Inmobiliaria Colonial, S.A. and Subsidiaries

Condensed Consolidated Half-Yearly Financial Statements and Interim Directors' Report for the six-month period ended 30 June 2014.

Translation of a report originally issued in Spanish and of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 1 and 20). In the event of a discrepancy, the Spanish-language version prevails.

Deloitte.

Deloitte, S.L.
Avda. Diagonal, 654
08034 Barcelona
España

Tel.: +34 932 80 40 40
Fax: +34 932 80 28 10
www.deloitte.es

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

REPORT ON LIMITED REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Inmobiliaria Colonial, S.A., at the request of the Board of Directors:

Report on the interim condensed consolidated financial statements

Introduction

We have performed a limited review of the accompanying interim condensed consolidated financial statements ("the interim financial statements") of Inmobiliaria Colonial, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the condensed consolidated statement of financial position at 30 June 2014 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and explanatory notes thereto for the six-month period then ended. The Parent's directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial information, in conformity with Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of the review

Our limited review was performed in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying certain analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with the audit regulations in force in Spain and, consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

As a result of our limited review, which under no circumstances may be considered to be an audit of financial statements, nothing came to our attention that might cause us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2014 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, pursuant to Article 12 of Royal Decree 1362/2007, for the preparation of interim condensed financial statements.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Emphasis of matter paragraph

We draw attention to Note 2-b to the accompanying interim condensed consolidated financial statements, which indicates that the aforementioned accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2013. This matter does not affect our conclusion.

<u>Report on other legal and regulatory requirements</u>

The accompanying interim consolidated directors' report for the six-month period ended 30 June 2014 contains the explanations which the Parent's directors consider appropriate about the significant events that took place in that period and their effect on the interim financial statements presented, of which it does not form part, and about the information required under Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the interim consolidated directors' report is consistent with that contained in the interim financial statements for the six-month period ended 30 June 2014. Our work was confined to checking the interim consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Inmobiliaria Colonial, S.A. and Subsidiaries.

<u>Paragraph on other matters</u>

This report was prepared at the request of the Board of Directors of Inmobiliaria Colonial, S.A. in relation to the publication of the half-yearly financial report required by Article 35 of Spanish Securities Market Law 24/1988, of 28 July, implemented by Royal Decree 1362/2007, of 19 October.

DELOITTE, S.L.

Francesc Ganyet

29 July 2014

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 1 and 20).

In the event of a discrepancy, the Spanish-language version prevails.

INMOBILIARIA COLONIAL, S.A AND SUBSIDIARIES
(COLONIAL GROUP)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

(Thousands of Euros)

ASSETS	Note	30 June 2014	31 December 2013
Goodwill	4	-	120,000
Intangible assets	-	2,350	2,035
Property, plant and equipment	5	31,840	32,952
Investment property	6	5,191,026	4,916,066
Non-current financial assets	-	7,715	309,750
- Investments in associates	7	-	*302,341*
- Other financial assets	-	*7,715*	*7,409*
Non-current deferred tax assets	-	142,934	142,592
Other non-current assets	8	201	30,709
NON-CURRENT ASSETS		5,376,066	5,554,104
Trade and other receivables	-	65,549	47,476
Current financial assets	-	948	951
Tax receivables	-	18,526	20,995
Cash and cash equivalents	-	175,379	53,557
Non-current assets held for sale	14	314,484	842,748
CURRENT ASSETS		574,886	965,727
TOTAL ASSETS		5,950,952	6,519,831

EQUITY AND LIABILITIES	Note	30 June 2014	31 December 2013
Share capital		791,485	225,919
Share premium		553,800	109
Reserves of the Parent		1,168,836	1,083,485
Prior years' losses at the Parent		(944,584)	(837,243)
Reserves in consolidated companies		(627,587)	(193,463)
Amounts recognised in equity relating to financial asset valuations		(4,723)	(18,358)
Other equity instruments		747	2,488
Treasury shares		(21,088)	(59,945)
Profit/(Loss) for the year		559,388	(546,928)
Equity attributable to shareholders of the Parent		1,476,274	(343,936)
Non-controlling interests		1,341,166	1,272,765
EQUITY	9	2,817,440	928,829
Bank borrowings and other financial liabilities	10 and 1	1,673,372	627,895
Issue of bonds and similar securities	10	996,593	995,587
Non-current deferred tax liabilities	-	190,929	184,776
Non-current provisions	12	24,093	767
Other non-current liabilities	-	25,141	23,643
NON-CURRENT LIABILITIES		2,910,128	1,832,668
Bank borrowings and other financial liabilities	10 and 1	77,525	2,059,521
Issue of bonds and similar securities	10	10,640	13,619
Trade payables	-	112,143	101,220
Taxes payable	-	22,366	25,507
Current provisions	12	690	20,609
Liabilities relating to assets held for sale	14	-	1,537,858
CURRENT LIABILITIES		223,384	3,758,334
TOTAL EQUITY AND LIABILITIES		5,950,952	6,519,831

Notes 1 to 20 to the interim condensed consolidated financial statements and Appendix I are an integral part of the statement of financial position for the six-month period ended 30 June 2014.

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 1 and 20). In the event of a discrepancy, the Spanish-language version prevails.

INMOBILIARIA COLONIAL, S.A AND SUBSIDIARIES
(COLONIAL GROUP)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED30 JUNE 2014

(Thousands of Euros)

Statement of comprehensive income	Note	June 2014	June 2013
Revenue	-	101,962	106,607
Other income	-	3,389	2,032
Staff costs	-	(15,255)	(11,150)
Other operating expenses	-	(35,214)	(18,806)
Depreciation and amortisation charge	-	(699)	(688)
Net change in provisions	-	(11,253)	431
Net gain/(loss) on sales of assets	-	7	(3,341)
Operating profit		**42,937**	**75,085**
Change in fair value of investment properties	15	189,256	33,995
Impairment charges and net gains/(losses) on assets	15	(124,404)	(550)
Finance income	15	5,159	10,114
Share of profit/(loss) of associates	15	(2,176)	11,583
Finance costs	15	(148,917)	(117,133)
Impairment of financial assets	15	(2,705)	(2,505)
Profit/(loss) before tax		**(40,850)**	**10,589**
Income tax expense	-	(16,169)	(18,779)
Consolidated net loss from continuing operations		**(57,019)**	**(8,190)**
Profit/(loss) from discontinued operations	14	703,842	(256,834)
Consolidated net profit/(loss)		**646,823**	**(265,024)**
Net profit/(loss) for the period attributable to the Parent	3	559,388	(307,988)
Net profit attributable to non-controlling interests	9	87,435	42,964
Basic earnings per share (€)	3	0.498	(1.373)
Diluted earnings per share (€)	3	0.498	(1.373)

Other comprehensive income			
Consolidated net profit/(loss)		**646,823**	**(265,024)**
Other components of comprehensive income recognised directly in equity		**5,387**	**23,310**
Gains on hedging instruments	11	4,252	25,995
Net gain/(loss) on financial assets held for sale	-	-	-
Other gains/(losses)		-	-
Income tax relating to components of other comprehensive income		1,135	(2,685)
Transfers to comprehensive income		**10,742**	**10,368**
Gains on hedging instruments	11	10,742	10,368
Net gain/(loss) on financial assets held for sale	-	-	-
Consolidated comprehensive income/(loss)		**662,952**	**(231,346)**
Total comprehensive income/(loss) for the period attributable to the Parent		573,023	(281,489)
Total comprehensive income/(loss) attributable to non-controlling interests		89,930	50,143
Basic comprehensive income/(loss) per share (€)		0.510	(1.255)
Diluted comprehensive income/(loss) per share (€)		0.510	(1.255)

Notes 1 to 20 to the interim condensed consolidated financial statements and Appendix I are an integral part of the statement of comprehensive income for the six-month period ended 30 June 2014.

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 1 and 20). In the event of a discrepancy, the Spanish-language version prevails.

