 (*)			+20%
per share data	**2016**	**2015**	**Variance**
NAV[2]	7.25	6.16	+18%
EPS recurring	0.19	0.12	+64%
DPS [9]	0.165	0.150	+10%
P/L €m data	**2016**	**2015**	**Variance**
Rental revenues	271	231	+17%
EBITDA recurring	220	178	+24%
Recurring income	68	37	+83%
Net income	274	415	na
Capital Structure	**2016**	**2015**	**Variance**
GAV Grupo (€m)	8,069	6,913	+17%
NAV (€m) [2]	2,587	1,966	+32%
Net debt (€m)	3,528	2,992	+18%
Cash & undrawn bal. (€m)	873	1,110	-21%
Group LTV [3]	41.4%	41.8%	-4pp
Debt maturity (years)	5.0	4.8	0.12

Geographical diversification [1]



Shareholder structure Colonial

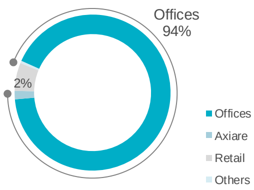


Rating Standard & Poors
BBB- stable outlook

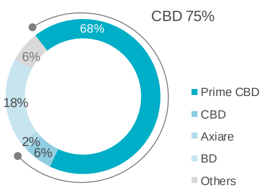
Portfolio KPIs

	2016
Group GAV (€m)	8,069
No. of assets Spain	*41*
No. of assets France	*20*
Total no of assets [5]	61
Lettable surface AG	*766,674*
Developments underway AG [6]	*98,979*
Surface above ground (sqm)	865,653

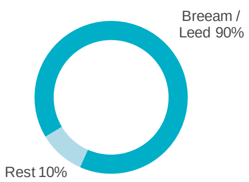
Valuation - by uses



Valuation - by area



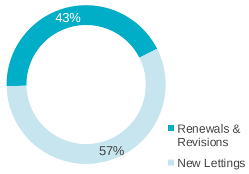
% Buildings with energy certification [7]



Business KPIs

	Total	Barcelona	Madrid	Paris
# contracts signed	93	37	23	33
Contracts signed sq m	116,045	62,090	19,953	34,002
Total financial occupancy [8]	97%	97%	97%	97%
Rental revenues (€m)	271	30	43	198
% Like-for-like var	*6.9%*	*9.9%*	*3.2%*	*7.1%*
Ebitda rents (€m)	253	28	38	188
% Like-for-like var	*10.2%*	*14.1%*	*5.1%*	*10.6%*

Breakdown letting performance



(*) Total shareholder return= NAV growth per share + Dividend per share
(1) GAV Parent Company: Value of assets directly-held + NAV of the 55% stake in the SPV Torre Marenostrum + NAV of the 15.1% stake in Axiare + NAV of the 58.5% stake in SFL
(2) EPRA NAV according to the calculation recommended by EPRA
(3) Net debt Group /GAV Group (incl. Transfer costs) 12-2016+ NAV of the 15.1% stake in Axiare + Treasury shares
(4) Free float: shareholders with minority stakes and without representation on the Board of Directors
(5) Excluding small non-core assets
(6) Projects & refurbishments
(7) Buildings in operation with energy certification
(8) Financial occupancy: Financial occupancy according to the calculation recommended by EPRA (occupied surfaces x the market prices/surfaces in operation at market prices)
(9)Dividend 2016 subject to the approval of the General Shareholder Meeting

Highlights

Annual results

2016 was an excellent year for the Colonial Group and its shareholders.

The Net Asset Value at 31 December 2016 amounted to €7.25 per share, resulting in an annual increase of 18%, which together with the dividend paid in July 2016, means a Total Shareholder Return of more than 20%[1].

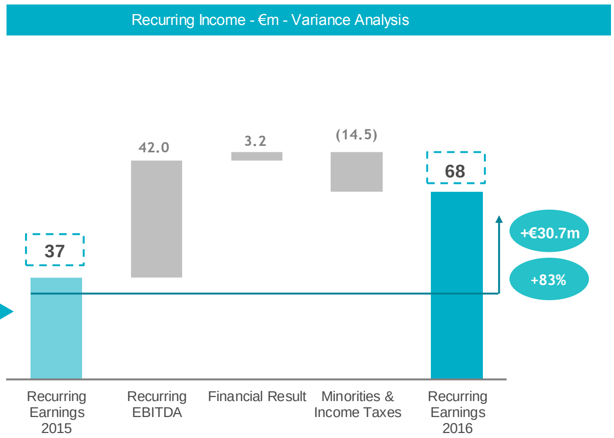
This Total Return is among the highest in the sector in Spain and Europe and is relies on an approach of industrial value creation combined with a positioning of asset class specialization in prime offices.

The recurring net profit of the Colonial Group amounted to €68m at the close of 2016, €31m higher than the previous year, resulting in an increase of 83%.

Profit & Loss Accounts

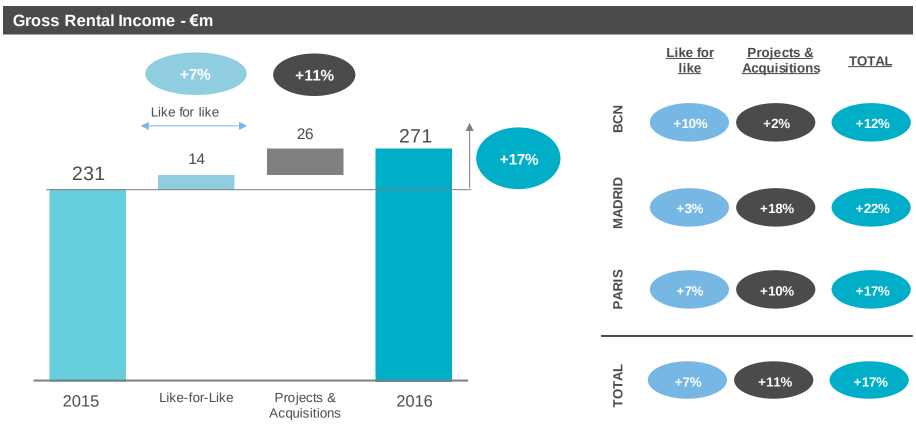
Results analysis - €m	2016	2015
Gross Rents	271	231
Net operating expenses[1]	(15)	(20)
Overheads	(36)	(33)
Recurring EBITDA	220	178
Recurring financial result	(80)	(83)
Income tax expense & others - recurring	(12)	(12)
Minority interests - recurring	(61)	(46)
Recurring Earnings	68	37
Variance asset values & provisions	554	715
Non-recurring financial result & MTM	(25)	(48)
Income tax & others - non-recurring	(98)	(47)
Minority interests - non-recurring	(225)	(242)
Profit attributable to the Group	274	415

(1) Includes other income



The Colonial Group achieved 17% growth in gross rental income due to:

1. A 7% like-for-like increase, based on the positioning of the prime portfolio.
2. An 11% increase in gross rental income through the successful delivery of Prime Factory projects and new acquisitions.

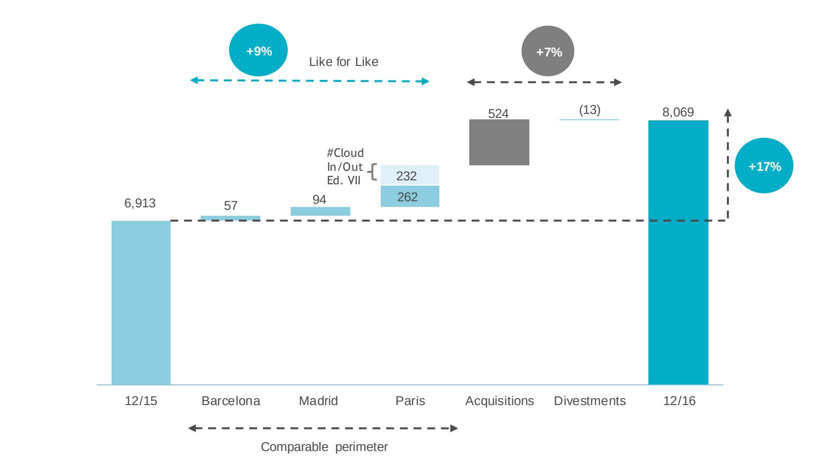


(1) Total Shareholder Return calculated as NAV growth per share + dividends per share compared with NAV per share at 31/12/2015

The like-for-like increase in rental income achieved by Colonial ranks among the highest in the sector. In particular, this increase was 6% like-for-like in Spain and 7% like-for-like in France. The progress in rental income resulted in an increase of 24% in recurring EBITDA which, together with the improvement in financial costs, led to a net recurring profit of 83%.

Colonial's Group Gross Asset Value amounted to €8,069m at the close of 2016, resulting in an increase of +9.4% like-for-like in 12 months. The Gross Asset Value of the Group including transfer costs amounted to €8,478m.

Variance Analysis - Value 12 months - €m



GAV VARIANCE

	6 months	12 months
BARCELONA	+3%	+8%
MADRID	+4%	+10%
PARIS	+4%	+9%
TOTAL LFL	+4%	+9%
ACQUISITIONS & DISVESTMENTS	+3%	+7%
TOTAL VAR	+7%	+17%

The assets in Spain increased by 9.1% like-for-like in the last 12 months, mainly due to a combination of property repositionings and increases in occupancy that have led to improved yields and rental income. The portfolio in Madrid increased by 9.6% like-for-like in 12 months, and the Barcelona portfolio increased 8.4% like-for-like in 12 months.

The appraisal value of the portfolio in France increased 9.4% like-for-like in 12 months. This increase in value is a consequence of the progressive repositioning of the property portfolio with positive impacts on rents and yields, in the context of an investment market with a strong interest for prime offices in Paris.

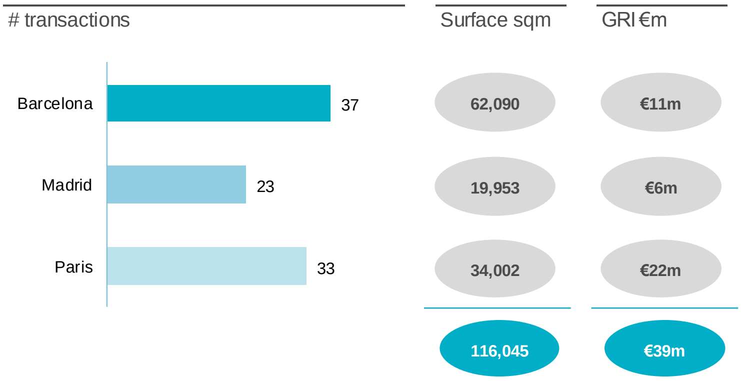
Corporate tax amounted to €(105)m and was mainly due to the registering of deferred taxes associated with the asset revaluation in 2016, as well as the impact of €(70)m derived from the regulation changes introduced by the Spanish tax authorities, limiting the percentage of use of losses carried forward as tax shields from 70% to 25%. This has led to the regularization of tax liabilities registered previous to aforementioned regulation change. It is important to point out that this impact does not imply a cash outflow.

The attributable net profit including the impact of the variance of change in fair of assets and financial liabilities as well as the tax impacts amounted to €274m.

Highlights of the rental portfolio

Rental portfolio management

In a rental market with clients demanding increasingly higher standards, the Colonial Group signed 93 transactions corresponding a rental contract volume of 116,045 sq m with an annualized income of €39m.



The Colonial Group has been able to attract top tier clients that demand unique locations. This fact has resulted in signings with prices at the high end of the market, capturing an important increase in rents.

The most important transactions of the year include:

Barcelona

- ✓ Pre-letting on more than 9,000 sq m with Schibsted Iberica for the Parc Glories project
- ✓ Contract renewal with Gas Natural (22,394 sq m)
- ✓ More than 4,800 sq m signed with various tenants in the Diagonal, 609-615 building
- ✓ Letting of more than 11,000 sq m in Sant Cugat

Madrid

- ✓ A pre-letting of more than 4,200 sq m on the Serrano, 73 building (currently under refurbishment)
- ✓ Commercialization of more than 4,600 sq m on the Recoletos, 37 building

Paris

- ✓ Completion of the commercialization of the entire #cloud.paris building, with almost 3,000 sq m signed with Coty
- ✓ The rental contract of more than 2,600 sq m with Quartus for the Cézanne Saint-Honoré building
- ✓ The signing on more than 9,400 sq m on the Washington Plaza building with various tenants
- ✓ The signing on more than 4,300 sq m on the Grenelle 103 building with various tenants
- ✓ The signing of almost 2,100 sq m on the Percier building, on which several floors have been refurbished.

Portfolio occupancy

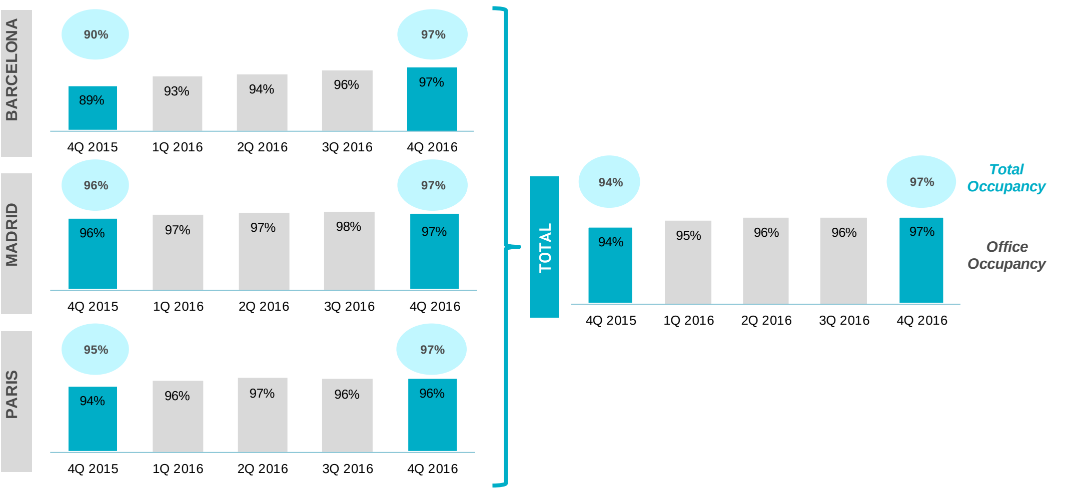
The excellent letting performance has enabled Colonial to achieve and maintain very solid occupancy levels.

At the close of 2016, Colonial's office portfolio reached an financial occupancy of 97% (319 basis points above that of the previous year) and much higher than the market average.

The following chart shows the evolution of the financial occupancy of the portfolio.

FINANCIAL OCCUPANCY[1]

Office & Total Occupancy – Evolution of Colonial's Portfolio



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

The office portfolios in the three markets are at very solid financial occupancy levels: Barcelona at 97% (+745 basis points vs. the previous year), Madrid at 97% (+192 basis points) and Paris at 96% (+269 basis points). These high occupancy levels clearly exceed those of the competitors in Spain, as well as in France, and significantly improve the negotiation position to obtain further rental price increases in the coming quarters.

Asset repositioning and projects

In 2016, the Group invested more than €86 in development projects and asset repositioning.

In France, it is worth highlighting the reorganization of common areas in the office complex Cézanne Saint Honoré and the refurbishment of various floors in Percier. In Spain, various reorganizations of common areas and floors have been carried out in the Berlín 38-48/Numància 46 and Via Augusta 21-23 buildings in Barcelona. In the Madrid portfolio, common areas and office floors have been refurbished in the Castellana 52, José Abascal 45 and Miguel Ángel 11 assets, and the José Abascal 56 carpark has been repositioned. In addition, it's important to mention the transformation project underway on the Santa Engracia building, which has enabled the obtention of 234 sq m of additional gross lettable area to date. The significant commercial success of these assets with rental prices signed at the high end of the market is a direct consequence of the industrial Prime Factory strategy of the Colonial Group.

Acquisitions and portfolio rotation

Acquisitions 2016 – Alpha I

In 2016, the Colonial Group successfully executed its acquisition program. In the framework of the Alpha-I Project, three prime assets were acquired in Madrid, one project in Barcelona, and a 5.5%[2] stake in SFL.

In addition, in November 2016, a 15.1% stake was acquired in Axiare for €12.5/share resulting in a significant discount to NAV.