INMOBILIARIA COLONIAL, S.A. AND SUBSIDIARIES
(COLONIAL GROUP)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED
30 JUNE 2014

(Thousands of Euros)

	Note	Share capital	Share premium	Reserves of the Parent	Prior years' losses in the Parent	Reserves in consolidated companies	Amounts recognised in equity relating to financial asset valuations	Treasury shares	Other equity instruments	Profit/(loss)	Non-controlling interests	Total
Balance at 31 December 2012	-	225,918	102	1,083,591	-	48,822	(1,008)	(60,047)	3,955	(1,129,005)	1,219,637	1,391,965
Total recognised income and expense for the period		-	-	-	-	-	26,499	-	-	(307,988)	50,143	(231,346)
Rights issue		1	7	(35)	-	-	-	-	(8)	-	-	(35)
Allocation of 2012 profit		-	-	-	(837,243)	(291,762)	-	-	-	1,129,005	(33,394)	(33,394)
Issuance of other equity instruments		-	-	(44)	-	-	-	-	44	-	-	-
Treasury share portfolio		-	-	-	-	-	-	(321)	-	-	(283)	(604)
Share-based payment transactions		-	-	-	-	-	-	-	762	-	128	890
Changes in scope of consolidation and other changes		-	-	-	-	49,280	(49,199)	-	-	-	6,722	6,803
Balance at 30 June 2013	-	225,919	109	1,083,512	(837,243)	(193,660)	(23,708)	(60,368)	4,753	(307,988)	1,242,953	1,134,279
Total recognised income and expense for the period		-	-	-	-	-	5,350	-	-	(238,940)	44,767	(188,823)
Rights issue		-	-	(7)	-	-	-	-	-	-	-	(7)
Allocation of 2012 profit		-	-	-	-	-	-	-	-	-	(15,690)	(15,690)
Issuance of other equity instruments		-	-	(45)	-	-	-	-	45	-	-	-
Treasury share portfolio		-	-	-	-	-	-	423	-	-	373	796
Share-based payment transactions		-	-	-	-	-	-	-	(2,310)	-	139	(2,171)
Changes in scope of consolidation and other changes		-	-	25	-	197	-	-	-	-	223	445
Balance at 31 December 2013	-	225,919	109	1,083,485	(837,243)	(193,463)	(18,358)	(59,945)	2,488	(546,928)	1,272,765	928,829
Total recognised income and expense for the period		-	-	-	-	-	13,635	-	-	559,388	89,930	662,953
Rights issue		735,005	551,686	(48,806)	-	-	-	-	-	-	-	1,237,885
Share cancellation		(169,439)	-	169,439	-	-	-	-	-	-	-	-
Allocation of 2013 profit		-	-	-	(107,341)	(439,587)	-	-	-	546,928	(33,726)	(33,726)
Issuance of other equity instruments		-	2,005	(15)	-	-	-	-	(1,990)	-	-	-
Treasury share portfolio		-	-	(35,267)	-	-	-	38,857	-	-	509	4,099
Share-based payment transactions		-	-	-	-	(152)	-	-	249	-	134	231
Changes in scope of consolidation and other changes		-	-	-	-	5,615	-	-	-	-	11,554	17,169
Balance at 30 June 2014	9	791,485	553,800	1,168,836	(944,584)	(627,587)	(4,723)	(21,088)	747	559,388	1,341,166	2,817,440

Notes 1 to 20 to the interim condensed consolidated financial statements and Appendix I are an integral part of the consolidated statement of changes in equity for the six-month period ended 30 June 2014.

INMOBILIARIA COLONIAL, S.A. AND SUBSIDIARIES
(COLONIAL GROUP)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

(thousands of euros)	Note	June 2014	June 2013
CASH FLOWS FROM CONTINUING OPERATIONS			
1. CASH FLOWS (USED IN)/GENERATED BY OPERATING ACTIVITIES			
Operating profit		42,937	75,085
Adjustments to profit			
Depreciation and amortisation (+)		699	688
Net changes in provisions (+/-)	15	11,253	(431)
Other	15	-	890
Gains/(losses) on disposal of investment properties (+/-)	15	(7)	3,341
Adjusted profit		54,882	79,573
Taxes paid (-)		(5,823)	(1,023)
Dividends received from associates (+)	-	7,279	9,067
Increase/(decrease) in current assets and liabilities			
Increase/(decrease) in receivables (+/-)		(18,073)	(16,526)
Increase/(decrease) in payables (+/-)		10,923	3,686
Increase/(decrease) in other current assets and liabilities (+/-)			(12,200)
Net cash generated by/(used in) operating activities		**49,188**	**62,577**
2. CASH FLOWS (USED IN)/GENERATED BY INVESTING ACTIVITIES			
Investments in (-)			
Intangible assets		(480)	(525)
Property, plant and equipment	5	(4)	(114)
Investment property	6	(55,782)	(79,206)
Equity investments, financial assets and other		(303)	(52,741)
		(56,569)	(132,586)
Disposals of (+)			
Financial assets	7	-	612
Investment property	6	-	305,180
		-	305,792
Net cash generated by/(used in) investing activities		**(56,569)**	**173,206**
3. CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid (-)	-	(34,171)	(33,394)
Repayment of borrowings (-)		(2,110,384)	(163,821)
Interest paid (+/-)		(60,277)	(79,462)
Cancellation of financial derivative instruments (-)		(8,580)	-
Trading in treasury shares (+/-)		3,013	(604)
		(2,210,399)	(277,281)
Proceeds from bank funding (+)		1,148,012	30,423
Rights issue		1,263,338	-
Expenses associated with rights issues and financial restructuring		(71,748)	(35)
Other proceeds/(payments) for current financial assets and other (+/-)		-	(62)
		2,339,602	30,326
Net cash generated by/(used in) financing activities		**129,203**	**(246,955)**
4. 4. NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS			
Net cash flows for the period used in continuing activities		**121,822**	**(11,172)**
Cash and cash equivalents at the beginning of the period		**53,557**	**69,017**
Cash and cash equivalents at the end of the year		**175,379**	**57,845**
CASH FLOWS FROM DISCONTINUED OPERATIONS			
1. Cash flows (used in)/generated by operating activities		-	12,887
2. Cash flows (used in)/generated by investing activities		-	52,837
3. Cash flows from financing activities		-	(69,157)
CASH FLOWS FROM/(USED IN) DISCONTINUED OPERATIONS	14	**-**	**(3,433)**

Notes 1 to 20 are an integral part of the interim condensed consolidated consolidated statement of cash flows for the six-month period ended 30 June 2014.

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 1 and 20). In the event of a discrepancy, the Spanish-language version prevails.

Inmobiliaria Colonial, S.A. and Subsidiaries

Explanatory notes to the Condensed Consolidated Half-Yearly Financial Statements for the six-month period ended 30 June 2014

1. Introduction, basis of presentation of the condensed consolidated half-yearly financial statements and other information

Introduction

Inmobiliaria Colonial, S.A. (formerly, Grupo Inmocaral, S.A., incorporated as Grupo Fosforera, S.A., hereinafter the "Parent") is a public limited company incorporated in Spain, for an indefinite period on 8 November 1956. Its registered offices are located at Avenida Diagonal 532, in Barcelona.

The activity of Inmobiliaria Colonial, S.A. and Subsidiaries (hereinafter the "Group" or the "Colonial Group") is the lease and disposal of movable and immovable property, which it carries on in Spain (mainly in Barcelona and Madrid) and in France (Paris), through the group of which Société Foncière Lyonnaise, S.A. is the parent (hereinafter the "SFL subgroup" or "SFL" for the subsidiary).

Until the date of its exclusion from consolidated subgroup Asentia (Note 2), the Group also developed land and housing in Spain through its subsidiaries Asentia Project, S.L.U. and Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U., and the shopping centre and business park development and management business was carried out in Spain, Bulgaria and Romania through the group of which Riofisa, S.A.U. is the parent (hereinafter, "Riofisa subgroup" or "Riofisa" for the subsidiary).

The consolidated financial statements of the Group for 2013 were approved at the General Shareholders' Meeting of the Parent held on 30 June 2014.

b) Basis of presentation of the condensed consolidated half-yearly financial statements

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

The Group's 2013 consolidated financial statements were prepared by the Company's directors in accordance with the International Financial Reporting Standards as adopted by the European Union, applying the consolidation, accounting and measurement principles, policies and bases set forth in Note 4 to those consolidated financial statements, in order to present a true and fair view of the Group's consolidated equity and consolidated financial position at 31 December 2013 and the consolidated results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.

These condensed consolidated interim financial statements for the six month-period ended 30 June 2014 are presented in accordance with IAS 34 Interim Financial Reporting and were authorised for issue by the Group's directors on 29 July 2014, in accordance with article 12 of Royal Decree 1362/2007.

In accordance with IAS 34, the interim financial report is intended to provide an update on the latest complete set of the Group's annual consolidated financial statements, focusing on new activities, events and circumstances that took place during the first half of the year and not duplicating information previously reported in the 2013 consolidated financial statements. Accordingly, in order to adequately understand the information included in these condensed consolidated interim financial statements, they must be read in conjunction with the Group's consolidated financial statements for 2013.

The accounting principles and policies used to prepare the condensed consolidated interim financial statements are the same as those applied in the 2013 consolidated financial statements.

However, since the accounting policies and measurement bases used in preparing the Group's interim consolidated financial statements for the six- month period ended 30 June 2014 may differ from those used by certain Group entities, the required adjustments and reclassifications were made on consolidation to unify such policies and bases and to make them compliant with IFRS and with the accounting policies and standards followed by the Parent.

The SFL Group, included in the scope of consolidation, was the subject of a limited review at 30 June 2014 on a shared basis between the Group's auditor, Deloitte, and PricewaterhouseCoopers Audit.