ALPHA-I PROJECT

BARCELONA	Prime Factory		1 **Parc Glories Project** Barcelona 22@ Area	GLA : 24.551 sqm	Price: €77m[1] Cash
MADRID	Core + Value added		2 **José Abascal** Madrid Prime CBD	GLA : 5.326 sqm	Price: €35m Cash
	Core + Value added		3 **Serrano 73** Madrid Prime CBD	GLA : 4.242 sqm	Price: €48m New Col. shares
	Core + Value added		4 **Corporate HQ – Sta Hortensia 26-28** Madrid BD	GLA : 46.928 sqm	Price: €154m New Col. shares
PARIS	Core + Value added		5 **5.5%[2] stake in SFL** Paris		Price: €130m New Col. shares + Cash
MADRID	Value added	axiare PATRIMONIO	6 **15.1% stake in Axiare** Madrid		Price: €136m

(1) Including capex of the full development project
(2) 4.4% acquired in June 2016 and 1.1% in August 2016, in the equal terms as the June acquisition

The volume of this investment program amounts to €580m (including future capex of development projects) and fits perfectly with the objectives set, regarding asset type, location as well as value creation potential and therefore return expectations.

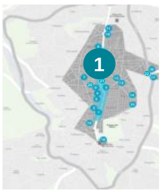
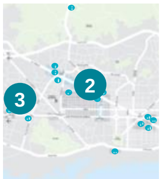
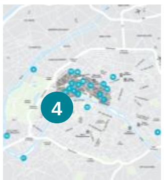
Beginning of 2017 – Alpha II

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, one in each of the markets in which the Colonial Group is present: Barcelona, Madrid and Paris. Additionally, Colonial purchased the Spanish headquarters of the Bertelsmann Group, located in the CBD in Barcelona.

The main characteristics of the Alpha II project acquisitions are as follows:

ALPHA-II PROJECT

MADRID		1 **Paseo de la Castellana, 163** *Madrid Prime CBD*		**Value Added – Prime factory** GLA: 10,910 sq m	**Total Investment[1]: €51m**
BARCELONA		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, 46-48** *Barcelona Plaza Europa*		**Value Added – Prime factory** GLA: 14,000 sq m	**Total Investment[1]: €32m**
PARIS		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

The purchases of the Paseo de la Castellana, 163 and Travessera de Gràcia, 47-49 buildings were formalized at the end of December 2016.

All of the acquisitions in 2016, as well as the Alpha II project in 2017, offer a substantial upside potential of industrial value creation based on: (1) the real estate 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 reviews as a recurrent basis the potential of future value creation for each one of its assets in the portfolio.

As a consequence of this analysis, the Ausias March, 148 asset was disposed for a price of €15m in September 2016. This transaction has permitted to capture an 11% on the latest appraisal value in a building without further value creation potential.

Active balance sheet management

Optimization of the financial structure

On 28 October 2016, the Group carried out an issuance of senior unsecured notes for the nominal amount of €600m with a maturity of 8 years and an annual coupon of 1.45%. This issuance was very well received by the market with an over subscription ratio of almost three times, underwritten by high quality investors.

In addition, on 10 November 2016, Colonial issued a private placement of €50m with a ten year maturity and an annual coupon of 1.875%.

In parallel, Colonial launched a repurchase offer on its bonds maturing in 2019, which closed on 28 October with a final take up rate of 50%, successfully completing this process.

All of the transactions as a whole have implied:

1. Bond issuances with interest rates at historic lows
2. An optimization of the financial costs (from 2.27% to 1.96% in the Group)
3. An extension of the average debt maturities (from 5.0 to 6.0 years in Spain)
4. An increase in the liquidity of the company reaching €873 in cash and undrawn credit lines

Share buyback program

In November, the Colonial Group started a share buyback program to acquire up to 10 million treasury shares for a maximum monetary amount of €68m. At 31 December 2016, 3.2 million shares were acquired (representative of 0.89% of the share capital) at an average price of €6.40/share, a 12% discount on NAV at 31/12/2016.

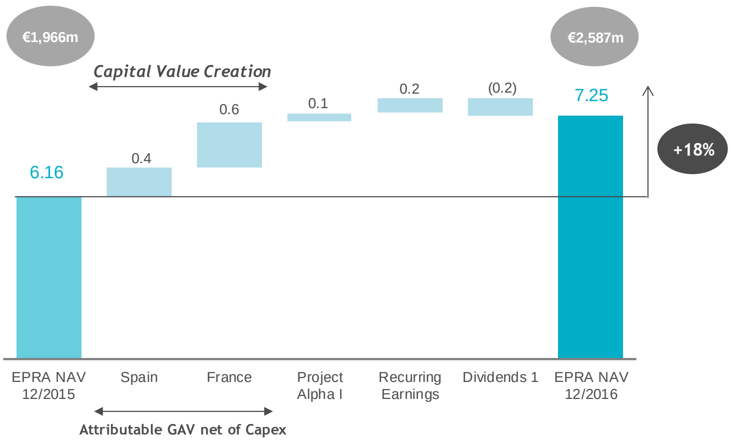
Shareholder Return

Total Return & Net Asset Value

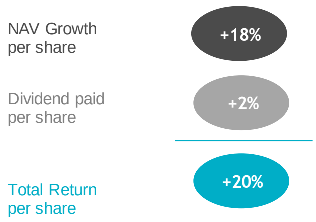
At the close of 2016, the EPRA NAV of the Colonial Group amounted to €7.25 per share, a year-on-year increase of 18% (+7% in 6 months).

The Total Shareholder Return in 2016, which is understood as NAV growth per share plus the dividend received in July 2016, amounted to 20%[1], 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 [2]



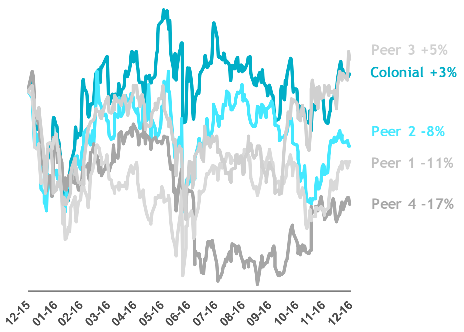
(1) Dividends paid and other effects
(2) Total returns understood as NAV growth per share + dividends

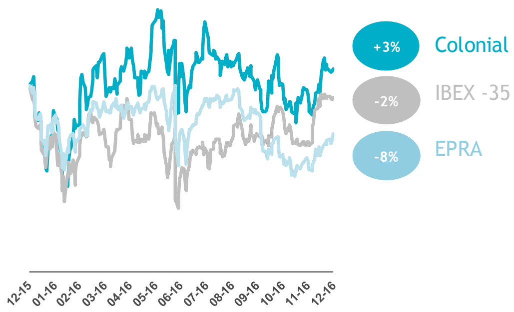
This high Total Shareholder Return relies on the industrial strategy of the Colonial Group, focused on the transformation and creation of prime offices in the centre of Paris, Madrid and Barcelona, which enables Colonial to obtain a value creation above market average.

It is important to highlight that these returns were obtained in a framework of maintaining a solid capital structure with an LTV close to 40% and an Investment Grade credit rating. Accordingly, Colonial offers a very attractive risk-adjusted return for its shareholders.

Share price performance

In a year 2016 characterized by volatile capital markets, Colonial's shares were revaluated by 3%, outperforming the benchmark indices and its main peers in Spain.





In September 2016, Colonial was rated for its excellence and transparency in the communication of capital market information with the "EPRA Gold Award – Financial Reporting" and the "EPRA Gold Award – Sustainability Reporting", being the only listed Spanish company with the highest rating in both categories.

In addition, analyst coverage has increased substantially, from 11 analysts in December 2015 up to 19 analysts that currently cover Colonial.

Contents

1. Analysis of the Profit and Loss Account

Analysis of the Consolidated Profit and Loss Account

December cumulative - €m	2016	2015	Var.	Var. % [1]
Rental revenues	271	231	40	17%
Net operating expenses [2]	(18)	(23)	4	19%
Net Rental Income	253	209	44	21%
Other income	3	2	0	19%
Overheads	(36)	(33)	(3)	(9%)
EBITDA recurring business	220	178	42	24%
EBITDA - asset sales	(0)	0	(0)	-
Exceptional items	(1)	(4)	(5)	60%
Operating profit before revaluation, amortizations and provisions and interests	219	175	44	25%
Change in fair value of assets	561	720	(159)	(22%)
Amortizations & provisions	(10)	(7)	(3)	(34%)
Financial results	(105)	(131)	26	20%
Profit before taxes & minorities	664	756	(92)	(12%)
Income tax	(105)	(53)	(52)	(99%)
Minority Interests	(286)	(288)	2	1%
Profit attributable to the Group	274	415	(142)	(34%)

Results analysis - €m	2016	2015	Var.	Var. % [1]
Rental revenues	271	231	40	17%
Net operating expenses [2] & other income	(15)	(20)	5	23%
Overheads	(36)	(33)	(3)	(9%)
Recurring EBITDA	220	178	42	24%
Recurring financial result	(80)	(83)	3	4%
Income tax expense & others - recurring result	(12)	(12)	0	1%
Minority interest - recurring result	(61)	(46)	(15)	(32%)
Recurring net profit - post company-specific adjustments [3]	68	37	31	83%
EPRA Earnings - pre company-specific adjustments [4]	63	33	30	91%
Profit attributable to the Group	274	415	(142)	(34%)

[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 rose to €271m at the close of 2016, 17% higher than the same period of the previous year.
  This increase is mainly due to a 7% like-for-like growth in rental income, as well as an increase of 11% due to the successful delivery of Prime Factory projects and new acquisitions carried out.

- The recurring EBITDA of the Group reached €220m, 24% higher than the same period of the previous year.

- As a consequence, the operating profit before the net revaluations, amortizations, provisions and interests was €219m at the close of the year, 25% higher than the amount reached in the same period of the previous year.

- The impact on the profit and loss account due to the change in fair value of property investments at 31 December 2016 reached €561m. This revaluations, which was registered in France as well as in Spain, is the result of a +9% increase like-for-like in the appraisal values of the assets in 12 months.

- The net financial results amounted to €(105)m, 20% lower than the same period of the previous year. The recurring financial results of the Group amounted to €(80)m, 4% lower than the same period of the previous year.
  This saving is mainly due to the impact in 2015 generated by the cancellation of Colonial's old syndicate loan, as well as the liability management operations carried out in Spain and France in the last 18 months.

- The result before taxes and minority interests at the close of 2016 amounted to €664m, 12% lower than that reached during the same period of the previous year, mainly as a result of the 22% decrease in the impact on the Profit and Loss Account due to net revaluations of real estate investments.

- Corporate tax amounted to €(105)m and was mainly due to the registering of deferred taxes associated with the asset revaluation in 2016, as well as the impact of €(70)m derived from the regulation changes introduced by the Spanish tax authorities, limiting the percentage of use of losses carried forward as tax shield from 70% to 25%. This has led to the regularization of tax liabilities registered previous to aforementioned regulation change. It is important to point out that this impact does not imply a cash outflow.

- Finally, and once the results attributable to the minorities of €(286)m were deducted, the results after taxes attributable to the Group amounted to €274m.

2. Office markets

Macroeconomic context (1)

Global economic growth grew by 3.1% in 2016, similar to the rate of 2015. The year 2016 picked up speed thanks to the acceleration of emerging economies in the second half of the year. Economic progress was driven by the main central banks maintaining an accommodative monetary policy and as a result of a slight recovery in oil prices. The main analysts forecast that in 2017 global economic growth will continue advancing to 3.5%, although uncertainty will remain high due to new political scenarios. The main risks affecting the economy over the next year are the direction of the Trump Administration, Brexit negotiations, the European elections, the impact of the monetary normalization process that the Federal Reserve is expected to carry out during the year, and the financial stability of China.

Growth in the **Eurozone** expanded at a moderate but steady rate in 2016, at 1.7%. A similar forecast is expected for 2017. The forecasts of CaixaBank Research, and those of most analysts, place GDP growth at 1.5% in 2017. In fact, the European Central Bank slightly increased its growth forecasts for 2017 to 1.7% and maintains a slight deceleration in the medium-term for 2018 at 1.6%. The drivers in the Eurozone recovery this year have been domestic demand and household consumption which have seen an improvement due to growth in the labour market, together with an environment of very low rates that have reached historic lows, driving credit demands. It is worth mentioning the upward trend in inflation during this year with forecasts reaching 1.5% in 2017. Nevertheless, uncertainty remains high due to the commencement of Brexit negotiations and the elections expected in Germany, France and perhaps in Italy, which are the main sources of risk. This is why the ECB has extended its bond purchase program until December 2017, ensuring that the monetary policy will continue to be accommodating in the medium-term.

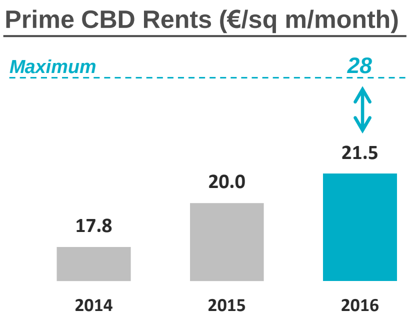
The growth rate of the **Spanish economy** remained high in the fourth quarter of 2016, with a rate of expansion compared to the third quarter (growth of 0.68% quarter-on-quarter), according to data from CaixaBank Research. The forecasts for the Spanish economy in 2017 are very favourable, however a slight deceleration of 2.6% in the GDP is expected compared to the biennium 2015-2016 with a GDP which exceeded 3% in both years. Even so, growth will remain at high levels due to the effect of the structural reforms carried out in recent years, a positive labour dynamic, monetary relaxation and the new upward real estate cycle.

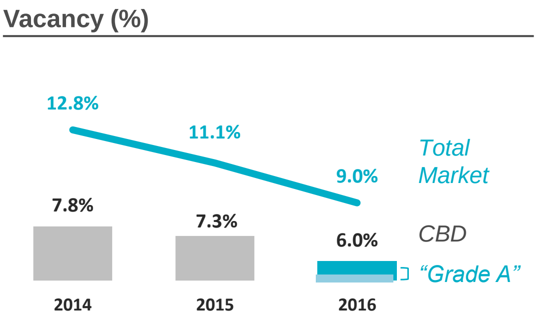
In France, the drop in energy prices and low inflation rates have enabled an increase in salaries, driving further growth in private consumption. GDP growth is expected to be 1.2% in 2016 and 1.1% in 2017, thanks to lower energy prices, tax reductions in the labour market and for companies, as well as permanently low interest rates.

(1) Sources: la Caixa" monthly report & OECD study

Rental market situation - offices [1]

Barcelona – Rental Market





- During the last quarter of 2016, a total of 82,341 sq m of offices were signed in Barcelona, which was higher than the volume obtained in the third quarter, of 77,000 sq m, whilst being the most active quarter of the year. The cumulative take-up volume of offices for the whole of 2016 reached 305,000 sq m, a figure higher than the average take up of 235,000 sq m over the last five years.

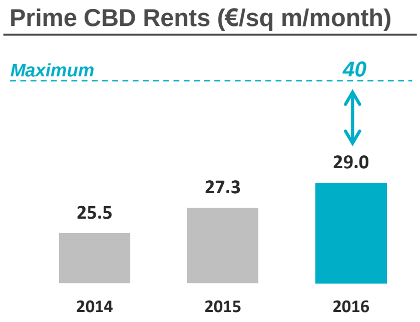
- By area, almost 50% of the transactions carried out in 2016 were in city centres, 30% in new business districts and 20% in peripheral locations. Regarding sectors, for another year, the services sector leads the demand, with an outstanding performance by internet and e-commerce companies, which show more rapid expansion than that observed in traditional economic sectors.

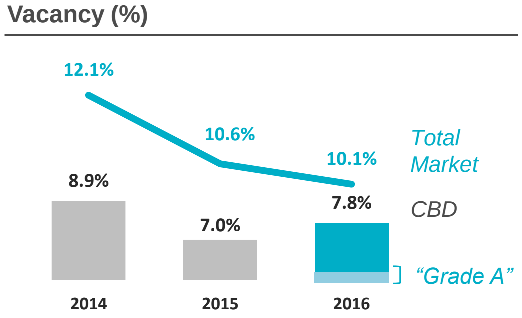
- The average vacancy rate in Barcelona continues its downward trend in the last year, falling from 10.5% to the current 9.0%. The lack of supply of office space, coupled with take-up levels which have remained steady, are fuelling a gradual decrease in vacancy rates with a downward trend expected in the future. Vacancy currently stands at around 6% in Paseo de Gracia/Diagonal. 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 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.

- During the fourth quarter of 2016, the maximum rents in the Paseo de Gracia/Diagonal area experienced growth, reaching maximum rental levels of €21.5/sq m/month. During 2017-2020 the main property consultants forecast an average increase in prime rents of 4.1%, enabling Barcelona to position itself as the third European city in rental increases.

(1) Sources: Reports by Jones Lang Lasalle, Aguirre Newman and CBRE

Madrid – Rental Market (1)





- During the last quarter of 2016 the take-up for offices in Madrid increased up to 143,559 sq m, implying a relatively high increase with respect to the previous quarter, in which the take-up was 88,200 sq m. For the whole 2016 the total transactions exceeded 430,000 sq m, thanks to the increase in operations between 1,000 and 5,000 sq m. By sector, the main drivers of the office rental market were the technology, financial, automobile and engineering sectors and companies related with the tourism/hotel sector.

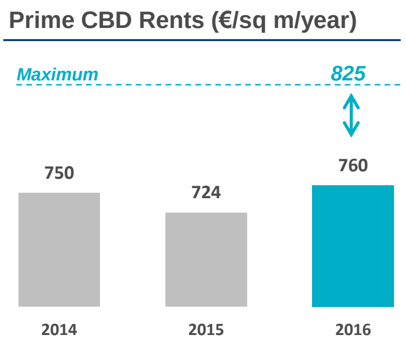
- The total stock of offices in Madrid practically remained stable during the last 12 months, with new stock of just 16,251 sq m of offices. Activity has been primarily focused on the refurbishment of offices, with 100,000 sq m of newly refurbished spaces. However, it is worth mentioning the lack of existing quality supply in the centre of the capital: Grade A buildings make up 11.5% of the total, and 70% of these were found outside of the M-30.

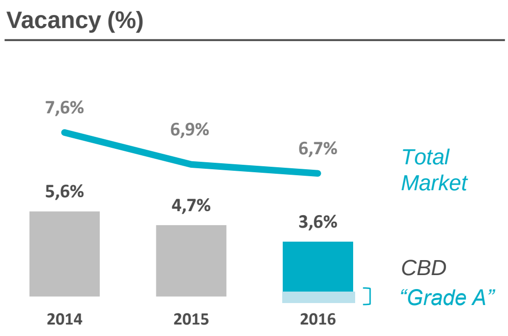
- As a consequence, the vacancy rate in 2016 was reduced gradually from 10.6% at the end of 2015 to 10.1% at the end of the 2016, due to a slight increase in the net absorption. In the CBD, the vacancy rate was 7.8%.

- Continuing with the office market recovery which commenced three years ago, throughout 2016 the rental prices for the best offices in the capital reached €29/sq m/month, representing an increase of 6.4% compared to the beginning of the year. However, they still remain below those registered in 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, Aguirre Newman and CBRE

Paris – Rental Market [1]





- Office take-up in the Paris region (Ile-de-France) in the fourth quarter of 2016 reached 669,400 sq m (cumulative of 2,400,000 sq m), an increase of 7% compared to the previous year and 4% higher than the average over the last ten years.

- The centre of Paris captured the majority of the transactions in Ile-de-France since the beginning of the year and in particular high activity can be seen in the large transactions sectors, with 65 contracts for more than 5,000 sq m registered in 2016, an increase of 23% with respect to the previous year. In addition, there was an increase of 37% compared to the previous year in transactions of more than 20,000 sq m.

- It is important to highlight that in the South Paris and La Défense areas, record levels were reached thanks to the dynamism of the market in transactions above 5,000 sq m. In addition, Paris Centre West registered an excellent year despite the situation of a lack of a supply, particularly in the Centre.

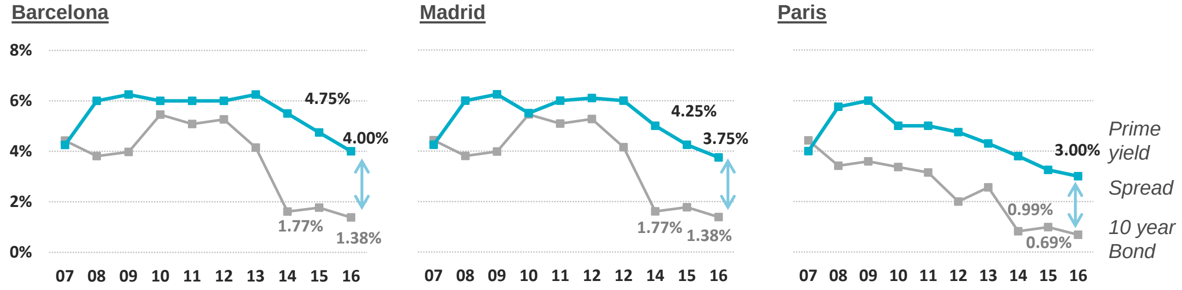
- The supply of available office space in Île-de-France reduced by 10% compared to the last 12 months and stood at 4.37 million sq m. Therefore, the average vacancy rate reached 6.7%, 3.6% in Paris "intra muros" the lowest figure in the last 7 years.
  In the Etoile CBD, the vacancy rate stood at 5.2% and in the Opéra CBD at 2.5%, the lowest level in the last 10 years.

- Prime rental prices in the Paris CBD at the end of the fourth quarter reached €760/sq m/year. It is particularly worth highlighting the significant increase in the number of transactions that have been closed with facial rental levels above €750/sq m/year.

(1) Sources: Reports by Jones Lang Lasalle, CBRE and BNP Paribas Real Estate

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**: In the Catalan capital, the investment volume of the fourth quarter was €130m, a 66% increase compared to the same period of the previous year, therefore the total cumulative volume in 2016 exceeded €520m, 2% lower than in 2015, a record year in office investments. Regarding the number of transactions, the year closed with 31 operations which represent the sale of 43 office buildings. On the other hand, prime yields during the fourth quarter of 2016 fell to 4%. It should be mentioned that the lowest investment activity in the Barcelona market relates to a limited investment supply rather than less interest in this market by investors.

- **Madrid**: The last quarter of 2016 represented an investment volume of €1,083m, which was 20% higher than the same period of the previous year, while the cumulative investment total in the four quarters reached €2,240m approximately. During the fourth quarter of 2016, 14 transactions were closed. The cumulative value reached a total of 37 transactions. Prime yields declined during the last quarter to 3.75%. It is important to highlight that the spread regarding the yield of the Spanish bond at 10 years remains positive and robust (above 237 bps) maintaining a healthy scenario. In some singular transactions some yields below 3% were obtained.

- **Paris**: After a somewhat slow start to the year, the cumulative investment in 2016 amounted to €16,376m, a figure much higher than the average in the last 5 years, which was approximately €12,500m. The investment market in Paris is still very much dominated by French investors who have made at least 70% of the transaction volume. Prime yields stood at 3.00% in the CBD and 4.75% in the La Défense district.

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

3. Business performance

Rental revenues and EBITDA of the portfolio

- Rental revenues reached **€271m, 17% 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 7% like-for-like.**

  In **Paris, the rental revenues rose by 7% like-for-like**. In **Spain, the rental revenues increased by 6% 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. Rental revenues in the **Madrid** portfolio went up **3% like-for-like.**

  The like-for-like increase in rental revenues mainly corresponds to the contracts signed on the Alfonso XII, José Abascal 56 and Castellana 52 properties in Madrid, Travessera-Amigó, Diagonal 609-615 and Sant Cugat in Barcelona, and the In&Out, Washington Plaza, Louvre Saint Honoré and Condorcet properties in Paris.

Variance in rents (2016 vs. 2015) €m	Barcelona	Madrid	París	Total
Rental revenues 2015R	27.1	35.3	168.8	231.2
Like-for-Like	2.6	1.0	10.8	14.5
Projects & refurbishments	0.4	(0.9)	14.7	14.2
Acquisitions & Disposals	0.2	7.4	0.6	8.2
Indemnities & others	(0.0)	0.1	3.2	3.3
Rental revenues 2016R	30.3	42.9	198.1	271.4
Total variance (%)	*12.0%*	*21.6%*	*17.4%*	*17.4%*
Like-for-like variance (%)	9.9%	3.2%	7.1%	6.9%

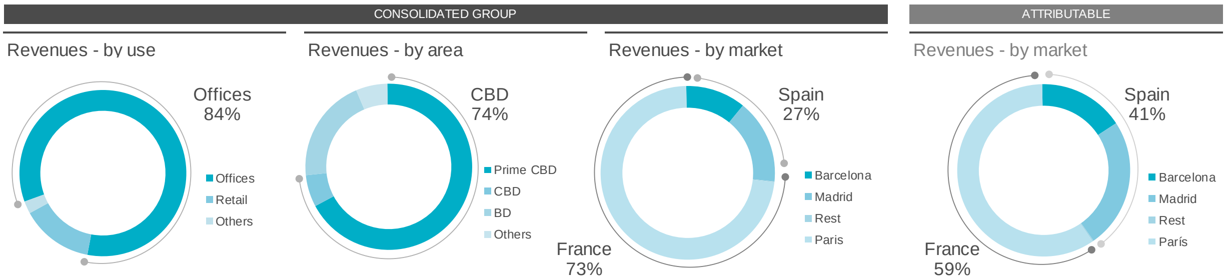
Of special mention are two additional sources of growth in gross rental income:

1. The successful delivery of projects has resulted in a growth of 6% (+€14m) out of the total rental revenues, mainly due to the #Cloud property located in the Paris market.

2. The new acquisitions have resulted in a growth of €8m in rental revenues.

- **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 (74%).

  In consolidated terms, 73% of the rental revenues (€198m) came from the subsidiary in Paris and 27% were generated by properties in Spain. In attributable terms, 59% of the rents were generated in France and the rest in Spain.



- **Rental EBITDA reached €253m, a 10% increase in like-for-like terms,** with an EBITDA margin of 93%.

Property portfolio

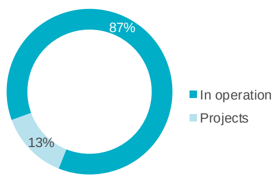
December cumulative - €m	2016	2015	Var. %	Like-for-like	
				€m	%
Rental revenues - Barcelona	30	27	12%	3	10%
Rental revenues - Madrid	43	35	22%	1	3%
Rental revenues - Paris	198	169	17%	11	7%
Rental revenues	**271**	**231**	**17%**	**14**	**7%**
EBITDA rents Barcelona	28	23	21%	3	14%
EBITDA rents Madrid	38	31	21%	0	5%
EBITDA rents Paris	188	155	21%	15	11%
EBITDA rents	**253**	**209**	**21%**	**19**	**10%**
EBITDA rents/Rental revenues - Barcelona	*92%*	*85%*	*6.9 pp*		
EBITDA rents/Rental revenues - Madrid	*88%*	*88%*	*(0.4 pp)*		
EBITDA rents/Rental revenues - Paris	*95%*	*92%*	*3.1 pp*		
EBITDA rents/Rental revenues	***93%***	***90%***	*3.0 pp*		

Pp: percentage points

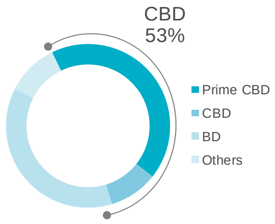
Portfolio letting performance

- **<u>Breakdown of the current portfolio by surface area:</u>** At the close of 2016, the Colonial Group's portfolio totalled 1,221,117 sq m (865,653 sq m above ground), concentrated mainly in office assets. At 31 December 2016, 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.

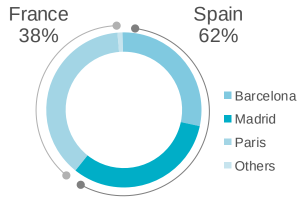
Surface - by condition



Surface - by area



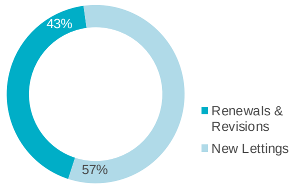
Surface - by market

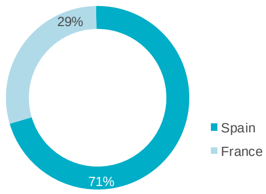


- **<u>Signed contracts:</u>** During 2016, the Group signed contracts for a **total of 116,045 sq m** of. Out of the total contracts, 71% (82,043 sq m) were signed in Barcelona and Madrid, and the rest (34,002 sq m) were signed in Paris.

  <u>New lettings</u>: Out of the total commercial effort, 57% (66,353 sq m) related to new contracts, highlighting almost 40,000 sq m signed in Barcelona and Madrid**.**

  <u>Renewals</u>: Contract renewals were carried out for 49,692 sq m, highlighting 34,000 sq m refurbished in Barcelona.





Letting Performance

December cumulative - sq m	2016	Average maturity	% New rents vs. previous	
			Total	Excl. Torre Marenostrum
Renewals & revisions - Barcelona	34,276	3	*(8%)*	*9%*
Renewals & revisions - Madrid	7,430	2	*5%*	*5%*
Renewals & revisions - Paris	7,986	8	*(2%)*	*(2%)*
Total renewals & revisions	**49,692**	**3**	***(4%)***	***2%***
New lettings Barcelona	27,814	4		
New lettings Madrid	12,523	4		
New lettings Paris	26,016	8		
New lettings	**66,353**	**6**	**n/a**	**n/a**
Total commercial effort	**116,045**	**5**	**n/a**	**n/a**

New rents are slightly below vs previous rents due to the renewal of the Gas Natural contract. Excluding this contract, new rents were 2% above than previous rents, in particular new rents were in Barcelona up +9% and in Madrid up 5%.

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	Torre Marenostrum	Gas Natural	22,394
	Sant Cugat	Schibsted Iberica, Business Service for Information, Accenture, Banc Sabadell, Europastry & IPB	11,884
	Parc Glories	International Media Group	9,338
	Diagonal, 609-615 (Dau/Prisma)	Grant Thornton, Caixabank & others	4,883
	Berlín, 38-48 / Numancia, 46	Multinational consulting firm & Schibsted Ibérica	3,517
	Travessera, 11	Multinational consulting firm & others	2,399
	Diagonal, 682	International Media Group & others	1,620
	Illacuna	Altran Innovación & others	1,374
MADRID	Recoletos, 37-41	Pharmaceutical company & Thomson Reuters	4,603
	Serrano, 73	Allen & Overy	4,242
	Agustín de Foxá, 29	Agencia madrileña Atención Social Comunidad de Madrid, Medical investigation company, Rosendo Mila & others	3,810
	Francisco Silvela, 42	Servicios de teleasistencia, LVMH Relojería y Joyería España & others	2,857
	Alfonso XII	Groupon & others	1,388
PARIS	Washington Plaza	Lagardère Ressources, Indeed France & others	9,404
	Louvre Saint Honoré	Financial institution	6,364
	103 Grenelle	Molotov, Portfolio Management & others	4,334
	Cezanne Saint-Honoré	Quartus Group & others	3,115
	#Cloud	Cosmetics & Fragance Group	2,990
	9 Percier	ARP Astrance, T.Mark Conseils & others	2,060

In Spain, in 2016, more than 82,000 sq m were signed, corresponding to 60 contracts. In particular, more than 62,000 sq m were signed in **Barcelona**, particularly the renewal of more than 22,000 sq m by Gas Natural on the Torre Marenostrum building, as well as the signing of more than 11,000 sq m on the Sant Cugat building, among others. Of special mention is the pre-let of more than 9,000 sq m on the Parc Glories office project by Schibsted Iberica. The contract will come into effect in 2018 when the project is expected to enter into operation.

In **Madrid**, of particular mention is the new contract of more than 4,000 sq m on the Serrano 73 building with Allen & Overy, as well as the signing of various contracts on the Agustín de Foxá 29 property and Francisco Silvela 42, among others. In addition, it is worth highlighting the refurbishment of more than 4,500 sq m on the Recoletos 37-41 building.