Standards and interpretations effective in 2014

New accounting standards became effective during the six-month period ended 30 June 2014, and were accordingly applied in preparing these condensed consolidated half-yearly financial statements. The new standards are as follows:

Approved for use in the European Union		**Mandatory application in annual periods beginning on or after**
IFRS 10 – Consolidated Financial Statements (published in May 2011)	Replaces the parts of IAS 27 that deal with consolidated financial statements	Annual periods beginning on or after 1 January 2014 (1)
IFRS 11 – Joint Arrangements (published in May 2011)	Replaces IAS 31 Interests in Joint Ventures	Annual periods beginning on or after 1 January 2014 (1)
IFRS 12 – Disclosure of Interests in Other Entities (published in May 2011)	Single disclosure standard applicable to entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.	Annual periods beginning on or after 1 January 2014 (1)
IAS 27 (as revised) – Separate Financial Statements (published in May 2011)	The standard has been revised because, following the issuance of IFRS 10, it will now only include the separate financial statements of an entity.	Annual periods beginning on or after 1 January 2014 (1)
IAS 28 (as revised) – Investments in Associates and Joint Ventures (published in May 2011)	This revision is parallel to the issuance of IFRS 11 - Joint Arrangements.	Annual periods beginning on or after 1 January 2014 (1)
Transition guidance: Amendments to IFRS 10, 11 and 12 (published in June 2012)	Clarification on the transition rules applying to these standards.	Annual periods beginning on or after 1 January 2014 (1)

Approved for use in the European Union		Mandatory application in annual periods beginning on or after
Investment entities: Amendments to IFRS 10, IFRS 12 and IAS 27 (published in October 2012)	Provides an exemption from consolidation for parent companies meeting the definition of investment entity	Annual periods beginning on or after 1 January 2014
Amendment to IAS 32 – Offsetting Financial Assets and Financial Liabilities (published in December 2011)	Additional clarification on the IAS 32 rules for offsetting financial assets and liabilities and introduction of new disclosure requirements under IFRS 7.	Annual periods beginning on or after 1 January 2014
Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets (published in May 2013)	Clarifies certain disclosure requirements and requires additional information when the recoverable amount is based on fair value less costs of disposal.	Annual periods beginning on or after 1 January 2014
Amendments to IAS 39, Novation of Derivatives and Continuation of Hedge Accounting (published June 2013)	Determine the cases where and criteria under which there would be no need to discontinue hedge accounting if a hedging derivative was novated.	Annual periods beginning on or after 1 January 2014

1) The European Union endorsed IFRIC 21 (EU Bulletin 14 June 2014), replacing the original entry date in force established by the IASB (1 January 2014) with that of 17 June 2014.

The application of the aforementioned new regulations described have not had a significant impact on the accompanying condensed consolidated half-yearly financial statements.

Standards and interpretations in issue but not yet effective

At the date of authorisation of these condensed consolidated interim financial statements, the following standards, amendments and interpretations had been published by the IASB but had not become effective, either because they came into effect after the date of the condensed consolidated interim financial statements or because they had yet to be endorsed by the European Union:

New standards, amendments and interpretations		Mandatory application in annual periods beginning on or after
Approved for use in the European Union		
IFRIC 21 Levies (published in May 2013)	Interpretation on when to recognise a liability for levies charged for participation in an activity on a specified date	17 June 2014 (1)
Not approved for use in the European Union		
IFRS 9 – Financial Instruments: Classification and Measurement (published in November 2009 and October 2010) and subsequent amendments of IFRS 9 and IFRS 7 on effective date and transition disclosures (published in December 2011) and hedge accounting and other amendments (November 2013)	Replaces the rules for the classification and measurement of financial assets and liabilities and for derecognition established in IAS 39.	Undefined
IFRS 15 Revenue from Contracts with Customers (published in May 2014)	New standard for the recognition of income (substitutes IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31)	1 January 2017

New standards, amendments and interpretations		Mandatory application in annual periods beginning on or after
Amendments to IAS 19 Defined Benefit Plans: Employee Contributions (published in November 2013)	The amendments permit contributions to be recognised as a reduction in the service cost in the period in which payment for the related service is made, if certain requirements are met	1 July 2014
Improvements to the IFRS 2010-2012 Cycle and 2011-2013 Cycle (published in December 2013)	Minor amendments to a series of standards	1 July 2014
Amendments to IAS 16 and IAS 38 - Acceptable Methods of Depreciation and Amortisation (published in May 2014)	Clarifies the acceptable intangible asset and property, plant and equipment amortisation and depreciation methods.	1 January 2016
Amendments to IFRS 11 - Recognition of acquisitions of interests in Joint Arrangements (published in May 2014)	Specifies how to recognise acquisitions of interests in Joint Arrangements whose activity constitutes a business.	1 January 2016

(1) The European Union endorsed IFRIC 21 (EU Bulletin 14 June 2014), replacing the original entry date in force established by the IASB (1 January 2014) with that of 17 June 2014.

As indicated in Note 2.b of the consolidated financial statements for the year ended 31 December 2013, the application of new standards, amendments and interpretations will be considered by the Group once they have been ratified and approved, where appropriate, by the European Union.

The Parent's Directors have reviewed the potential impacts of the future application of these standards and, as indicated in these 2013 financial statements, consider that they will not have a significant effect on the Group's consolidated financial statements.

c) Responsibility for the information provided and estimates made

The information contained in these condensed consolidated financial statements for the first half of 2014 is the responsibility of the Parent's directors, who have verified that the different controls established to ensure the quality of the financial and accounting information have been effective.

The consolidated results and determination of consolidated equity are a product of the accounting policies and principles, measurement bases and estimates followed by the Parent's directors in the preparation of the condensed consolidated half-yearly financial statements. The principal accounting policies and measurement bases applied are described in Note 4 to the 2013 consolidated financial statements.

In the condensed consolidated half-yearly financial statements, estimates were occasionally made by the senior management of the Parent and of the consolidated companies to quantify certain assets, liabilities, income, expenses and commitments reported in the consolidated companies. These estimates, made on the basis of the best information available, relate basically to:

- Goodwill impairment testing (Note 4).
- The market value of investment property (Note 6).
- The recoverability of tax credits in respect of tax loss carryforwards and deferred tax assets recognised (Note 13).

Although these estimates were made on the basis of the best available information to date on the events analysed, it is feasible that future events could oblige the Group to modify these amounts (upwards or downwards), which would mean, except for goodwill impairment testing, which cannot be reversed in the future, prospectively recognising the effects of said changes in the corresponding consolidated statement of comprehensive income, pursuant to IAS 8.

During the six-month period ended 30 June 2014, there were no significant changes in the estimates made at the end of 2013.

d) Contingent assets and liabilities

Note 20 of the Group's consolidated financial statements for the year ended 31 December 2013 provides information on guarantee commitments to third parties and contingent liabilities at that date.

During the first six months of 2014, the Financial Markets Authority (*AMF*), the body responsible for the supervision and inspection of the French securities market, was notified that the shareholder agreement entered into between the Parent and Prédica on 24 November 2004 and extended in 2009, relating to the subsidiary SFL, will end on 24 November 2014. This shareholders agreement had an initial duration of five years, extendible for equal periods.

Since February 1999, the Parent is awaiting a ruling on various suits brought in connection with a purchase agreement signed for the acquisition of the building located at Francisco Silvela, 42, in Madrid for 21,799 thousand euros. Inmobiliaria Colonial S.A. has deposited a bank guarantee in court for the amount on which payment is pending. On 19 March 2014, the Parent and the sellers signed an agreement to end the legal procedures, consisting of the formalisation of the purchase of the asset by the Parent and the related payment of the outstanding amount.

e) Basis of comparison

The information contained in these condensed consolidated financial statements for the first half of 2014 is presented for comparative purposes with the information relating to the six-month period ended 30 June 2013 for the consolidated statement of comprehensive income and the consolidated statement of cash flows, and is compared with the information relating to 2013 year-end for the consolidated statement of financial position and for the consolidated statement of changes in equity.

f) Seasonality of the Group's operations

Owing to the activities of Group companies, Group transactions have no significant cyclical or seasonal nature. Therefore, no specific disclosures are provided in these explanatory notes to the condensed consolidated financial statements for the six-month period ended 30 June 2014.

g) Materiality

In deciding how to disclose items of the financial statements or other issues, in accordance with IAS 34, the Group assessed materiality in relation to the condensed consolidated half-yearly financial statements.

h) Financial position. Capitalisation and refinancing of the Parent

The directors prepare the 2013 consolidated financial statements in accordance with the going-concern principle of accounting, considering the resolutions adopted by the Extraordinary General Shareholders' Meeting on 21 January 2014, which authorised the members of Colonial's Board of Directors to execute the capitalisation and refinancing of the Parent. All of this on the basis of the existence of three individual and binding investment commitments of the investments groups the Villar Mir Group, the Santo Domingo Group and the Amura Capital Group (linked to Mora Banc), subject to certain conditions.

The capitalisation and obtainment of new financing was successfully culminated with the performance of the following operations in the first half of 2014:

- On 17 February 2014, the capital reduction of 169,439 thousand euros was registered in the Barcelona Mercantile Register in order to increase restricted voluntary reserves by decreasing the par value of all shares from 1 euro to 0.25 euros per share (Note 9).