In **Paris**, more than 26,000 sq m of new contracts were signed. It is particularly important to highlight the signing of almost 6,000 sq m on the Louvre Saint Honoré building with Proparco, as well as more than 4,000 sq m on the Grenelle 103 building with various companies. It is also worth mentioning the signing of almost 3,000 sq m on the #Cloud building with a cosmetics and fragrance company, reaching 100% occupancy. This transaction is another example of Colonial's ability to design and develop top quality offices for leading companies in a wide range of sectors. Additionally, more than 6,000 sq m were refurbished and more than 3,000 sq m were signed on the Washington Plaza building.

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

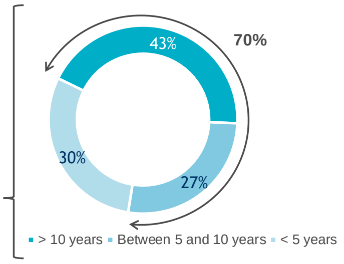
Analysis of the tenant portfolio

Regarding the volume of rental renewals in the contract portfolio, 41,706 sq m of renewals were signed in Spain, and 7,986 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 70% of the main tenants have been clients of the Group for more than 5 years.

Ranking of the most important tenants (46% of rental income)

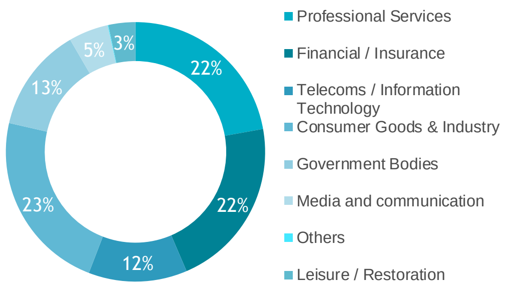
RK	Tenant	City	% total income	% cumul.	Age - Years
1	OCDE	Paris	6%	6%	2
2	NATIXIS IMMO EXPLOITATION	Paris	4%	10%	13
3	GRDF	Paris	4%	14%	150
4	LA MONDIALE GROUPE	Paris	4%	18%	9
5	INTERNATIONAL BUSINESS MACHINES	Madrid	4%	21%	5
6	EXANE	Paris	3%	24%	1
7	HENNES & MAURITZ / H & M	Paris	3%	27%	7
8	ZARA FRANCE	Paris	3%	29%	7
9	COMUTO	Paris	2%	32%	2
10	FRESHFIELDS BRUCKHAUS DERINGER	Paris	2%	34%	13
11	GAS NATURAL SDG	Barcelona	2%	36%	11
12	TV5 MONDE SA	Paris	2%	38%	11
13	GRUPO CAIXA	Barcelona / Madrid	2%	40%	24
14	GRUPO COMUNIDAD DE MADRID	Madrid	1%	41%	21
15	SOCIEDAD ESTATAL LOTERIAS Y APUESTAS DEL ESTADO	Madrid	1%	42%	12
16	IBERIA, LINEAS AEREAS DE ESPAÑA	Madrid	1%	43%	4
17	CASINO DE JUEGO GRAN MADRID	Madrid	1%	44%	4
18	AJUNTAMENT DE BARCELONA	Barcelona	1%	44%	20
19	MELIA HOTELS INTERNATIONAL	Madrid	1%	45%	14
20	TRIBUNAL DE CUENTAS	Madrid	1%	46%	1
Average					**17**



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)



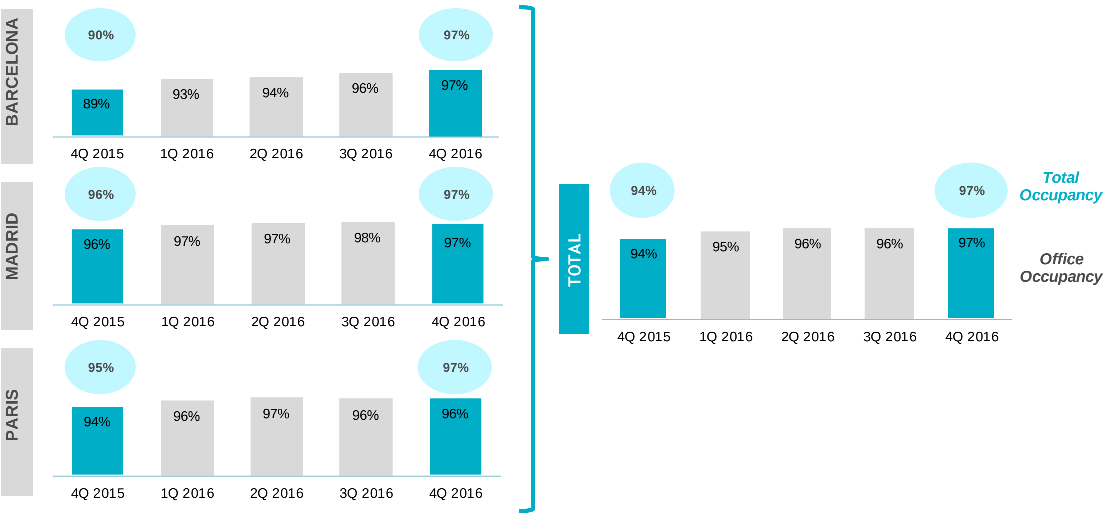
(1) *Calculated based on the entire portfolio*

Portfolio occupancy

- **At the close of 2016, the Colonial Group's financial[(1)] occupancy for the office portfolio reached 97%,** up 319 bps compared to the previous year. T**he total financial occupancy[(1)] for the portfolio including all uses also reached 97%** (up 272 bps vs the close of 2015).

FINANCIAL OCCUPANCY[(1)]

Office & Total Occupancy – Evolution of Colonial's Portfolio



In **Barcelona**, the financial occupancy[(1)] of the office portfolio increased +745 bps compared to the previous year, reaching a ratio of 97%. This increase is mainly due to the contracts signed on the Travessera de Gràcia /Amigó, Avinguda Diagonal 609-615, Sant Cugat, and Berlín Numància buildings, among others.

In **Madrid**, the financial occupancy[(1)] of the office portfolio was 97%, 192 bps above the same period of the previous year. This increase is mainly due to new leases on the Agustín de Foxá 29 and Jose Abascal 45 buildings, among others, as well as the new lease on the Santa Hortensia building, 100% let.

In **Paris**, the financial occupancy[(1)] of the office portfolio increased by 269 bps compared to the same period of the previous year, reaching a ratio of 96%, mainly due to the new lettings on the #Cloud building.

(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).*

Currently, Colonial has more than 21,000 sq m of available GLA which corresponds to 3% of EPRA vacancy over the total portfolio.

Vacancy surface of offices

Surface above ground (sq m)	Entries into operation [1]	BD area and others	CBD area	2016	EPRA Vacancy Offices
Barcelona	1,555	2,877	1,222	5,654	3%
Madrid	0	2,647	3,219	5,866	3%
París	0	2,972	6,646	9,618	4%
TOTAL	1,555	8,496	11,087	21,138	3%

(1) Projects and refurbishments that have entered into operation

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

Av. Diagonal, 609-615

Paseo Castellana, 52

Percier

Illacuna

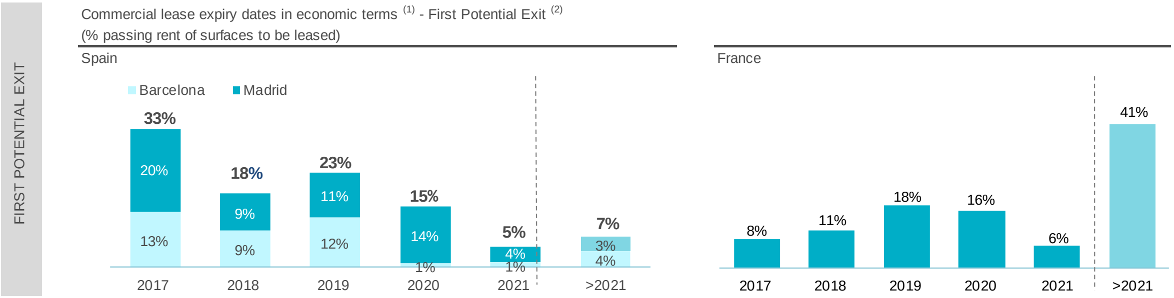
Agustín de Foxá, 29

103 Grenelle

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).

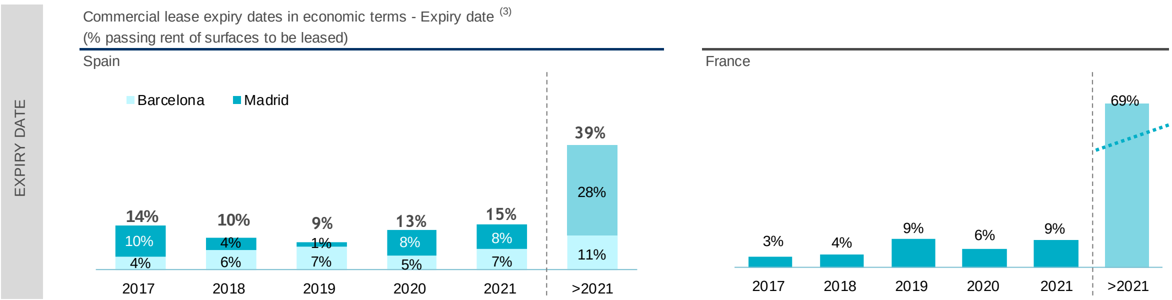


(1) % = surface to rent x current rents / current rental revenues
(2) Renewal dates based on first potential exit of the current contracts

In this context, in the Spanish portfolio, approximately 33% of contracts could be renewed in the next year, which would 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.



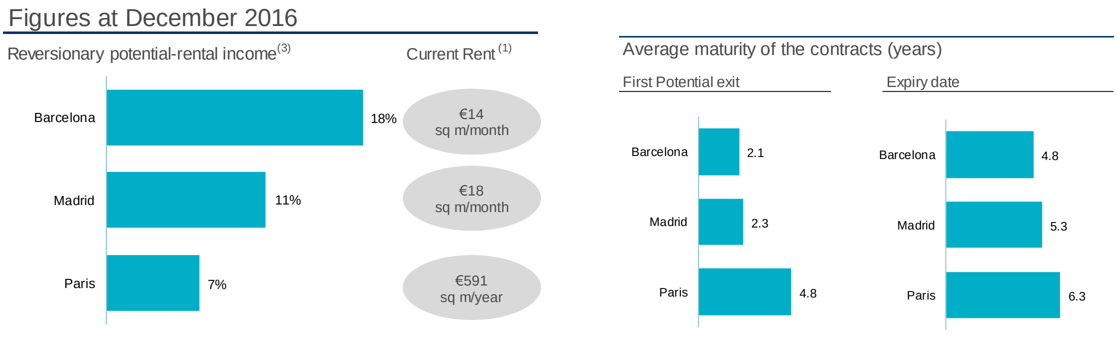
(1) % = surface to rent x current rents / current rental revenues
(3) Renewal dates based on the expiry date of the current contracts

- **Reversionary Potential of the rental portfolio**

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

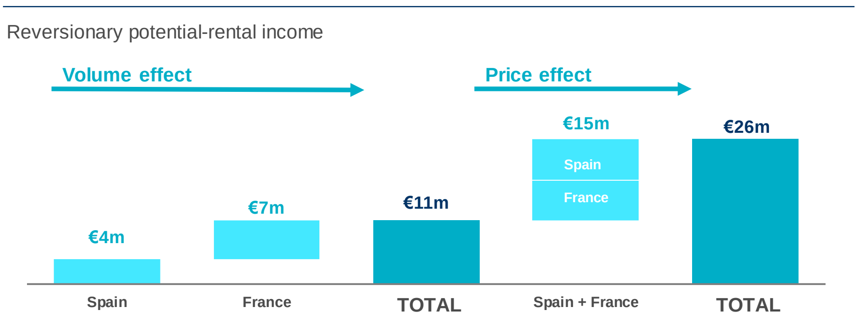
This reversionary potential is the result of comparing the rental revenues of the current contracts (contracts with current occupancy and current rents) with the rental revenues that would result from letting the total surface at the market prices estimated by independent appraisers at December 2016 (not including the potential rents from the substantial projects and refurbishments underway).

At the close of 2016, 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) saw increases of 18% in Barcelona, 11% in Madrid and 7% in Paris.



(1) Current office rent of occupied surfaces (includes signed pre-lets)

Specifically, the static reversionary potential[2] in the current portfolio would result in approximately €26m in additional annual rental revenues.



[2] Without including the positive impacts of a recovery cycle in rents
[3] Reversionary potential: maximum portfolio potential of surface in operation

Acquisitions and Disposals

Acquisitions 2016 – Alpha I

- In 2016, the Colonial Group successfully executed its acquisition program. In the framework of the Alpha I project, three prime assets were acquired in Madrid, one project in Barcelona, and a 5.5%[2] stake in SFL.

- In addition, in November 2016, Colonial acquired a 15.1% share in Axiare at a price of €12.5 per share, which represented an important discount to NAV.

ALPHA-I PROJECT

BARCELONA	Prime Factory		1 **Parc Glories Project** Barcelona 22@ Area	GLA : 24.551 sqm	Price: €77m[1] Cash
MADRID	Core + Value added		2 **José Abascal** Madrid Prime CBD	GLA : 5.326 sqm	Price: €35m Cash
	Core + Value added		3 **Serrano 73** Madrid Prime CBD	GLA : 4.242 sqm	Price: €48m New Col. shares
	Core + Value added		4 **Corporate HQ – Sta Hortensia 26-28** Madrid BD	GLA : 46.928 sqm	Price: €154m New Col. shares
PARIS	Core + Value added		5 **5.5%[2] stake in SFL** Paris		Price: €130m New Col. shares + Cash
MADRID	Value added	axiare PATRIMONIO	6 **15.1% stake in Axiare** Madrid		Price: €136m

(1) Including capex of the full development project
(2) 4.4% acquired in June 2016 and 1.1% in August 2016, under the same conditions as the June purchase

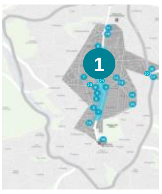
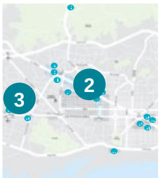
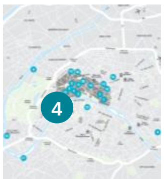
- The volume of this investment program amounts to €580m (including the future capex of development projects) and fits perfectly with the objectives set, regarding asset type, location as well as value creation potential and therefore return expectations.

Beginning of 2017 – Alpha II

- Accelerating the fulfilment of growth objectives in the strategic plan, Colonial started 2017 with the execution of the Alpha II project, which includes the acquisition of four assets for a total investment volume of almost €400m (total investment volume including future capex of development projects).

- Specifically, three development projects were acquired, one in each of the markets in which the Colonial Group is present: Barcelona, Madrid and Paris. In addition, Colonial purchased the headquarters of the Spanish Group Bertelsmann, located in the CBD in Barcelona.

ALPHA-II PROJECT

MADRID		1 **Paseo de la Castellana, 163** *Madrid Prime CBD*		**Value Added – Prime factory** GLA: 10,910 sq m	**Total Investment[1]: €51m**
BARCELONA		2 **Travessera de Gracia, 47-49** *Barcelona Prime CBD*		**Core with value added potential** GLA: 8,939 sq m	**Total Investment[1]: €41m**
BARCELONA		3 **Plaza Europa, 46-48** *Barcelona Plaza Europa*		**Value Added – Prime factory** GLA: 14,000 sq m	**Total Investment[1]: €32m**
PARIS		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 and total project capex

- The purchase of the Paseo de la Castellana, 163 and Travessera de Gràcia, 47-49 buildings was formalized at the end of December 2016.

- The main characteristics of these assets are as follows:

1. Paseo de la Castellana, 163: An office building located in Madrid's CBD with a surface area above ground of more than 10,000 sq m, divided among 11 floors of office space and a ground floor allocated for commercial premises. Additionally, there are 2 basement floors. The building also has an access from Capitán Haya 50. Currently, the building is 98% let by prestigious companies, generating income from day one. The investment amounts to €51m (including the budget for future works).

2. Travessera de Gràcia, 47-49: 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 headquarter of the Bertelsmann Group and its subsidiaries with a 5-year contract. This purchase implies an increase in Colonial's market share in the prime area of Barcelona with a building of unique characteristics. The investment amounts to €41m.