- On 25 February 2014, Asentia carried out a capital increase, which was subscribed in full through the capitalisation of loans by three of its credit entities. As a result of such rights issue, Colonial's equity interest which, to date, had been 100% was reduced to 18.99% of share capital. On 28 April 2014, it was reduced to 17.34%, following a new loan capitalisation, described in Note 2.

- On 4 April 2014, Colonial and *Crédit Agricole Corporate & Investment Bank*, acting as correspondent bank, and other financial entities, signed a new syndicated loan (Note 10) for 1,040,000 thousand euros, and the drawdown of funds was mainly subject to the execution of a rights issue for a minimum amount of 1,240 million euros, giving a maximum Loan to Value ratio of 43%.

- On 6 May 2014, a rights issue of the Parent was filed in the Barcelona Mercantile Register, through the issue and placement of 2,937,995,853 new shares of 0.25 euros par value each, plus a share premium of 0.18 euros each (Note 9). The total amount of the rights issue was 1,263,338 thousand euros.

The funds obtained from the new syndicated loan and from the rights issue were used by the Parent to repay the previous syndicated loan early, to write off virtually all the bilateral loans held by it and by the subsidiary Abix, and to finance the financial restructuring and rights issue costs.

i) Events after the reporting period

No subsequent significant events occurred after the date of presentation of the condensed consolidated financial statements.

j) Income tax

Tax system of the REITs in France

As detailed in the 2013 consolidated financial statements, this system affords the SFL subgroup an exemption from taxes on earnings generated by the rental business and on capital gains generated by the sale of properties, provided that 85% of profit from that activity and 50% of the capital gains obtained on property sales of companies availing themselves of such arrangement are distributed each year in the form of dividends. From 1 January 2014, these percentages rose to 95% and 60%, respectively.

2. Changes in Group composition

Appendices I and II to the consolidated financial statements for the year ended 31 December 2013 provide information on the Group companies included in the scope of consolidation at that date and those measured using the equity method.

On 25 February 2014, the company Asentia Project, S.L. increased its share capital by 13 thousand euros through the issuance of 12,800 shares of 1 euro par value each. This rights issue was fully assumed through the conversion of debt into equity by three credit entities of Asentia. As a result of such rights issue, Colonial's equity interest in the share capital of this company which, to date, had been 100%, was reduced to 18.99%.

Likewise, on the same date, Asentia's General Shareholders' Meeting approved the modification of the Company's Board of Directors, substituting the Sole Director with a Board of Directors and appointing four directors.

Subsequently, a new rights issue of 1.5 thousand euros was made, which was subscribed in full through the conversion of debt into equity by a credit entity of Asentia, reducing the Parent's interest to 17.34%.

Consequently, Colonial lost its control over Asentia, whose ownership interest was recognised in the statement of financial position as an available-for-sale financial asset, recognising the investment in the financial statements at 0 euros. Also, and as a result of the aforementioned loss of control, the effect of the financial deposits delivered to the Asentia Group was recognised (Note 12).

Appendix I to these explanatory notes to the financial statements lists the companies which have been excluded from the consolidated group as a result of the aforementioned loss of control over Asentia.

3. Earnings per share from ordinary and discontinued activities

Basic earnings per share are calculated by dividing earnings for the year attributable to shareholders of the Parent (after tax and non-controlling interests) by the weighted average number of ordinary shares outstanding during that year.

Diluted earnings per share are calculated in a manner similar to basic earnings per share, except that the weighted average number of shares outstanding is adjusted to take into account the potential dilutive effect of the convertible bonds outstanding at year end. At 30 June 2014, all the outstanding bonds at 31 December 2013 were converted into shares of the Parent, amounting to 15,184 (Note 9).

	Thousands of euros	
	30 June 2014	30 June 2013
Consolidated profit/(loss) for the year attributable to shareholders of the Parent:	**559,388**	**(307,988)**
- from continuing operations	(144,333)	(63,551)
- from discontinued operations (Notes 2 and 14)	703,721	(244,437)
	No. of shares	No. of shares
Weighted average number of ordinary shares (in thousands)	1,123,447	224,209
Number of potential ordinary shares resulting from the conversion of bonds (in thousands)	-	79
Weighted average number of ordinary shares diluted (in thousands)	1,123,447	224,209
	euros	euros
Basic earnings per share	**0.498**	**(1.373)**
- from continuing operations	(0.128)	(0.283)
- from discontinued operations	0.626	(1.090)
Diluted earnings per share:	**0.498**	**(1.373)**
- from continuing operations	(0.128)	(0.283)
- from discontinued operations	0.626	(1.090)

For information purposes, the conversion of the warrants outstanding at 30 June 2014, assuming an exercise price of 12 euros per share, would give rise to the issuance of 22,917 thousand shares. The weighted average number of ordinary shares diluted, including the impact of conversion of the warrants since 1 January 2014 would be 1,146,364 thousand shares, leaving a diluted profit per share of 0.488 euros.

4. Goodwill

The Parent's directors test each Cash Generating Unit (hereinafter, "CGU") for impairment at year end, or whenever there are indications that the CGU has suffered an impairment loss, by comparing the carrying amount of the aforementioned CGU, including allocated goodwill, with its recoverable amount.

In the preparation of the interim financial statements, the Parent uses the impairment test considered at the close of the previous year, provided that there are no signs of impairment and that the requirements set under the International Financial Reporting Standards for the use of the most recent calculations (IAS 36) are met, including: that the assets and liabilities composing the CGU are substantially the same as in the last calculation, that the most recent recoverable amount exceeds the carrying amount and that, based on the facts and circumstances occurred since the close of the previous year, no additional impairment loss on goodwill is envisaged at the end of the interim period.

The impairment analysis policies applied by the Group to its goodwill are described in Notes 4-a and 7 of the consolidated financial statements for the year ended 31 December 2013.

At 30 June 2014, the Parent's directors re-assessed the recoverability of the goodwill assigned in full to the CGU in France, considering mainly the effect of the sale of the interest held in the SIIC de Paris, which materialised in July 2014 (Note 14). As a result of this verification, the impairment on all this goodwill amounting to 120,000 thousand euros was recognised.

5. Property, plant and equipment

At the end of the first half of 2014, and based on the appraisals of independent experts of the property earmarked for own use at 30 June 2014, the need was disclosed to record impairment losses on these assets of 610 thousand euros.

6. Investment property

The movement under this heading in the six-month periods ended 30 June 2013 and 2014, as well as during the second half of 2013, was as follows:

	Thousands of euros			
	Investment property	Investment property in progress	Prepayments	**Total**
Balance at 31 December 2012	**4,391,272**	**386,119**	**4,746**	**4,782,137**
Additions	5,971	71,711	8,000	85,682
Decreases or derecognitions	-	(175)	(3,122)	(3,297)
Transfers	29,411	(29,411)	-	-
Change in fair value	42,377	(5,016)	-	37,361
Balance at 30 June 2013	**4,469,031**	**423,228**	**9,624**	**4,901,883**
Additions	7,676	60,593	-	68,269
Decreases or derecognitions	-	169	(2,955)	(2,786)
Transfers	91,519	(171,897)	-	(80,378)
Change in fair value	34,165	(5,087)	-	29,078
Balance at 31 December 2013	**4,602,391**	**307,006**	**6,669**	**4,916,066**
Additions	3,289	52,466	27	55,782
Decreases or derecognitions	(3,794)	-	(903)	(4,697)
Transfers	90,393	(55,913)	-	34,480
Change in fair value (Note 15)	189,951	(556)	-	189,395
Balance at 30 June 2014	**4,882,230**	**303,003**	**5,793**	**5,191,026**

Additions in the first half of 2014 primarily relate to development and renovation projects, mainly at properties of the SFL subgroup, in the amount of 47,600 thousand euros, and at properties of the Parent amounting to 5,760 thousand euros.

Additionally, the change in fair value of the investment property per the appraisals of independent experts at 30 June 2014 was recognised, leading to an increase in the value of the Group's assets of 189,395 thousand euros.

The "Changes in fair value of the investment property" heading in the condensed consolidated statement of comprehensive income includes the profit for the revaluation of investment property for the six-month periods ended on 30 June 2014, amounting to 189,256 thousand euros, including the negative change in value of 139 thousand euros of the investment property reclassified to the "Non-current assets held for sale" heading (Note 14).

Likewise, in the first half of 2014, and following the review of the sales plan within the framework of the negotiations of the new syndicated loan (Note 10), a property located in Madrid was transferred from the "Non-current assets held for sale" heading to "Investment Properties" in the condensed consolidated statement of financial position, given that the directors do not expect it to be disposed of at short term.

7. Non-current financial assets

In the first half of 2014, the carrying amount of the interest held in the SIIC de Paris fell by 7,475 thousand euros, mainly for the amount of the dividends received by SFL from the SIIC de Paris, which totals 7,279 thousand euros. Also, the amount of this ownership interest fell by 2,176 thousand euros as a result of the allocation of the losses attributable to the ownership percentage held by the subsidiary SFL in this company, and increased by 1,980 thousand euros recognised directly in the Group's equity.