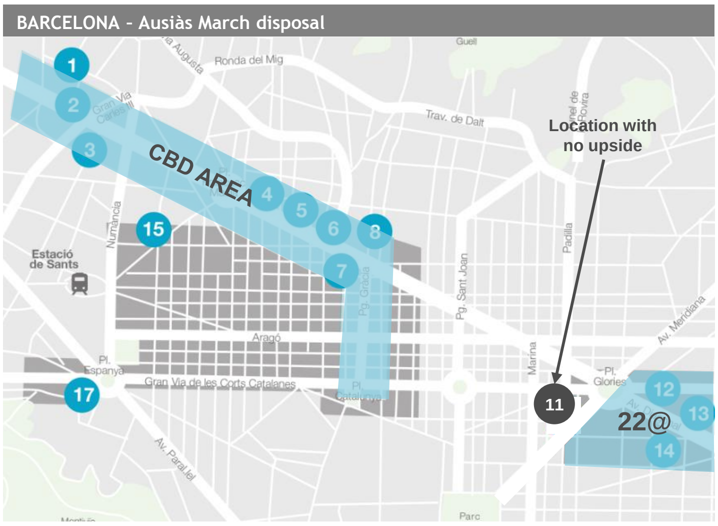
3. Plaza Europa, 46-48: Colonial is strengthening its position in Plaza Europa, one of the business areas with the most development in recent years in Barcelona, with a new project to build a 14,000 sq m 21-storey building. The asset was acquired through an off-market transaction, and the total investment amounts to €32 million. 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.

4. 112-122 Avenue Emile Zola: The Colonial Group has 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 the 15 district in Paris. The building has a surface area of approximately 21,000 sq m. SMA will move to a new headquarters in the fourth quarter of 2017, at which time the Colonial will restructure the building to transform it into one of the largest office complexes in the South of the French capital.

- All the 2016 acquisitions, as well as the Alpha II project in 2017, offer a substantial potential of industrial value creation based on: (1) the real estate 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 show the capacity of the Colonial Group to identify and capture opportunities of real estate value creation.

- **Disposals:** During 2016, the Ausias March 148 building in Barcelona was sold for €15m. The sale was carried out with an 11% premium on the June 2016 appraisal value.



Portfolio of projects and refurbishments

Projects delivered in 2016

- In 2016, more than €86m were invested, mainly in France, in projects and Prime Factory refurbishments to optimize the positioning of the property portfolio.

- In France, it is worth highlighting the reorganization of the common areas in the office complex Cézanne Saint Honoré and the refurbishment of various floors in Percier. In Spain, various actions have been carried out, for example the reorganization of the common areas and floors in the Berlín 38-48/Numància 46 and Via Augusta 21-23 buildings in Barcelona. In the Madrid portfolio, common areas and office floors have been refurbished in the Castellana 52, José Abascal 45 and Miguel Ángel 11 assets, and the José Abascal 56 carpark has been repositioned. In addition, it's important to mention the transformation project underway on the Santa Engracia building, which to date has enabled the obtention of 234 sq m of additional gross lettable area to date.

Cézanne Saint Honoré

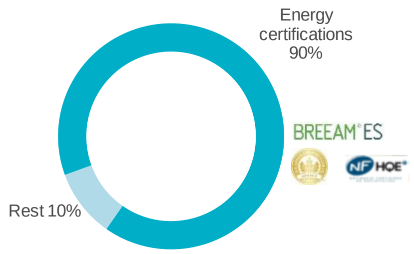
Berlín Numància

Castellana, 52

- In relation to the energy certificates, it is worth mentioning that during these last months, Leed Gold and BREEAM Very Good certificates have been obtained on a series of buildings in Barcelona and Madrid. In particular, of special mention, is the BREEAM Very Good certificate obtained on the Sant Cugat, Diagonal Glories and Illacuna buildings in Barcelona and the Martinez Villergas and Recoletos buildings in Madrid. Additionally, the building in Paseo de los Tilos in Barcelona obtained the LEED Gold certificate in April 2016. In Paris, of special mention is the upgrade in the BREEAM rating from Very Good to Excellent for the Iena, Charles de Gaulle and In&Out assets.

Currently the 90% of the buildings have top quality energy certificates. 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]



(1) Buildings in operation with energy certificates

Project portfolio

- As of the close of 2016, Colonial owns a portfolio of development and refurbishments projects of more than 104,000 sq m above ground, with significant potential for value creation. Including the projects acquired under the scope of Alpha II, the entire portfolio of projects and refurbishments amounts to 139,249 sq m year to date.

- Current ongoing projects correspond to the Estebanez Calderon and Principe de Vergara assets, acquired in 2015, and the Parc Glories project in the 22@ district in Barcelona, acquired during this year. It is also worth highlighting the Louvre Saint Honoré project, the creation of a prime space in the centre of Paris in front of the Louvre. Unique Prime Factory development projects will be carried out on all of this assets, with very attractive returns.

  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, 46-48 *(Adquirido en 2017)*	>2020	50%	-	Barcelona	Offices	14,000
112-122 Avenue Emile Zola *(Adquirido en 2017)*	>2020	100%	-	Paris	Offices	20,340 (3)
Projects in development						**96,411**
Yield on cost (2)						**7%**
Castellana, 43	2017	100%	-			5,998
Serrano, 73	2017	100%	100%			4,242
Cezanne Saint-Honoré	2017	100%	-			5,465
Washington Plaza	2017	66%	-			3,775
Rest			na			8,621
Surface in refurbishment						**28,101**
Parc Central 22@	na	100%	na			14,737
Solar Parc Central 22@						**14,737**
TOTAL PROJECTS & REFURBISHMENTS						**139,249**

(1) Surface area of completed project
(2) Yield on cost: market rent 100% rented/market value at start of project net of impairment in value + capex
(3) Current surface. The project targets a GLA increase of 10%-15%

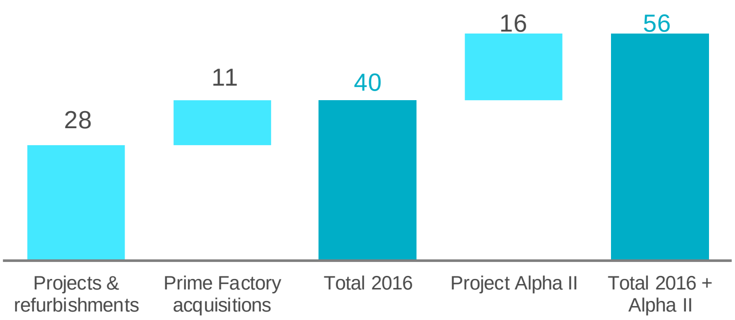
In addition to these development projects in development, the Colonial Group is currently carrying out substantial refurbishments on more than 28,000 sq m above ground, with the aim of optimizing the positioning of these assets in the market. These include refurbishments on the Castellana 43, Serrano 73, Cézanne Saint-Honoré & Washington Plaza 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.

At 31 December 2016, more than 9,000 sq m have been pre-let on the Parc Glòries asset to Schibsted Iberica and the entire Serrano, 73 building (4.242 sq m) to Allen & Overy.

In 2017, after the execution of the Project Alpha II, the assets acquired in Plaza Europa, 46-48 in Barcelona and 112-122 Avenue Emile Zola will be included in the project portfolio. In addition, during the next years, 10,900 sq m will be refurbished in Paseo de la Castellana, 163 in Madrid.

The project portfolio, as well as the new acquisitions, will result in additional rental revenues of approximately €56m annually.

Additional rental income of projects and significant refurbishments - €m



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

  ✓ **<u>Estébanez Calderón, 3-5 - Discovery building:</u>** 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.

✓ **Príncipe de Vergara, 112** 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.

✓ **Parc Glòries** 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. At 31 December 2016, more than 9,000 sq m had been pre-let to Schibsted Iberica.

✓ **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 below ground floors, ground floor and first floor of the building. This Prime Factory project will be carried out with top quality finishings and technical specifications and is expected to be completed by 2021, with the capacity to attract top tier clients.

Valuation of the portfolio

- At the close of 2016, the assets of the Colonial Group were appraised at €8,069m (€8,478m including transfer costs) by Jones Lang LaSalle, CB Richard Ellis and BNP Paribas Real Estate.

  The appraisal 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, €7,928m correspond to the asset portfolio directly held by the Colonial Group and €141m correspond to the value of the 15.1% stake in Axiare (valued at attributable NAV as of 30 June 2016).

Gross Asset Values - Excluding transfer costs

Asset valuation (€m)	31-dec-16	30-jun-16	31-dec-15	Dec 16 vs Jun 16		Dec 16 vs Dec 15	
				Total	LfL (1)	Total	LfL (1)
Barcelona	761	710	676	7.2%	3.3%	12.6%	8.6%
Madrid	1,273	1,189	906	7.1%	3.1%	40.6%	8.7%
París	5,736	5,520	5,242	3.9%	3.9%	9.4%	9.4%
Portfolio in operation (2)	**7,771**	**7,419**	**6,824**	**4.7%**	**3.7%**	**13.9%**	**9.2%**
Projects	**144**	**130**	**82**	**10.7%**	**10.7%**	**74.5%**	**18.2%**
Others	14	7	6	88.4%	2.3%	113.8%	16.1%
Property business	**7,928**	**7,556**	**6,913**	**4.9%**	**3.8%**	**14.7%**	**9.4%**
Axiare	**141**						
Colonial group	**8,069**	**7,556**	**6,913**	**6.8%**	**3.8%**	**16.7%**	**9.4%**
Spain	2,333	**2,036**	**1,670**	14.6%	3.6%	39.7%	9.1%
France	5,736	**5,520**	**5,242**	3.9%	3.9%	9.4%	9.4%

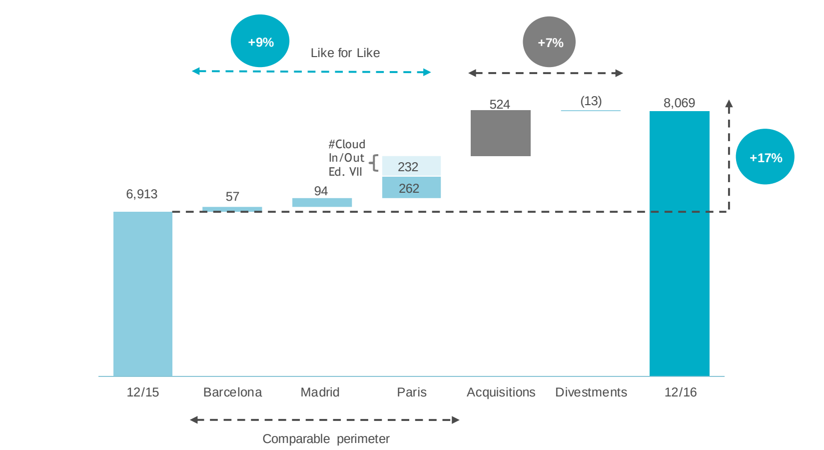
Gross Asset Values - Including transfer costs

Colonial group	**8,478**	**7,949**	**7,239**	**6.7%**	**3.8%**	**17.1%**	**10.0%**
Spain	2,387	2,086	1,720	14.4%	3.6%	38.7%	8.6%
France	6,092	5,863	5,519	3.9%	3.9%	10.4%	10.4%

(1) Portfolio in comparable terms
(2) Portfolio in operation: current rental portfolio as well as new entries into operation of completed projects

- The **Colonial Group's** Gross Asset Value at December 2016 increased 9.4% compared to December 2015 (+3.8% like-for-like in 6 months).

Variance Analysis - Value 12 months - €m



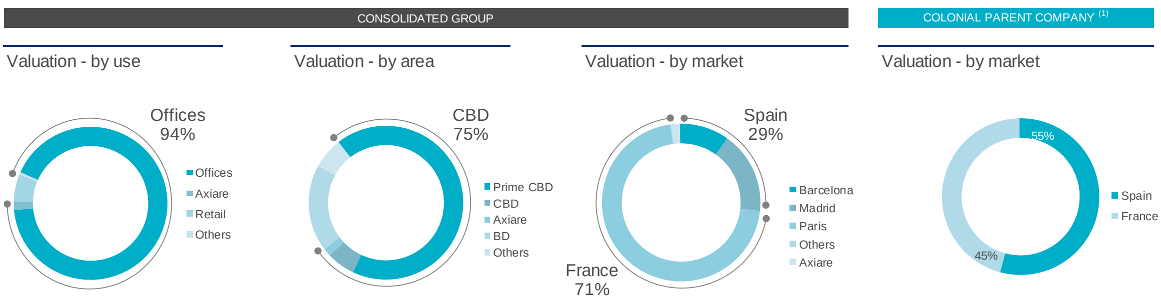
GAV VARIANCE

	6 months	12 months
BARCELONA	+3%	+8%
MADRID	+4%	+10%
PARIS	+4%	+9%
TOTAL LFL	+4%	+9%
ACQUISITIONS & DISVESTMENTS	+3%	+7%
TOTAL VAR	+7%	+17%

In **Spain,** the Gross Asset Value increased by 9.1% like-for-like in the last 12 months, (3.6% in 6 months) due to a combination of property repositioning and increases in occupancy that have led to improved yields and rental income. The portfolio in Madrid increased by 9.6% like-for-like in 12 months and the portfolio in Barcelona increased by 8.4% like-for-like in 12 months (Barcelona +3.3% in 6 months and Madrid +3.8% in 6 months).

In **France,** the portfolio increased 9.4% like-for-like in 12 months (3.9% in 6 months). This increase in value is a consequence of the progressive repositioning of the property portfolio with positive impacts on rents and yields, in the context of an investment market with high interest in prime offices in Paris.

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



(1) *France = SFL shares valuated to NAV). Spain = GAV assets held directly + NAV stake SPV TMN + NAV stake Axiare*

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

Main parameters of Asset appraisal

Portfolio in operation	€m	sq m above ground (*)	€/sq m (*)	Valuation Yield	
Barcelona	761	189,447	4,016	5.10%	Gross Yields
Madrid	1,273	244,562	5,207	4.75%	
Paris	5,736	403,600	14,213	3.70%	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 228,838 sq m, excluding 14,737 sq m of the Parc Central project, 24,551 sq m of the Parc Glories 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 266,083 sq m, excluding the Estébanez Calderón project of 10,152 sq m, 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	12/2016	Var. Vs 12/2015
Gross financial debt	3,633	*13%*
Net financial debt	3,528	*18%*
Undrawn balances	873	*(21%)*
% debt fixed or hedged	82%	*(12%)*
Average maturity of the debt (years)	5.0	*0,2*
Cost of current debt	1.96%	*(31 b.p.)*
Rating COL	BBB-	-
Rating SFL	BBB	-
LtV Group *(including transfer costs)*	41.4%	*(4 p.p.)*

Colonial took advantage of the exceptional market situation in the last quarter of the year (due to the high levels of liquidity, as well as to interest rates at historic lows) to carry out the following transactions:

- On 5 October, Colonial registered a European Medium Term Note (EMTN) program on the Irish Stock Exchange for €3,000m.

- Under this program, two bond issues were carried out: 1) on 28 October an issue of senior unsecured notes was carried out for €600 million, maturing in 8 years, with an annual coupon of 1.45%, issued under par at 99.223% of its nominal value. The issue was very well received by the market, with an oversubscription of almost three imes; 2) on 10 November, a private placement was carried out for €50m, with a 10 year maturity and an annual coupon of 1.875%, issued at 97.866% of its nominal value.

- In parallel, Colonial launched a repurchase offer on 50% of its bonds maturing in 2019 (liability management), which was closed on 28 October.

- In addition, Colonial renegotiated the syndicate loan signed on 12 November 2015 for €350m, extending its maturity until 2021.

With these operations Colonial reduced its financing risk in 2019 which concentrated more than 60% of the maturities of its undrawn debts, extending the average life of its debt which went from 5.0 to 6.0 years in Spain (from 4.8 to 5.0 years for the Group) and improving its financial costs which went from 2.14% to 1.96% (2.27% to 1.96% for the Group).

Other transactions carried out in 2016 included the following:

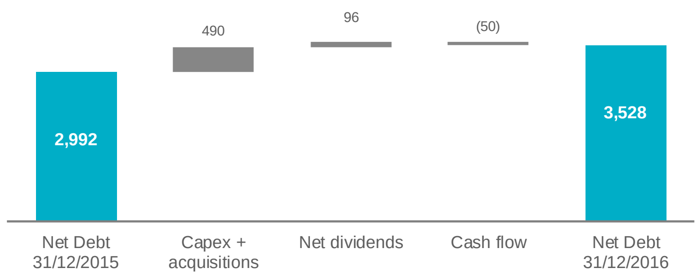
- In May 2016, the bonds issued by SFL in May 2011 matured, the pending amount of which was €156m with a coupon of 4.625%.
- On 24 May 2016, a loan was signed with BNP Paribas for €150m, maturing in five years, with a floating interest rate (Euribor with an applicable spread).
- In June 2016, SFL exercised the option to purchase the financial leasing agreement related to the 131 Wagram property, for €26m.

The financial net debt of the Group stood at €3,528m at 31 December 2016, as shown in the table below:

Breakdown of the consolidated net financial debt	December 2016			December 2015			Var.
	SP	FR	Total	SP	FR	Total	Total
Syndicate loan	122	20	142	67	0	67	75
Mortgage debt/leases	36	205	241	39	234	273	(32)
Unsecured debt and others	0	425	425	0	162	162	263
Bonds	1,525	1,301	2,826	1,250	1,457	2,707	119
Total gross debt	**1,682**	**1,951**	**3,633**	**1,356**	**1,853**	**3,209**	**424**
Cash & cash equivalents	**(85)**	**(20)**	**(105)**	**(205)**	**(12)**	**(217)**	**111**
Group Net Debt	**1,597**	**1,931**	**3,528**	**1,151**	**1,841**	**2,992**	**536**
Average maturity of drawn debt (years)	**6.0**	**4.1**	**5.0**	**5.0**	**4.8**	**4.8**	**0.2**
Cost of debt % (without arrangement fees)	**1.96%**	**1.95%**	**1.96%**	**2.14%**	**2.36%**	**2.27%**	**(31pb)**

The evolution of the Group's net debt during 2016 is as follows:

Net Debt Movement €m - December 2016

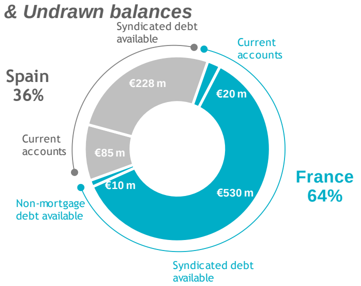


Main leverage ratios and liquidity

As at 31 December 2016, the Colonial Group's net debt amounted to €3,528m. The LTV (Loan to Value) of the Group, calculated as the total net debt ratio between the total GAV of the Group, was 41.4%[1] (41.8% at 31 December 2015). 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 subsidiaries, was 35.3%[2] (34.7% at 31 December 2015)..

Cash & undrawn balances of the Colonial Group at 31 December 2016 amounted to €873m, and were distributed as shown in the graph below:

Cash & Undrawn balances



Main leverage ratios

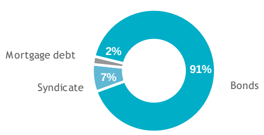
31/12/2016 - €m	Holding	Group
GAV incl. transfer costs	4,439	8,520
Net debt - excluding committed cash	1,567	3,528
LTV incl. transfer costs	35.3%	41.4%

(1) GAV Group 31/12/2016 including transfer costs + NAV 15,1% Axiare + Treasury shares

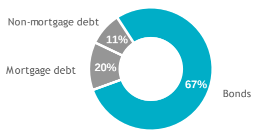
The main characteristics of the Group's debt are shown below:

TYPE OF DRAWN DEBT - 31/12/2016

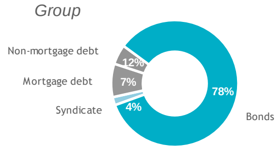
Spain



France

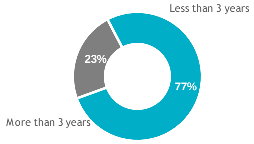


Group

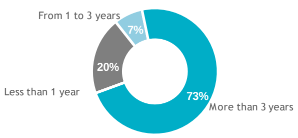


MATURITY OF CONTRACTED DEBT - 31/12/2016

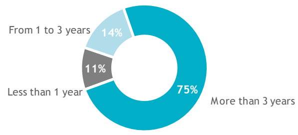
Spain



France



Group



Spain	
Spread	161 b.p.
Cost of debt	196 b.p.
Average life of drawn down debt (years)	6.0
Average life of the contracted debt (years)	5.8
Contracted debt	€1,911m

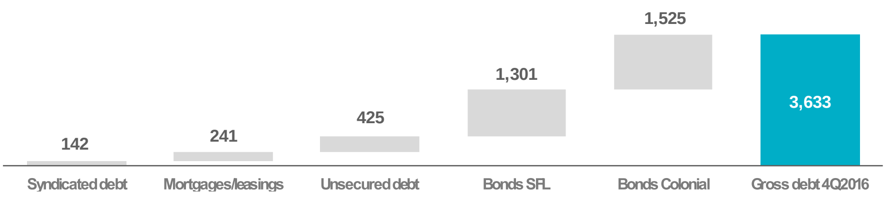
France	
Spread	152 b.p.
Cost of debt	195 b.p.
Average life of drawn down debt (years)	4.1
Average life of the contracted debt (years)	3.9
Contracted debt	€2,491m

Total	
Spread	156 b.p.
Cost of debt	196 b.p.
Average life of drawn down debt (years)	5.0
Average life of the contracted debt (years)	4.7
Contracted debt	€4,402m

1 Net debt / Growth GAV including transfer costs + NAV of 15.1% stake in Axiare + Treasury stock at NAV
2 Net debt Parent company / GAV including transfer costs + NAV of 58.5% in SFL + NAV of 15.1% stake in Axiare + Treasury stock at NAV

The composition of the Group's debt at 31 December 2016 is as follows:

Composition of the drawn gross debt of the Group at December 31, 2016 - €m

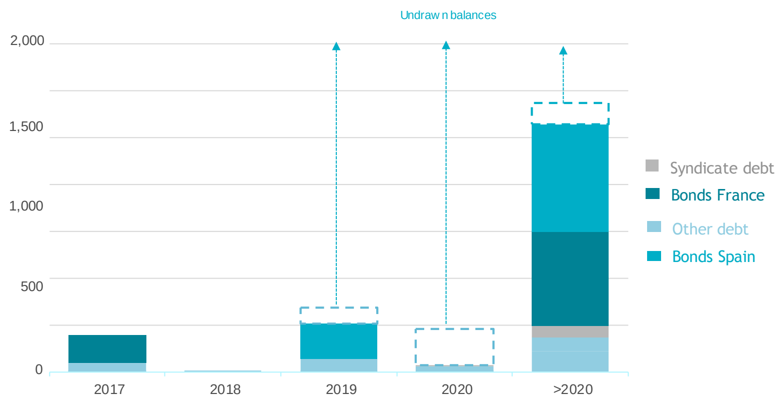


	Syndicated debt	Mortgages/leasings	Unsecured debt	Bonds SFL	Bonds Colonial
Cost of debt	1.51%	1.43%	0.80%	2.39%	2.03%
Maturity (years)	4.3	5.2	2.7	4.4	6.1

Average cost of debt: 1.96% & 5.0 years

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

Maturity profile of drawn debt



	2017	2018	2019	2020	>2020	TOTAL
SPAIN	3	3	378	4	1,294	1,682
FRANCE	388	2	142	72	1,347	1,951
TOTAL	391	5	520	76	2,641	3,633

As a result of the operations described above, Colonial has reduced the debt maturities for 2019 in Spain by 60% (€935m at 30 September vs €378m post-operations) with an average maturity of 5 years.

Financial results

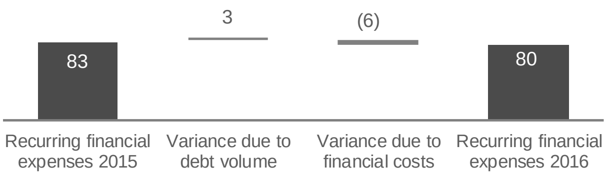
- The recurring financial results of the Group in 2016 were 3% lower than the same period of the previous year. This saving is mainly due to the reduction in the financial costs, which commenced in 2015 with a bond issue enabling Colonial's old syndicate loan to be cancelled (June 2015) and a liability management transaction carried out by SFL in November 2015. This continued in 2016 with the issuances carried out by Colonial together with the partial repurchase of Colonial's 4-year bond, all of which took place in the last quarter of 2016.

Financial results

December cumulative - €m	SP	FR	2016	2015	Var. %
Recurring financial expenses - Spain	(35)	0	(35)	(37)	(4%)
Recurring financial expenses - France	0	(47)	(47)	(53)	(12%)
Recurring Financial Income	1	0	1	1	53%
Capitalized interest expenses	1	(0)	1	6	(88%)
Recurring Financial Result	**(34)**	**(47)**	**(80)**	**(83)**	**3%**
Non-recurring financial expenses	(22)	0	(22)	(40)	(46%)
Change in fair value of financial instruments	(1)	(2)	(3)	(8)	59%
Financial Result	**(57)**	**(48)**	**(105)**	**(131)**	**(20%)**

(1) *Sign according to the profit impact*

- The breakdown of the recurring financial cost variance is as follows:

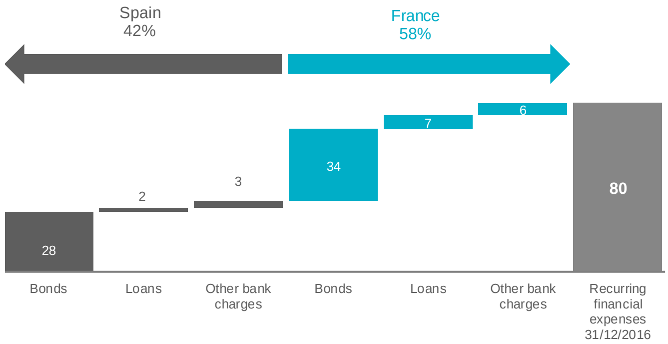


- Regarding the non-recurring financial expense, the amount in 2016 mainly corresponds to the costs of the repurchase operation of the 2019 bond and the bond issuances. The non-recurring financial expense refers to the close-out costs of the old syndicate loan, as well as the liability management transaction executed by SFL.

- The average credit spread in 2016 amounted to 162 bps (versus 208 bps in the same period in 2015). The average spread of the current debt amounts to 156 bps.

- The breakdown of the recurring financial cost during 2016 is as follows:

Breakdown recurring financial expenses - December 2016



More details on the financial structure are found in Appendix 6.8.

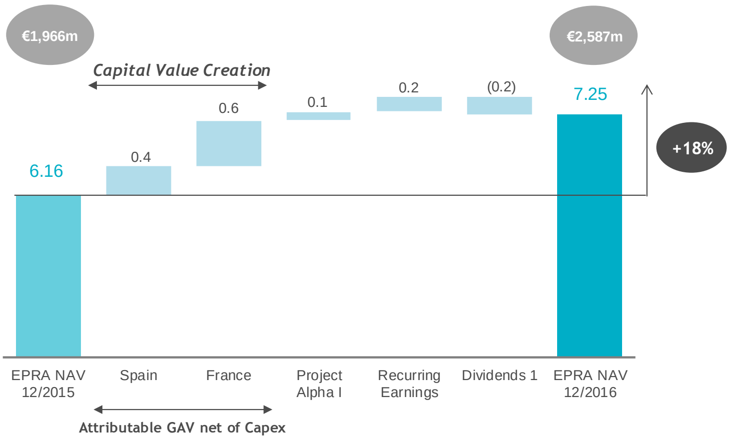
5. EPRA Net Asset Value & Share price performance

EPRA Net Asset Value (NAV)

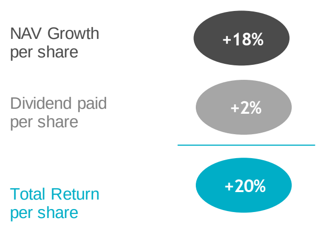
At the close of 2016, the EPRA NAV of the Colonial Group amounted to €7.25/share, a year-on-year increase of 18%.

The total shareholder return in 2016, which is understood as NAV growth per share plus the dividend received in July 2016, amounted to 20%[1], 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 [2]



(1) *Dividends paid and other effects*
(2) *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 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	12/2016	12/2015
NAV per the Consolidated financial statements	**2,302**	**1,837**
Include:		
(i.a) Revaluation of investment properties (if IAS 40 cost option is used)	11	8
(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	51	17
(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	2	4
(v.a) Deferred tax	221	100
(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	**2,587**	**1,966**
EPRA NAV - Euros per share	*7.25*	*6.16*
Basic Nº of shares (m)	*356.8*	*318.9*

(*) 2015 figures adjusted by the number of shares post reverse split

Calculation of the EPRA NAV: Following the EPRA recommendations and starting from the consolidated equity of €2,302m, 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 €11m.
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 accounted for MTM ("mark-to-market"): in order to determine the EPRA NAV, the net value of the MTM of the hedging instruments registered on the balance sheet has been adjusted (+€2m).
4. Adjustment of deferred taxes: adjustment of the amount of deferred taxes associated with the revaluation of the property assets (+€221m), registered on the balance sheet.

EPRA NNNAV amounted to €2,284m at 31 December 2016, which corresponds to **€6.4/share**.

EPRA Triple Net Asset value (NNNAV) - €m	12/2016	12/2015
EPRA NAV	**2,587**	**1,966**
Include:		
(i) Fair value of financial instruments	(2)	(4)
(ii) Fair value of debt	(79)	(27)
(iii) Deferred tax	(222)	(100)
EPRA NNNAV - €m	**2,284**	**1,835**
EPRA NNNAV - Euros per share	*6.40*	*5.75*
Nº of shares (m)	*356.8*	*318.9*

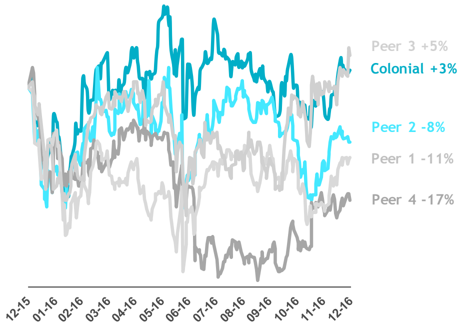
(*) 2015 figures adjusted by the number of shares post reverse split

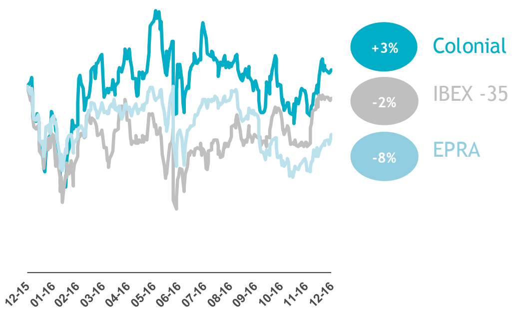
For its calculation, the following items have been adjusted in the EPRA NAV: the fair market value of the financial instruments (-€2m), the fair market value of the debt (-€79m), and the taxes that would be accrued in case of the disposal of the assets at their market value (-€222m).

Share price performance

The year 2016 was characterized by increased volatility in capital markets, especially since the Brexit vote.

In this context, Colonial's share price has performed positively, outperforming its peers as well as the IBEX and the EPRA index with an increase of 3% year-to-date.

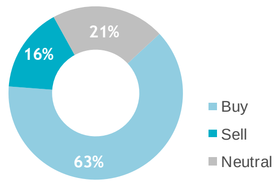




The average daily trading volume reached €6.3m, offering attractive levels of liquidity within the sector in Europe and especially in Spain.

The Colonial share price has a significant amount of coverage, with currently 19 analysts covering the company.

Out of the total recommendations, 63% of the analysts issued a buy recommendation.
The target price based on analysts' consensus stands at €7.3/share.
The maximum target price stood at €8.8/share.