On 5 June, the subsidiary SFL signed an agreement with Eurosic to sell all of its investment (29.63%) in the SIIC de Paris, at a price of 24.22 euros per share (discounting the amount of any future dividend). The sale is conditioned by the effective acquisition by Eurosic of Realia's holding in the SIIC de Paris.

The total amount of the sale of 309 million euros relates to the settlement NAV of the SIIC de Paris at 31 December 2013, and to the value of the holding in SFL's consolidated financial statements as of that date. The aforementioned sale price per share of 24,22 euros represents a significant increase with respect to the acquisition cost (18.48 euros per share). At 30 June 2014, the holding was valued in the consolidated interim financial statements at 23.09 euros per share.

As a consequence of the aforementioned sales commitment, the Group classified the investment held at the SIIC de Paris under "Non-current assets held for sale" in the consolidated statement of financial position at 30 June 2014, as detailed in Note 14. The transfer of the shares took place on 23 July 2014.

8. Other non-current assets

In the first half of 2014, the amount of the account receivable from former shareholders generated by the tax liabilities associated with certain assets contributed by such shareholders in 2006 was written off in full. Accordingly, the Parent recognised an impairment loss of 30,501 thousand euros in the condensed consolidated interim statement of comprehensive income.

9. Equity

Share capital

At December 31 2013, the Parent's share capital comprised 225,918,690 shares with a par value of 1 euro each, which were fully subscribed and paid. All shares are in book-entry form.

The following changes took place in share capital in the first half of 2014:

- On 17 February 2014, the capital reduction of 169,439 thousand euros was registered in the Barcelona Mercantile Register in order to increase restricted voluntary reserves by decreasing the par value of all shares from 1 euro to 0.25 euros per share.

- On 17 February 2014, the rights issue required to meet the last voluntary conversion of bonds convertible into shares of the Parent was registered in the Barcelona Mercantile Register, increasing the share capital by 0.5 thousand euros through the issue of 1,890 new shares with a par value of 0.25 euros.

- On 31 March 2014, the rights issue required to meet the ordinary redemption of all the outstanding bonds convertible into shares of the Parent was registered in the Barcelona Mercantile Register, increasing the share capital by 20 thousand euros through the issue of 79,101 new shares with a par value of 0.25 euros.

- On 6 May 2014, a rights issue for 734,499 thousand euros through the issuance of 2,937,995,853 new shares with a par value of 0.25 euros each was registered in the Barcelona Mercantile Register.

- On 8 May 2014, within the framework of the refinancing process, a rights issue for 486 thousand euros through the issuance of 1,944,444 new shares with a par value of 0.25 euros each, was registered in the Barcelona Mercantile Register, each as a result of the exercise by the credit institution ING, of the warrants convertible into shares of the Parent, and which were delivered to guarantee the debt maintained by the subsidiary Abix Service, S.L.

As a result, the Company's share capital at 30 June 2014 was represented by 3,165,939,978 fully subscribed and paid shares with a par value of 0.25 euros each. All shares are in book-entry form.

Based on the pertinent notifications regarding the number of company shares to the Spanish National Securities Market Commission (CNMV), the shareholders owning significant direct or indirect interests in the Parent at 30 June 2014 and 31 December 2013 are as follows:

30 June 2014

	% shareholding (*)		
	Direct	Indirect	Total
Name or corporate name of the shareholder:			
Inmobiliaria Espacio S.A. (Villar Mir Group)	-	24.442	24.442
Qatar Investment Authority	-	13.138	13.138
Aguila Ltd	-	7.506	7.506
Mora Banc Grup, S.A.	-	7.050	7.050
T. Rowe Price Associates, Inc.	-	3.092	3.092
Fidelity International Limited	-	1.974	1.974

(*) Information dated 30 June 2014.

31 December 2013

	% shareholding (*)		
	Direct	Indirect	Total
Name or corporate name of the shareholder:			
HM Treasury	-	19.992	19.992
Crédit Agricole, S.A.	-	19.683	19.683
Coral Partners (Lux) S.A.R.L.	14.733	-	14.733
Caja de Ahorros y Pensiones de Barcelona	-	5.787	5.787
The Goldman Sachs Group, Inc.	-	4.944	4.944
Banco Popular Español, S.A.	4.669	-	4.669

(*) Information dated 31 December 2013.

Share premium

The following changes took place in the share premium in the first half of 2014.

- On 17 February 2014, the rights issue required to meet the last voluntary conversion of bonds convertible into shares of the Parent was registered in the Barcelona Mercantile Register, through the issue of 1,890 new shares with a share premium of 24.75 euros per share, thereby increasing the share premium by 47 thousand euros.

- On 31 March 2014, the rights issue required to meet the ordinary redemption of all the outstanding bonds convertible into shares of the Parent was registered in the Barcelona Mercantile Register, through the issue of 79,101 new shares with a share premium of 24.75 euros per share, thereby increasing the share premium by 1,958 thousand euros.

- On 6 May 2014, a rights issue of 2,937,995,853 new shares with a premium per share of 0.18 euros was registered in the Barcelona Mercantile Register, thereby increasing the share premium by 528,839 thousand euros.

- On 8 May 2014, a rights issue was registered in the Barcelona Mercantile Register relating to the exercise of the Warrants Abix by ING, through the issue of 1,944,444 new shares with a premium per share of 11.75 euros , thereby increasing the share premium by 22,847 thousand euros.

Voluntary reserves

On 17 February 2014, the capital reduction of 169,439 thousand euros was registered in the Barcelona Mercantile Register in order to increase restricted voluntary reserves by decreasing the par value of all shares from 1 euro to 0.25 euros per share. In all, the amount of the voluntary reserves totals 1,248,878 thousand euros, of which 217,387 thousand euros are deemed to be restricted.

Likewise, the aforementioned rights issues involved costs of 48,806 thousand euros, which were recognised under "Reserves" in consolidated equity.

Amounts recognised in equity relating to financial asset valuations

This heading of the consolidated statement of financial position includes the sum of gains and losses arising from changes in the fair value of derivative financial instruments designated as cash flow hedges (Note 11).

The changes in this heading are as follows:

	Thousands of euros	
	30 June 2014	31 December 2013
Opening balance	(18,358)	(1,008)
Changes in the fair value of hedges in the period	2,893	25,005
Transfer to the statement of comprehensive income	5,425	6,844
Transfer to reserves	-	(49,199)
Changes in consolidation scope (Note 2)	5,317	-
Closing balance	**(4,723)**	**(18,358)**

In the first half of 2014, as a result of the loss of control over the subsidiary Asentia Project, 5,317 thousand euros were transferred from the reserve relating to the DUE financial instrument to the statement of comprehensive income (Note 15).

Likewise, as a result of the write-off of the Parent's previous syndicated loan (Note 10), the amount recognised in the reserve relating to the hedge instruments associated with this loan was transferred to the statement of comprehensive income.

Treasury shares of the Parent

In the first half of 2014, the Parent sold all its treasury shares, totalling 1,710,000 shares, generating a total income of 3,013 thousand euros.

Other equity instruments: bonds convertible into shares

On 31 March 2014, the rights issue required to meet the ordinary redemption of all the convertible bonds still outstanding (14,826) was registered in the Barcelona Mercantile Register, through the issue of 79,101 shares of the Parent.

Non-controlling interests

The movement in this heading of the condensed consolidated statement of financial position is as follows:

	Thousands of euros			
	Torre Marenostrum, S.L.	SFL subgroup	Riofisa subgroup	**Total**
Balance at 31 December 2012	**18,217**	**1,192,788**	**8,632**	**1,219,637**
Profit/(loss) for the year	84	104,396	(22,448)	**82,032**
Dividends and other	(631)	(47,635)	-	**(48,266)**
Changes to consolidation scope	-	6,484	-	**6,484**
Financial instruments	101	12,777	-	**12,878**
Balance at 31 December 2013	**17,771**	**1,268,808**	**(13,816)**	**1,272,765**
Profit/(loss) for the year	1,890	85,424	121	**87,435**
Dividends and other	(443)	(33,725)	-	**(34,171)**
Changes in consolidation scope (Note 2)	-	-	13,695	**13,695**
Financial instruments	(328)	1,770	-	**1,442**
Balance at 30 June 2014	**18,889**	**1,322,277**	-	**1,341,166**

The breakdown of the items included in "Dividends and other" at 30 June 2014 and at 31 December 2013, is as follows:

	Thousands of euros	
	30 June 2014	31 December 2013
Dividend paid by the SFL subgroup to non-controlling interests	(30,243)	(45,346)
Dividend paid by Washington Plaza to non-controlling interests	(3,483)	(3,107)
Dividend paid by Torre Marenostrum to non-controlling interests	(443)	(631)
Other	(2)	818
Total	**(34,171)**	**(48,266)**

10. Bank borrowings and other financial liabilities

In the first half of 2014, the restructuring of the Parent's financial debt took place (Note 1-h), together with a rights issue (Note 9), which enabled the Parent to repay its previous syndicated loan early, amounting to 1,814,649 thousand euros (including interest), as well as virtually all the bilateral loans held by the Parent and the subsidiary Abix, for an aggregate amount of 308,072 thousand euros (including interest).

The detail of the balances, by maturity, at 30 June 2014 and 31 December 2013, is as follows:

	Thousands of euros							
	Current	Non-current						Total
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total non-current	
Bank borrowings								
Lines of credit	57,677	-	-	-	-	-	-	57,677
Loans	5,983	6,194	6,449	198,263	148,306	27,630	386,842	392,825
Syndicated loans	-	-	-	-	1,180,000	-	1,180,000	1,180,000
Rights under finance lease arrangement	2,790	28,666	-	-	-	-	28,666	31,456
Interest	8,662	-	-	-	-	-	-	8,662
Debt arrangement expenses	(2,548)	(2,051)	(1,666)	(1,153)	(236)	(177)	(5,283)	(7,831)
Total bank borrowings	**72,564**	**32,809**	**4,783**	**197,110**	**1,328,070**	**27,453**	**1,590,225**	**1,662,789**
Other financial liabilities:								
Current account with SCI Washington Plaza	-	73,422	-	-	-	-	73,422	73,422
Market value financial instruments	4,581	-	-	7,490	-	2,235	9,725	14,306
Other financial liabilities	380	-	-	-	-	-	-	380
Total other financial liabilities	**4,961**	**73,422**	-	**7,490**	-	**2,235**	**83,147**	**88,108**
Total bank borrowings and other financial liabilities	**77,525**	**106,231**	**4,783**	**204,600**	**1,328,070**	**29,688**	**1,673,372**	**1,750,897**
Bonds and similar securities issued:								
SFL bond issuance	-	500,000	-	500,000	-	-	1,000,000	1,000,000
Interest	12,652	-	-	-	-	-	-	12,652
Arrangement expenses	(2,012)	(1,934)	(1,044)	(429)	-	-	(3,407)	(5,419)
Total bonds and similar securities issued	**10,640**	**498,066**	**(1,044)**	**499,571**	-	-	**996,593**	**1,007,233**
Total at 30 June 2014	**88,165**	**604,297**	**3,739**	**704,171**	**1,328,070**	**29,688**	**2,669,965**	**2,758,130**

	Thousands of euros							
	Current	Non-current						Total
	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total non-current	
Bank borrowings								
Lines of credit	48,533	-	-	-	-	-	-	48,533
Loans	233,124	15,838	22,820	296,541	66,138	29,283	430,620	663,744
Subordinated debt	-	-	-	42,354	-	-	42,354	42,354
Syndicated loans	1,759,323	-	-	-	50,000	-	50,000	1,809,323
Rights under finance lease arrangement	2,790	2,790	27,271	-	-	-	30,061	32,851
Interest	22,382	-	-	5	-	-	5	22,387
Debt arrangement expenses	(9,637)	(2,597)	(1,771)	(1,402)	(426)	(207)	(6,403)	(16,040)
Total bank borrowings	**2,056,515**	**16,031**	**48,320**	**337,498**	**115,712**	**29,076**	**546,637**	**2,603,152**
-Third parties	**1,296,815**	**13,079**	**45,191**	**334,369**	**103,474**	**(207)**	**495,906**	**1,792,721**
-Related parties	**759,700**	**2,952**	**3,129**	**3,129**	**12,238**	**29,283**	**50,731**	**810,431**
Other financial liabilities:								
Current account SCI Washington Plaza	-	72,360	-	-	-	-	72,360	72,360
Market value financial instruments	2,625	-	-	640	6,603	1,655	8,898	11,523
Other financial liabilities	381	-	-	-	-	-	-	381
Total other financial liabilities	**3,006**	**72,360**	-	**640**	**6,603**	**1,655**	**81,258**	**84,264**
Total bank borrowings and other financial liabilities	**2,059,521**	**88,391**	**48,320**	**338,138**	**122,315**	**30,731**	**627,895**	**2,687,416**
Bonds and similar securities issued:								
SFL bond issuance	-	-	500,000	500,000	-	-	1,000,000	1,000,000
Interest	15,632	-	-	-	-	-	-	15,632
Arrangement expenses	(2,013)	(2,013)	(1,446)	(954)	-	-	(4,413)	(6,426)
Total bonds and similar securities issued	**13,619**	**(2,013)**	**498,554**	**499,046**	-	-	**995,587**	**1,009,206**
Total at 31 December 2013	**2,073,140**	**86,378**	**546,874**	**837,184**	**122,315**	**30,731**	**1,623,482**	**3,696,622**

The bank borrowings taken out by the Colonial Group were arranged at arm's length, so their carrying amount substantially approximates their fair value. The bonds issued by SFL, which are traded on the Euronext Paris secondary market, have a market value of 1,072,395 thousand euros (a par value of 1,000,000 thousand euros) at 30 June 2014.

New syndicated loan of the Parent and repayment of the previous syndicated loan

On 4 April 2014, the Parent entered into a new loan agreement, amounting to 1,040,000 thousand (the "New Loan Agreement"), with a group of financial entities, including, Crédit Agricole Corporate and Investment Bank, Branch in Spain, acting as Correspondent Bank, whose purpose is to repay early the previous syndicated loan and the bilateral loans existing via their inclusion in the new loan agreement.

The drawdown of the new loan was subject to compliance with certain conditions precedent, including the performance of the rights issue for a minimum amount of 1,240 million euros. These conditions were met on 6 May 2014, on which date, the said loan agreement was executed in a public deed.

The main terms and conditions of the loans are:

- A single maturity date set for 31 December 2018.
- A fixed interest rate of EURIBOR plus 400 basis points paid quarterly.
- Voluntary partial or total early repayment in line with the terms of the New Loan Agreement, provided that a minimum amount of 10 million euros is repaid. Early repayment will not be permitted within the first year of entry into force of the New Loan Agreement.
- In the event of a loss of control at Colonial or the sale of all or a substantial part of the Colonial Group's assets, the debt of the New Loan Agreement will be repaid and written off early.
- Based on the LtV ratio, repayments for the full or partial amount of the income obtained from the following operations:
  - Transfer of property assets and collection of extraordinary dividends from SFL.
  - Sale of the SFL shares.
  - Gains from rights issues.
  - Gains from new debt commitments.
  - Cash flow surpluses. If the LtV ratio is equal to or more than 50%, any surplus cash flow.
  - Income arising from insurance.
- Financial ratios: The main financial ratios requested quarterly are:
  - The LtV ratio[1], which should not exceed 58%;
  - The Global Loan To Value ratio[2], which should not exceed 58%; and
  - The debt servicing coverage ratio[3] (interest cover ratio), which should not be less than x1,25 (both for the 12 months following and the 12 months prior to the calculation date).
- Cases of default: the New Loan Agreement envisages certain cases of default which are standard in this type of agreement, such as (i) non-payment of the debt; (ii) non-compliance with financial ratios (covenants) ; (iii) cross default (if other debts are not paid); (iv) in insolvency proceedings; (v) cessation of activity; and (vi) circumstances which involve a substantial negative change. In any of these case, the credit institutions may essentially cancel all their commitments and terminate the New Loan Agreement early.

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[1] Calculated as the quotient between the net debt and the market value of the Parent's property assets plus the NAV (Net Asset Value) of the Colonial subsidiaries (excluding SFL) and the SFL shares owned by Colonial at their NAV EPRA per share.
[2] Calculated as the quotient between (i) the sum of the net debt of the Parent plus the net debt of its subsidiaries (except SFL) at the percentage of each subsidiary owned by Colonial; and (ii) the sum of the market value of the property assets directly owned by Colonial plus the market value of the property assets owned by its subsidiaries at the percentage of each subsidiary owned by Colonial plus the SFL shares owned by Colonial at their NAV EPRA per share.
[3] Calculated as the quotient between the recurring cash flow for a period and the interest paid during such period.

- Collateral:
  - Unconditional and irrevocable collateral from the guarantors, which are the subsidiaries of Inmobiliaria Colonial, S.A. whose EBITDA represents more than 3% of the consolidated Group's EBITDA, as well as from the wholly owned investees of the Parent.
  - Primary pledges on the shares of the subsidiaries SFL and Torre Marenostrum, S.L.
  - Primary mortgages on all the rental property assets located in Spain.
  - Pledge collateral on rent arising from leases and credit rights from insurance policies and bank accounts.
- Dividends: The Parent has assumed the commitment vis-à-vis the financial entities to not distribute dividends to its shareholders until the maturity date of the loan in the event the LtV ratio exceeds 45%. In addition, the new loan envisages that the dividends distributed will not exceed the net gains for the period.