The target prices and recommendations are as follows:

	Institution	Analyst	Date	Recommendation	Target Price actual (€/share)	Rental Income		Recurring Net Profit		NAV/ share (€)	
						2016	2017	2016	2017	2016	2017
1	Morgan Stanley	Bart Gysens	22/02/2016	Overweight	7.2	261	275	96	112	6.6	7.2
2	Merrill Lynch	Samuel Warwood	26/05/2016	Neutral	6.9	277	293	68	89	6.9	7.3
3	Ahorro Corporación	Guillermo Barrio	03/06/2016	Sell	6.0	269	296	32	45	na	na
4	Banco Sabadell	Ignacio Romero	23/06/2016	Buy	8.2	272	282	na	na	7.5	8.7
5	Bankinter	Juan Moreno Martínez de Le	28/07/2016	Maintain	6.4	252	278	61	80	na	na
6	Banco Santander	Jose Alfonso Garcia	17/10/2016	Buy	7.5	277	310	97	117	6.8	7.6
7	Intermoney Valores	Esther Martín	15/11/2016	Buy	7.4	262	282	na	na	7.1	7.7
8	Alpha Value	Alda Kule Dale	15/11/2016	Buy	7.9	263	297	na	na	7.5	8.6
9	Kepler Cheuvreux	Carlos Ais	30/11/2016	Sell	6.4	276	302	43	77	7.5	8.2
10	Kempen	Max Mimmo	05/12/2016	Buy	7.4	264	278	75	80	7.1	7.7
11	Goldman Sachs	Jonathan Kownator	06/12/2016	Buy	8.8	284	318	80	117	7.4	7.8
12	BPI	Gonzalo Sanchez Bordona	23/01/2017	Buy	7.9	282	304	na	91	na	na
13	Mirabaud	Ignacio Méndez Terroso	23/01/2017	Sell	6.2	278	297	na	na	na	na
14	Haitong	Juan Carlos Calvo	31/01/2017	Buy	7.6	282	304	85	100	7.4	8.0
15	JB Capital	Daniel Gandoy	07/02/2017	Neutral	8.0	276	301	na	na	7.1	7.7
16	Alantra Equities	Jaime Amoribieta	07/02/2017	Buy	7.6	277	300	86	114	7.5	8.2
17	Green Street Advisors	Peter Papadakos	07/02/2017	Maintain	7.0	275	280	77	92	7.5	nd
18	Deutsche Bank	José Salama	13/02/2017	Buy	7.5	na	na	61	75	7.4	8.3
19	Fidentiis	Pepa Chapa	23/02/2017	Buy	7.6	274	291	71	74	7.2	8.0
	Analysts consensus				**7.3**	**272**	**294**	**72**	**90**	**7.2**	**7.9**

Source: Bloomberg & reports of analysts

Colonial is a member of two EPRA indices: the FTSE EPRA/NAREIT Developed Europe and the FTSE EPRA/NAREIT Developed Eurozone. In addition, it is a member of the Global Property Index 250 (GPR 250 Index), as well as the Ibex Medium Cap index. These indices are benchmarks for international listed property companies.

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

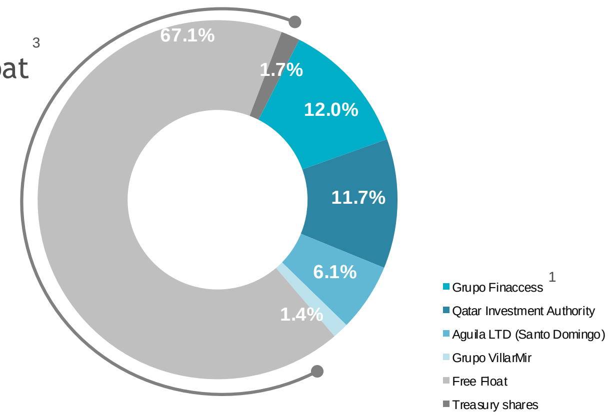
Company shareholder structure

Colonial's shareholder structure is as follows:

Shareholder structure at 10/02/2017 (*)

Joe Lewis [2]	*5%*
Third Avenue Mng.	*3%*
BlackRock	*3%*
Amura Capital	*2%*
Deutsche Bank	*2%*
Fidelity	*1%*
Invesco	*1%*
Orbis	*1%*
Other Free Float	*49%*

Free Float [3]



(*) According to reports in the CNMV and notifications received by the company
(1) Through Hofinac BV
(2) Through Joseph Charles Lewis
(3) 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		
Juan Villar-Mir de Fuentes	Director	Grupo Villar Mir			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	2016	2015
Earnings per IFRS Income statement	**274**	**415**
Earnings per IFRS Income statement - €/share	***0.77***	***1.30***
Adjustments to calculate EPRA Earnings, exclude:		
(i) Changes in value of investment properties, development properties held for investment and other interests	(556)	(718)
(ii) Profits or losses on disposal of investment, development properties held for investment and other interests	0	(1)
(iii) Profits or losses on sales of trading properties including impairment changes 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	24	51
(vii) Acquisition costs on share deals and non controlling joint venture interests	0	0
(viii) Deferred tax in respect of EPRA adjustments	96	43
(ix) Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation	0	0
(x) Minority interests in respect of the above	225	242
EPRA Earnings	**63**	**33**
EPRA Earnings per Share (EPS) - €/share	***0.18***	***0.10***
Company specific adjustments:		
(a) Extraordinary expenses	4	6
(b) Non recurring financial result	0	(2)
Company specific adjusted EPRA Earnings	**68**	**37**
Company adjusted EPRA Earnings per Share (EPS) - €/share	***0.19***	***0.12***
Basic Nº of shares (m)	***356.8***	***318.9***

(*) 2015 figures adjusted by the number of shares post reverse-split

6.1 Appendix – EPRA ratios (cont.)

2) EPRA NAV

EPRA Net Asset value - €m	12/2016	12/2015
NAV per the Consolidated financial statements	**2,302**	**1,837**
Include:		
(i.a) Revaluation of investment properties (if IAS 40 cost option is used)	11	8
(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	51	17
(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	2	4
(v.a) Deferred tax	221	100
(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	**2,587**	**1,966**
EPRA NAV - Euros per share	***7.25***	***6.16***
Basic Nº of shares (m)	***356.8***	***318.9***

3) EPRA NNNAV

EPRA Triple Net Asset value (NNNAV) - €m	12/2016	12/2015
EPRA NAV	**2,587**	**1,966**
Include:		
(i) Fair value of financial instruments	(2)	(4)
(ii) Fair value of debt	(79)	(27)
(iii) Deferred tax	(222)	(100)
EPRA NNNAV - €m	**2,284**	**1,835**
EPRA NNNAV - Euros per share	***6.40***	***5.75***
Nº of shares (m)	***356.8***	***318.9***

(*) 2015 figures adjusted by the number of shares post reverse-split

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 2016	Total 2015
Figures in €m						
Investment property – wholly owned		821	1,371	5,736	7,928	6,913
Investment property – share of JVs/Funds		na	na	na	na	na
Trading property (including share of JVs)		na	na	na	na	na
Less: developments		(60)	(203)	(313)	(576)	(321)
Completed property portfolio	**E**	**761**	**1,168**	**5,423**	**7,352**	**6,591**
Allowance for estimated purchasers' costs		20	28	332	380	309
Gross up completed property portfolio valuation	**B**	**781**	**1,196**	**5,755**	**7,732**	**6,900**
Annualised cash passing rental income		31	51	170	252	218
Property outgoings		(2)	(4)	(3)	(9)	(12)
Annualised net rents	**A**	**29**	**47**	**167**	**243**	**206**
Add: notional rent expiration of rent free periods or other lease incentives		1	1	41	42	55
"Topped-up" net annualised rent	**C**	**30**	**48**	**208**	**286**	**262**
EPRA Net Initial Yield	**A/B**	**3.7%**	**4.0%**	**2.9%**	**3.1%**	**3.0%**
EPRA "Topped-Up" Net Initial Yield	**C/B**	**3.8%**	**4.0%**	**3.6%**	**3.7%**	**3.8%**
Gross Rents 100% Occupancy	F	34	55	218	307	294
Property outgoings 100% Occupancy		(1)	(4)	(3)	(8)	(5)
Annualised net rents 100% Occupancy	**D**	**33**	**51**	**215**	**299**	**289**
Net Initial Yield 100% Occupancy	**D/B**	**4.2%**	**4.3%**	**3.7%**	**3.9%**	**4.2%**
Gross Initial Yield 100% Occupancy	**F/E**	**4.5%**	**4.7%**	**4.0%**	**4.2%**	**4.5%**

5) EPRA Vacancy Rate

EPRA Vacancy Rate - Offices Portfolio

€m	2016	2015	Var. %
BARCELONA			
Vacant space ERV	1	3	
Portfolio ERV	33	31	
EPRA Vacancy Rate Barcelona	**3%**	**11%**	*(7 pp)*
MADRID			
Vacant space ERV	1	2	
Portfolio ERV	49	38	
EPRA Vacancy Rate Madrid	**3%**	**4%**	*(2 pp)*
PARIS			
Vacant space ERV	7	12	
Portfolio ERV	188	185	
EPRA Vacancy Rate Paris	**4%**	**6%**	*(3 pp)*
TOTAL PORTFOLIO			
Vacant space ERV	9	17	
Portfolio ERV	270	255	
EPRA Vacancy Rate Total Office Portfolio	**3%**	**6%**	*(3 pp)*

EPRA Vacancy Rate - Total Portfolio

€m	2016	2015	Var. %
BARCELONA			
Vacant space ERV	1	3	
Portfolio ERV	35	33	
EPRA Vacancy Rate Barcelona	**3%**	**10%**	*(7 pp)*
MADRID			
Vacant space ERV	1	2	
Portfolio ERV	51	40	
EPRA Vacancy Rate Madrid	**3%**	**4%**	*(2 pp)*
PARIS			
Vacant space ERV	7	12	
Portfolio ERV	224	222	
EPRA Vacancy Rate Paris	**3%**	**5%**	*(2 pp)*
TOTAL PORTFOLIO			
Vacant space ERV	9	17	
Portfolio ERV	310	295	
EPRA Vacancy Rate Total Portfolio	**3%**	**6%**	*(3 pp)*

Annual figures

6.1 Appendix –EPRA ratios (cont.)

6) EPRA Cost Ratios

E. EPRA Cost Ratios		12/2016	12/2015
Figures in €m			
(i) Administrative/operating expense line per IFRS income statement		36	35
(ii) Net service charge costs/fees		18	23
(iii) Management fees less actual/estimated profit element		0	0
(iv) Other operating income/recharges intended to cover overhead expenses less any related profits		(0)	(0)
(v) Share of Joint Ventures expenses		0	0
Exclude (if part of the above):			
(vi) Investment Property depreciation		na	na
(vii) Ground rent costs		na	na
(viii) Service charge costs recovered through rents but not separately invoiced		(5)	(5)
EPRA Costs (including direct vacancy costs)	**A**	**49**	**52**
(ix) Direct vacancy costs		(5)	(9)
EPRA Costs (excluding direct vacancy costs)	**B**	**44**	**43**
(x) Gross Rental Income less ground rent costs - per IFRS		271	231
(xi) Less: service fee and service charge costs components of Gross Rental Income (if relevant)		(9)	(6)
(xii) Add: share of Joint Ventures (Gross Rental Income less ground rents)		0	0
Gross Rental Income	**C**	**263**	**225**
EPRA Cost Ratio (including direct vacancy costs) (A/C)	**A/C**	**18.6%**	**23.3%**
EPRA Cost Ratio (excluding direct vacancy costs) (B/C)	**B/C**	**16.9%**	**19.1%**

(1) 2016: 35.8€m refer to administrative expense and 1.4€m refer to extraordinary operating expenses
2015: 32.9€m refer to administrative expense and 1.9€m refer to extraordinary operating expenses

Additional Disclosure		
Capitalized overhead costs [1]	0	0
Commercialisation fees [2]	2	7

(1) overheads which are directly and totally related to projects are capitalized

(2) commercialisation fees are registered as an asset

7) EPRA Capex Disclosure

€m

Property-related CAPEX	12/2016	12/2015
Acquisitions [1]	**168**	**239**
Development (ground-up/green field/brown field)	**71**	**107**
Like-for-like portfolio	**11**	**11**
Other [2]	**4**	**10**
Capital Expenditure	**255**	**368**

(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	2016	2015
ASSETS		
Property investments	7,763	6,743
Other non-current assets	198	46
Non-current assets	7,960	6,789
Debtors and other receivables	125	85
Other current assets	142	242
Assets available for sale	0	13
Current assets	267	340
TOTAL ASSETS	8,228	7,130
LIABILITIES		
Share capital	892	797
Reserves and others	1,136	625
Profit (loss) for the period	274	415
Equity	2,302	1,837
Minority interests	1,706	1,612
Net equity	4,008	3,449
Bond issues and other non-current issues	2,510	2,539
Non-current financial debt	712	442
Deferred tax	347	244
Other non-current liabilities	143	114
Non-current liabilities	3,712	3,339
Bond issues and other current issues	314	176
Current financial debt	89	54
Creditors and other payables	61	73
Other current liabilities	43	38
Current liabilities	507	341
TOTAL EQUITY & LIABILITIES	8,228	7,130

MARKET VALUE RECONCILIATION - €m	2016
Tangible fixed assets - own use [(1)]	39
Real estate investment (w/o advances on fixed assets) [(2)]	7,763
Value accounted on balance	**7,801**
Unrealised capital gains - own use	23
Not appraised	0
Fiscal adjustments	1
Rent free periods	103
Adjustments	**127**
Appraisal value according to external appraisers	**7,928**

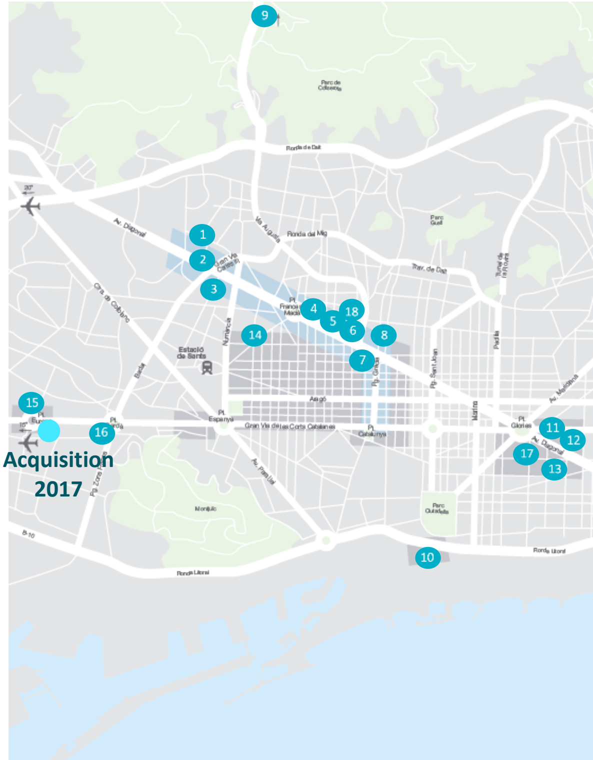
[(1)] Included in the line of "Other non-current assets"

[(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

● Plaza Europa (acq. 2017)


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 Centrarl 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


Plaza Europa (adquisición 2017)

6.3 Appendix – Asset portfolio – Locations

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. Capitán Haya, 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- Capitán Haya, 53


9- Estébanez Calderón,3-5


10- Agustín Foxá, 29


11- Hotel Tryp Chamartín


12- López de Hoyo, 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

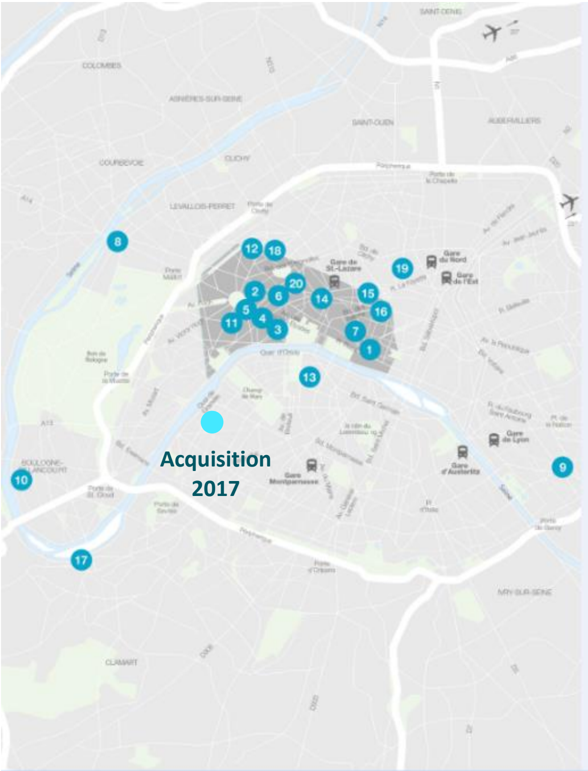

21- Serrano, 73


22- Santa Hortensia, 26-28


23- Paseo Castellana, 163

6.3 Appendix – Asset portfolio – Locations

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

- 112-122 Av. Emile Zola (acq. 2017)


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


Emile zola (adquisición 2017)

6.4 Appendix – Asset portfolio - Details

Spain

RENTAL PORTFOLIO SPAIN	Año compra	Superficie sobre rasante				Superficie sobre rasante	Superficie bajo rasante	Superficie total	Plazas parking
		Oficinas	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	**21,536**				**21,536**	18,839	**40,375**	**438**
AV. DIAGONAL, 682	1997	**8,050**	250			**8,300**	1,795	**10,095**	**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	**19,639**	812			**20,451**	13,620	**34,071**	**796**
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**	1,766	**5,346**	**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**	2,231	**8,531**	**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	**4,644**				**4,644**	1,929	**6,574**	**54**
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**	**181**
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**
CAPITÁN HAYA, 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		380,151	29,299	0	19,592	429,042	211,352	640,394	6,537
PARC CENTRAL 22@	2016	**14,737**				**14,737**	14,737	**29,474**	**184**
PARC GLORIES	2010	**24,551**				**24,551**	5,343	**29,894**	**141**
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**	**107**
CASTELLANA, 43	2005	**5,998**				**5,998**	2,441	**8,439**	**81**
SERRANO,73		**4,242**				**4,242**	3,220	**7,462**	**80**
ORENSE 46-48	1994	**0**	5,010			**5,010**	1,384	**6,394**	**51**
P. CASTELLANA, 163		**700**				**700**	0	**700**	
REST OF ASSETS		**1,504**	2			**1,506**	2,676	**4,182**	
PROJECTS UNDERWAY SPAIN		**73,252**	**5,012**	**0**	**0**	**78,264**	**39,082**	**117,346**	**747**
TOTAL SPAIN		**453,404**	**34,311**	**0**	**19,592**	**507,306**	**250,434**	**757,740**	**7,284**
BARCELONA		***214,051***	*14,787*	*0*	*0*	***228,838***	*120,848*	***349,687***	***3,543***
MADRID		***239,352***	*18,658*	*0*	*8,073*	***266,083***	*129,236*	***395,318***	***3,741***
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.