The repayment in full of the previous syndicated loan meant the derecogntion and allocation to the condensed consolidated statement of comprehensive income of the amount of the unallocated arrangement expenses related with the previous syndicated loan, amounting to 4,997 thousand euros. Likewise, the Company recognised the arrangement expenses, and other expenses associated with the new syndicated loan, amounting to 31,780 thousand euros (Note 15), in the condensed consolidated statement of comprehensive income for the six-month period ended 30 June 2014. The impact of both charges is recognised under "Finance costs" in the condensed consolidated statement of comprehensive income.

Other loans

In the first half of 2014, the subsidiary SFL renegotiated its revolving BECM loan for 150,000 thousand euros, whose maturity date was May 2014. The maturity date was extended until April 2019. The spread of the new loan was between 1.50% and 1.90%, based on its SFL LtV ratio, calculated as the quotient between the consolidated net financial debt of the SFL subgroup and the market value of the assets of this subgroup.

11. Derivative financial instruments

Risk management policy objectives

The basic risks to which the Group is exposed and the risk management policies are detailed in the 2013 financial statements, and are repeated in the directors' report which forms part of the half-yearly financial statements.

During the first half of 2014, the Parent restructured its financial debt. Within this restructuring, it acquired certain commitments, always in line with that set out in its management policies:

- Interest rate risk: the new syndicated loan (Note 10) includes the Parent's obligation to keep 75% of this debt covered. Consequently, the Parent arranged three derivative financial instrument hedges (CAP), for a nominal amount of 780,000 thousand euros, with a strike or coverage level of 1.25%, maturing on 31 December 2018, and paying a premium of 8,580 thousand euros.
- Liquidity risk: the restructuring of the Parent's financial debt (Note 10), together with the rights issues performed (Note 9), enable the Parent's financial structure to be reinforced at long term, reducing its debt and guaranteeing its debt servicing.

The Parent has various derivatives arranged associated with the previous syndicated loan, which were recognised as efficient hedges, giving rise to a reserve for the valuation of derivative financial instruments for a joint amount of 5,425 thousand euros. As a consequence of the write-off of the liability covered, the Parent transferred the amount recognised in the previous reserve to the condensed consolidated statement of comprehensive income.

12. Provisions

Application of provision for various costs arising from the debt restructuring

During the first half of 2014, the Parent's debt restructuring took place, together with the rights issue (Note 9). Consequently, after recognising the related restructuring costs in the condensed consolidated statement of comprehensive income per type (Note 15), the Parent used the provision of 20,126 thousand euros, which had been recognised at 31 December 2013 in "current provisions".

Financial guarantees to third parties

Additionally, when it lost control over the subsidiary Asentia Project (Note 2), the Parent recognised as non-current provisions from the financial collateral delivered to this Asentia Group:

- 9,854 thousand euros corresponding to the value granted by the Parent to the Warrants Asentia, valuing them from the counterpart to be delivered (shares of the Parent itself), and

- 13,230 thousand euros corresponding to the development costs pending execution in the Entrenúcleos EU-1, under the agreements reached with BBVA in the refinancing of DUE signed on 20 June 2013. The funds to meet this obligation are deposited in an account pledged in favour of BBVA.

13. Tax matters

As detailed in the 2013 consolidated financial statements, Inmobiliaria Colonial, S.A. is the head of a group of companies which files consolidated tax returns since 1 January 2008. This consolidated tax group includes only subsidiaries incorporated in Spain in which the Parent owns at least 75%, either directly or indirectly (this threshold falls to 70% in the case of listed subsidiaries).

Following the reduction of the interest held by the Parent over Asentia, the latter left the tax group, together with all the subsidiaries forming the tax group to date. The exclusion from the tax group takes effect from 1 January of the year in which it takes place, that is, all the companies of the Asentia subgroup which formed part of the tax group in 2013 went on to file individual tax returns from 1 January 2014.

The composition of the consolidated tax group for 2014 also includes the Parent, Abix Service, S.L.U., Asentia Invest, S.L.U. and Asentia Gestión, S.L.U., with the Asentia subgroup companies leaving the group: Asentia Project, S.L.U., Riofisa, S.A.U., Inmocaral Servicios, S.A.U., Riofisa Espacios Inmobiliarios, S.L.U., Riofisa Internacional, S.L., Riofisa Sema, S.L., Riofisa Desarrollos Internacionales, S.L., Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U. and Riofisa Este, S.L.

The exclusion from the tax group of the Asentia subgroup companies will mean that the taxable profit of the 2013 tax group must include the amount of all the internal operation adjustments arising from these companies, and the distribution of tax losses and the tax credits and relief generated by the tax group in proportion to the extent to which these companies have contributed to their generation.

The amount of the tax losses and of the tax credits and relief attributable to the tax group following the exclusion of the Group companies whose head is Asentia is shown in the following tables:

	Thousands of euros			
Last year for offset	Tax losses	International double taxation tax credits	Tax credits for reinvestment	Employee training deduction
2,014	-	12,482	-	-
2,015	-	7,863	-	-
2016	-	286	-	-
2,017	-	274	458	-
2,018	12,979	355	3,316	-
2,019	5,468	202	1,056	-
2,020	-	83	92	-
2,021	140	-	1,314	-
2,022	38,515	-	7,275	-
2,023	36	-	1,185	-
2,024	25,053	-	434	1
2,025	356,235	-	713	1
2,026	1,261,417	-	39	1
2,027	881,447	-	123	-
2,028	585,294	-	112	-
2,029	119,041	-	-	-
2,030	114,989	-	-	-
2,031	100,786	-	-	-
Total	**3,501,400**	**21,545**	**16,117**	**3**

Given that, as indicated in the 2013 consolidated financial statements, the re-assessment of the recovery of tax credits was based mainly on the results of the Parent's ordinary activities for the projected period of 18 years, obtained from the Parent's rental property portfolio to date at 2013 year-end, and that in the assessment of the recovery of the tax credits, certain strategies of tax planning were also considered which would enable the exclusion of the Asentia subgroup, the definitive exclusion from the tax group of the Asentia subgroup companies does not have an impact on the recoverable amount of the deferred tax assets registered by the Group.

During the first half of 2014, uncontested settlements on the inspection procedures were partially handed down in reference to Income Tax for 2008, without any adjustment of the tax base being made or penalty being imposed.

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

As indicated in the 2013 consolidated financial statements, the Group considered its investment in the Asentia subgroup to be a non-current asset held for sale, and the activity corresponding to the development and land segment to be a discontinued operation.

Accordingly, the Group classified all the assets and liabilities associated with the Asentia subgroup in the non-current assets held for sale and liabilities associated with non-current assets classified as held for sale headings in the consolidated statement of financial position.

Following the exclusion from consolidation of the Asentia subgroup discussed in Note 2, the Group derecognised all the assets and liabilities associated with this subgroup:

	Thousands of euros				
	Investment property	**Assets of the Asentia subgroup**	**Equity interest SIIC de Paris**	**Total assets held for sale**	**Liabilities of the Asentia subgroup**
Balance at 31 December 2012	**386,864**	**1,236,942**	-	**1,623,806**	**1,655,791**
Additions	1,974	-	-	1,974	-
Retirements or decreases	(386,710)	(448,431)	-	(835,141)	(117,933)
Transfers	81,118	-	-	81,118	-
Impairment (Note 15)	(29,009)	-	-	(29,009)	-
Balance at 31 December 2013	**54,237**	**788,511**	-	**842,748**	**1,537,858**
Additions	-	-	-	-	-
Retirements or decreases	-	-	-	-	-
Changes in consolidation scope (Note 2)	-	(788,511)	-	(788,511)	(1,537,858)
Transfers (Notes 6 and 7)	(34,480)	-	294,866	260,386	-
Impairment (Note 15)	(139)	-	-	(139)	-
Balance at 30 June 2014	**19,618**	-	**294,866**	**314,484**	-

Additionally, and following the review of the Parent's sales plan performed within the debt restructuring, a property located in Madrid was reclassified to the "Investment Property" heading in the condensed interim statement of financial position, since it is not expected to be realised at short term (Note 6).

Lastly, in accordance with that described in Note 7, the Group transferred the value of the holding held in SIIC de Paris at 30 June 2014 to the "Non-current assets held for sale" heading, in line with the sales commitment existing thereon. On 15 July 2014, the subsidiary SFL was notified of the authorisation to take exclusive control of SIIC de Paris granted to Eurosic by the French Anti-Trust Authority (*Autorité de la Concurrence*). On 23 July 2014, the shares were transferred, whose sales price net of transfer costs amounted to 303,557 thousand euros.

15. Income and expenses

Restructuring costs recognised under "Operating profit" in the condensed consolidated statement of comprehensive income.

During the first half of 2014, the restructuring costs of the debt and of the rights issue of the Parent were recognised by type, reverting the provision recognised in 2013 on the same date (Note 12). Following is a detail of the impacts of the recognition of these costs and of the reversal of the provision:

	Thousands of euros
	June 2014
Employee benefits expense	(4,251)
Other operating expenses	(4,179)
Taxes	(15,302)
Net change in provisions	20,126
Profit from operations	**(3,606)**

The amount recognised under "Taxes" corresponds to the stamp duty arising from the arrangement of the mortgage guarantee associated with the new syndicated loan (Note 10). "Staff costs" relate mainly to the extraordinary contingent bonus related with the restructuring process (Note 18) and the "Other operating costs" to fees paid to third parties.