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**	217		2,134	**27,248**	5,730	**32,978**	**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	**4,110**	3,089			**7,199**	0	**7,199**	
CEZANNE SAINT-HONORE	2001 / 2007	**18,972**	1,849	0		**20,822**	3,337	**24,159**	**128**
131 WAGRAM	1999	**7,100**			449	**7,549**	3,119	**10,668**	**124**
96 IENA	2001 / 2007	**7,505**				**7,505**	4,711	**12,217**	**264**
112 WAGRAM	2008	**4,470**	892			**5,362**	546	**5,908**	**29**
WASHINGTON PLAZA	2000	**35,888**	416		2,214	**38,519**	13,280	**51,799**	**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	**14,711**	258		1,052	**16,021**	1,891	**17,912**	**100**
SAINT DENIS		**0**		60		**60**	16	**76**	**1**
PORTFOLIO IN OPERATION FRANCE		**286,497**	**28,371**	**6,132**	**16,632**	**337,632**	**79,890**	**417,522**	**3,675**
LOUVRE SAINT-HONORE		**1,081**	8,989			**10,070**	8,462	**18,532**	
CEZANNE SAINT-HONORE		**5,465**				**5,465**	1,504	**6,969**	
WASHINGTON PLAZA		**3,775**				**3,775**	2,177	**5,951**	
103 GRENELLE		**874**				**874**	1,704	**2,578**	
#CLOUD.PARIS						**0**	3,397	**3,397**	
REST OF ASSETS		**0**	531			**531**	7,897	**8,428**	
PROJECTS UNDERWAY FRANCE		**11,195**	**9,520**			**20,715**	**25,140**	**45,855**	**0**
TOTAL FRANCE		**297,692**	**37,891**	**6,132**	**16,632**	**358,347**	**105,030**	**463,377**	**3,675**
TOTAL PROPERTY COLONIAL		**751,096**	**72,202**	**6,132**	**36,223**	**865,653**	**355,464**	**1,221,117**	**10,959**

Colonial has 58.5% 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 8288 and Haussmann 104-110 of which it owns 50%.

6.5 Appendix – Project portfolio & new acquisitions

Projects underway & new acquisitions in 2016

Discovery Building (Estébanez Calderón) – Madrid *(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 – Madrid *(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.

Parc Glories – Barcelona 22@

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. 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 Avinguda Diagonal. The building will be one of the first properties to obtain the LEED Platinum certificate in the Barcelona office market.

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

Projects underway and new acquisitions in 2016

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.

Serrano, 73 – Madrid Prime CBD

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. The property is currently in a refurbishment phase.

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 delivered in 2015

#CLOUD (Rue Richelieu) – Paris



This office complex was acquired in April 2004 and in the last quarter of 2015, the comprehensive refurbishment project on the building was completed, which involved the creation of 33,000 sq m of individual offices for top tier clients in central Paris. This building entered into operation at the close of 2015, let at 100%. The property has the top energy certificates (HQE, BREEAM & LEED Gold) and currently represents the best high quality supply in the Paris CBD.

Travessera de Gràcia / Amigó



A two-building office complex project with a total of 8,095 sq m above ground, located in Travessera de Gràcia, where it crosses with Calle Amigó, no more than a few metres from Avinguda Diagonal in a busy and well-connected shopping area. An office complex with state-of-the-art façades and an outstanding design. Office spaces ranging from 200 sq m to 540 sq m per floor. These high-quality energy-efficient buildings and facilities have obtained the LEED Gold certification ("green building").

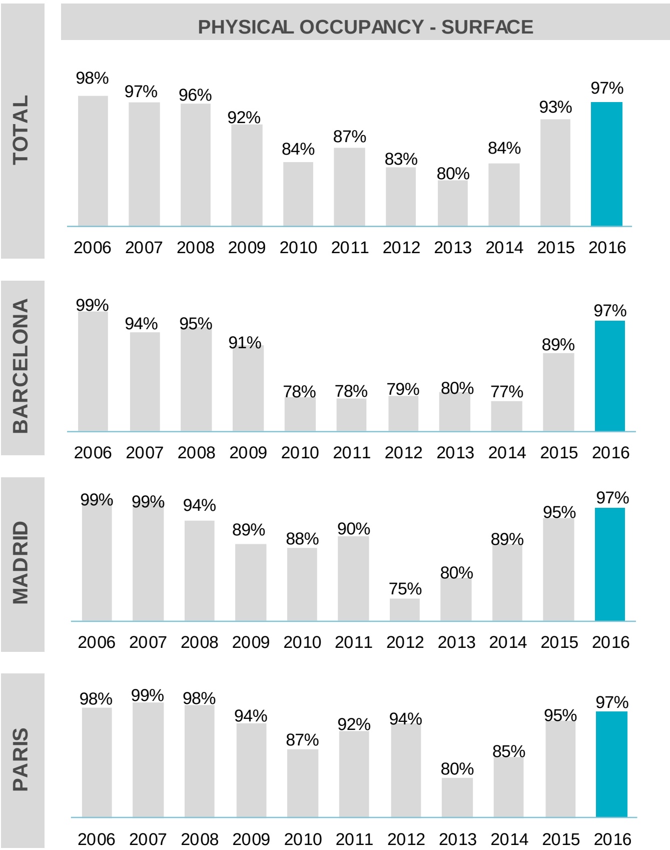
6.6 Appendix – Historical series

Historical series breakdown

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

Evolution of physical office occupancy

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



(1) Occupied surfaces/Surfaces in operation

6.7 Appendix – Appraisal certificate

CONSEJO DE ADMINISTRACIÓN
INMOBILIARIA COLONIAL S.A.
Av. Diagonal 532
08006 Barcelona

Madrid, 27th January 2017

Dear Sirs,

In accordance with your instruction, JLL Valoraciones; S.A. and CBRE, as valuers of the Colonial portfolio in Spain, and Jones Lang LaSalle Expertise, Denis François (CBRE) and BNP Paribas Real Estate Valuation France, as SFL valuers in France have carried out the valuation reports of the freehold interest of the portfolio of properties of Inmobiliaria Colonial (Spain and France) as at 31th of December 2016 for internal use of the company.

According to the aforementioned reports, the Net Market Value of the company's portfolio is:

7,927,918,372 EUROS

(Seven Thousand Nine Hundred and Twenty Seven Million Nine Hundred and Eighteen Thousand Three Hundred and Seventy Two Euros)

The breakdown is as follows:

Unit	Market Value (excl. Transfer costs)	Gross Value (incl. Transfer costs)
Madrid	1,363,405,000 €	1,396,155,367 €
Barcelona	820,883,900 €	842,141,536 €
Rest of Spain	7,213,700 €	7,410,620 €
Total Colonial (Spain)	**2,191,502,600 €**	**2,245,707,523 €**
Total SFL (Paris)	**5,736,415,772 €**	**6,091,624,186 €**
Total Colonial + SFL	**7,927,918,372 €**	**8,337,331,709 €**

The valuation has been carried out in accordance with the Practice Statement and the relevant Guidance Notes in the RICS Appraisals and Valuations Manual prepared by the Royal Institution of Chartered Surveyors and with the General Principles adopted in the Preparation of Valuations and Reports.

JLL Valoraciones, S.A.

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CBRE VALUATION ADVISORY S.A.

6.8 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 issuance 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 issuance for €1,301m according to the following breakdown:
   a) Issuance in November 2012 of the initial amount of €500m, with pending amount after the repurchases carried out in November 2014 and November 2015 of €300.7m, 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 syndicate loan for a nominal value of €350m, of which the agent bank is Natixis S.A. Sucursal en España, maturity 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. This loan is subject to the fulfilment of certain financial ratios.

   At 31 December 2016, €122m was drawn.
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. This loan is drawn down at €20m.
   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 31 December 2016, this loan was totally undrawn.

6.8 Appendix – Financial structure – Details

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 4.5 years and the average financing spread is 80 bps.
   b) SFL holds a total of €205m in bilateral loans with various financial institutions, with mortgage securities on property assets. The average maturity of these loans is 5.3 years.
7. Bilateral loans without mortgage securities:
   SFL holds various loans for the amount of €425m, at a variable interest rate, with an average maturity of 2.7 years.

Hedging portfolio

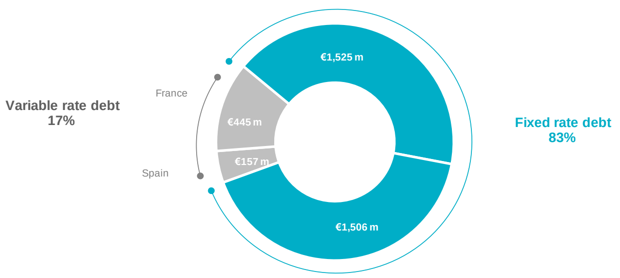
The breakdown of the hedging portfolio at 31 December 2016 is the following:

December 2016 Financial instrument - €m	Spain	France	MTM (Ex-coupon)
Total hedging portfolio (Variable - Fixed)	23	0	(3)
Maturity (years)	7.0	0.0	
% Hedging portfolio / Gross debt	15%	0%	
% Fixed rate or hedged debt vs/ Gross debt	92%	77%	

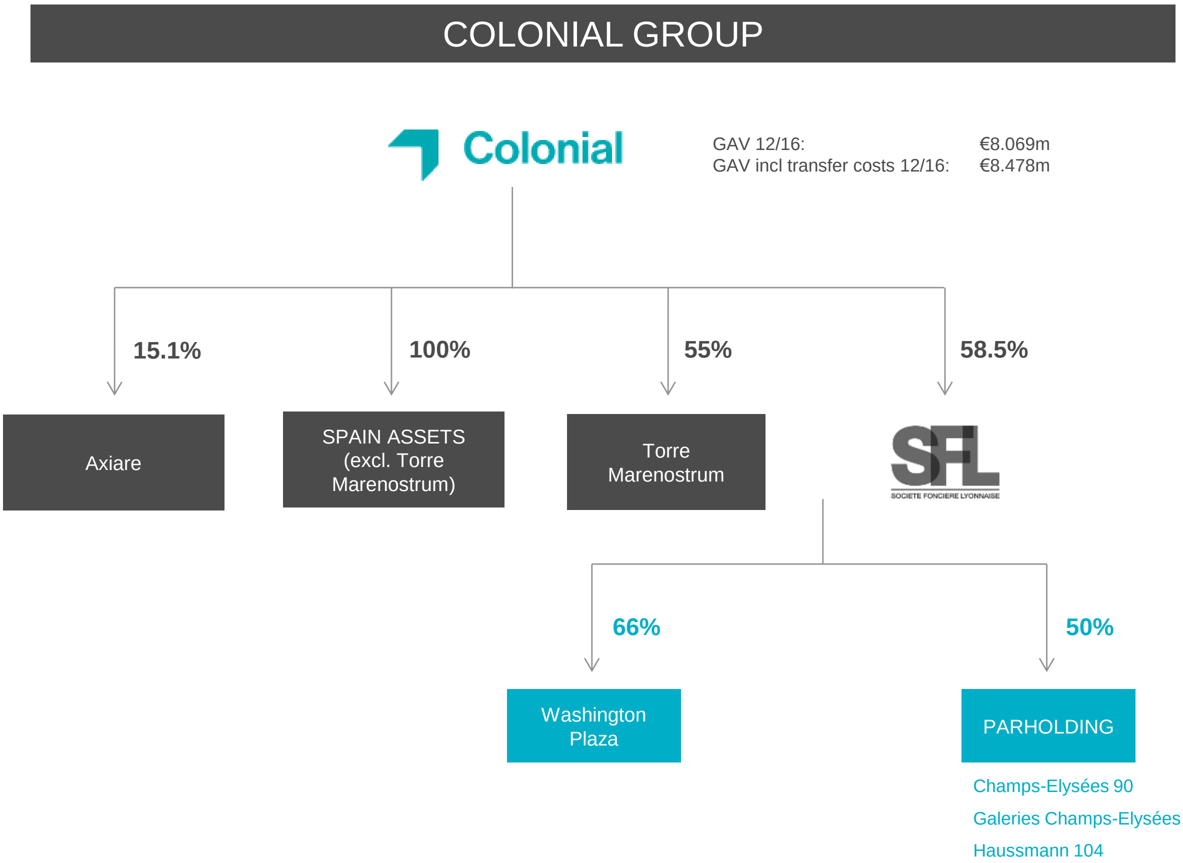
At 31 December 2016, 83% of the Group's debt was contracted at a fixed rate. In addition, the Group uses derivative financial instruments that enable it to manage its exposure to interest rate fluctuations. The objective of the risk management policy is to reduce exposure to interest rate volatility 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 31 December 2016, the Group only had one interest rate derivative contracted (IFRS) for €23m, wholly associated to a loan.

Breakdown of fixed rate and variable debt at 31/12/2016



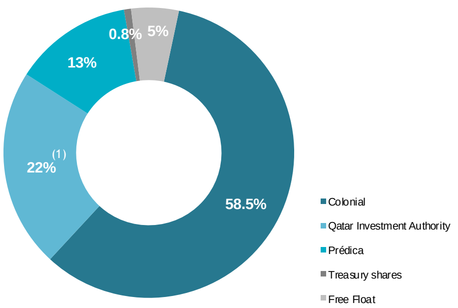
6.9 Appendix – Legal structure



6.10 Appendix – Subsidiaries - Details

▪ Shareholder structure and Board of Directors of SFL

SFL - Shareholder structure at 31/12/2016



(1) Stake held through Qatar Investment Authority (13.6%) 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			
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				
Anne-Marie de Chalambert	Independent Director			Member	Member	Member
Jacques Calvet	Independent Director				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 + NAV of 58.5% stake in SFL

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 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.
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 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 Vavancy	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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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), Global Property Index 250 (GPR 250 Index) & Index Ibex Medium Cap.

About Colonial

Colonial is a listed property Company leader in the European Prime office market with presence in the main business areas of Barcelona, Madrid and Paris with a portfolio of more than 865,000 sq m of GLA above ground and assets under management with a value of more than €8.2bn.

6.13 Appendix – Disclaimer

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