Impairment charges and net gains/(losses) on assets

The breakdown by nature of the impairment charges recognised under "Impairment charges and net gains/(losses) on assets" in the condensed consolidated statement of comprehensive income is provided in the following table:

	Thousands of euros	
	June 2014	June 2013
Derecognitions of replaced assets	(3,794)	-
Goodwill impairment (Note 4)	(120,000)	-
Impairment of properties for own use (Note 5)	(610)	(550)
Impairment charges and net gains/(losses) on assets	**(124,404)**	**(550)**

The breakdown of "Changes in the fair value of investment properties" (IAS 40) in the condensed consolidated statement of comprehensive income, by type, is as follows:

	Thousands of euros	
	June 2014	June 2013
Change in fair value by statement of financial position heading		
Investment property (Note 6)	189,395	37,361
Non-current assets held for sale – Investment property (Note 14)	(139)	(3,366)
Change in fair value of investment property	**189,256**	**33,995**

Finance income and expenses

The breakdown of the financial profit/(loss) in the first half of 2014 and 2013, by type, is as follows:

	Thousands of euros	
	June 2014	June 2013
Finance income:		
Revenue from equity investments	95	84
Other interest and similar income	153	2,412
Income from financial derivatives (Note 11)	1,476	2,035
Capitalised finance costs	3,435	5,583
Total finance income	**5,159**	**10,114**
Results of companies accounted for using the equity method	**(2,176)**	**11,583**
Finance cost:		
Interest and similar expense	(142,065)	(106,684)
Expense on financial derivatives (Note 11)	(6,852)	(10,449)
Total finance cost	**(148,917)**	**(117,133)**
Impairment of financial assets	**(2,705)**	**(2,505)**
Total financial loss	**(148,639)**	**(97,941)**

Finance costs include 41,030 thousand euros related to capitalised interest on the previous syndicated loan up to its write-off date (6 May 2014).

The restructuring of financial debt led to the recognition of the following impacts on financial profit/(loss) in the condensed consolidated statement of comprehensive income:

- Inclusion of arrangement expenses and recycling of the "adjustments for changes in value" associated with the hedge instruments for the previous syndicated loan amounting to 4,997 thousand euros and 5,425 thousand euros, respectively, once the aforementioned loan has been written off in accordance with that described in Notes 10 and 11.

- Likewise, in line with that described in Note 10, the Group recognised in the income statement for the six-month period ended 30 June 2014, various costs associated with the arrangement of the new syndicated loan, for a joint amount of 23,200 thousand euros.

- Lastly, in relation to the three new hedge instruments arranged in 2014 by the Parent (Note 11), the Group recognised the premium paid in the arrangement of such instruments, amounting to 8,580 thousand euros, in the condensed consolidated statement of comprehensive income.

Result from discontinued operations

As a result of the loss of control over the Asentia Project Group described in Note 2 of the accompanying explanatory notes, and the consequent derecognition of the assets and liabilities associated with this subgroup described in Note 14, the Colonial Group recognised a gain amounting to 703,842 thousand euros in the condensed consolidated statement of comprehensive income at 30 June 2014. The detail and reconciliation of this gain are as follows:

	Thousands of euros
	June 2014
Derecognition of assets and liabilities of non-controlling interests (Notes 9 and 14)	735,531
Recognition of financial collateral (Note 12)	(23,084)
Recycling to the statement of comprehensive income of the derivatives reserve (Note 9)	(5,317)
Other recycling to the statement of comprehensive income	(3,288)
Result from discontinued operations	**703,842**

16. Segment reporting

Following the exclusion from the scope of consolidation of the Asentia subgroup, all the Group's activities are performed in Spain and France.

The information, by segment, for the first period of 2014 and 2013 is as follows:

2014 first half segment reporting

	Thousands of euros							
	Rentals					**Development & land**	**Corporate Unit**	**Total Group**
	Barcelona	Madrid	Paris	Other	Total rentals			
Revenue	15,056	16,062	74,233	-	105,351	-	-	105,351
Revenue	12,399	15,733	73,830	-	101,962	-	-	101,962
Other income	2,657	329	403	-	3,389	-	-	3,389
Operating profit /(loss)	11,962	13,060	68,491	-	93,513	-	(50,576)	42,937
Change in fair value of investment property	7,591	31,711	150,094	(140)	189,256	-	-	189,256
Impairment charges and net gains/(losses) on assets	-	-	-	-	-	-	(124,404)	(124,404)
Financial profit / (loss)	-	-	-	-	-	-	(148,639)	(148,639)
Profit/(loss) before tax	-	-	-	-	-	-	(40,850)	(40,850)
Consolidated net profit/(loss) from continuing operations	-	-	-	-	-	-	(57,019)	(57,019)
Loss from discontinued operations	-	-	-	-	-	703,842	-	703,842
Consolidated net profit/(loss)	-	-	-	-	-	-	646,823	646,823
Net profit attributable to non-controlling interests	-	-	-	-	-	-	87,435	87,435
Net profit/(loss) attributable to shareholders of the Company	-	-	-	-	-	-	559,388	559,388

There were no significant inter-segment transactions in the six-month period ended 30 June 2014, except for those indicated in Notes 2 and 12.

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

2013 first half segment reporting

	Thousands of euros							
	Rentals					Development & land	Corporate Unit	Total Group
	Barcelona	Madrid	Paris	Other	Total rentals			
Revenue	14,835	18,448	75,356	-	108,639	-	-	108,639
Revenue	14,819	17,154	74,634	-	106,607	-	-	106,607
Other income	16	1,294	722	-	2,032	-	-	2,032
Net gain/(loss) on sales of assets	(267)	(892)	(2,182)	-	(3,341)	-	-	(3,341)
Operating profit /(loss)	10,685	16,744	66,572	(62)	93,938	-	(18,853)	75,085
Change in fair value of investment property	(26,119)	(21,753)	81,644	222	33,995	-	-	33,995
Impairment charges and net gains/(losses) on assets	-	-	-	-	-	-	(550)	(550)
Financial profit/(loss)	-	-	-	-	-	-	(97,941)	(97,941)
Profit/(loss) before tax	-	-	-	-	-	-	10,589	10,589
Consolidated net profit/(loss) from continuing operations	-	-	-	-	-	-	(8,190)	(8,190)
Profit/(Loss) from discontinued operations	-	(4,673)	-	(11,939)	(16,612)	(202,754)	(37,468)	(256,834)
Consolidated net profit/(loss)	-	-	-	-	-	-	(265,024)	(265,024)
Net profit attributable to non-controlling interests	-	-	-	-	-	-	42,964	42,964
Profit/(loss) attributable to shareholders of the Company	-	-	-	-	-	-	(307,988)	(307,988)

17. Related-party transactions and balances

Following the syndicated debt restructuring and the rights issue described in Note 1-h, there were no balances with related parties.

The following transactions with related parties were carried out in the first half of 2014:

	Thousands of euros			
	2014		2013	
	Income/(expenses)		Income/(expenses)	
	On financial interest	On leases	On financial interest (*)	On leases
Commerzbank (*)	-	-	(12,539)	-
CaixaBank, S.A. (**)	(91)	-	(1,008)	3,347
Banco Popular Español, S.A. (**)	(4)	-	(37)	-
The Royal Bank of Scotland Group, PLC (**)	(78)	-	(14,434)	-
Crédit Agricole - CIB (***)	(10,547)	80	(15,407)	78
Coral Partners (Lux), S.A.R.L. (***)	(10,374)	-	(11,590)	-
Gas Natural, S.D.G	-	2,985	-	2,958
Total	**(21,094)**	**3,065**	**(55,015)**	**6,383**

(*) Includes transactions concluded with Commerzbank up to October 2013, when that entity disposed of its interest, per notifications to the CNMV.
(**) Includes transactions of Caixabank, S.A., Banco Popular Español, S.A., Royal Bank of Scotland Group, PLC up to January 2014, on which date their shares were sold, per notifications to the CNMV.
(***) Includes transactions of Crédit Agricole - CIB and Coral Partners (Lux), S.A.R.L. until April 2014, on which date their shares were sold, per notifications to the CNMV.

18 Director and senior management compensation and other benefits

Compensation of Board members

The remuneration earned in the first half of 2014 by the serving members of the Parent's Board of Directors for wages and salaries, incentives, per diem allowances and bylaw-stipulated compensation amounted to 3,897 thousand euros, including the 2,520 thousand euros for the extraordinary and contingent remuneration for restructuring paid to the executive directors. The details of this compensation are as follows:

	Thousands of euros		
	Inmobiliaria Colonial, S.A.	Other Group companies	Total
Compensation paid to executive directors (*):	**3,175**	**75**	**3,250**
Per diem allowances:	**257**	**63**	**320**
Per diem allowances: Directors	237	45	282
Additional per diems for the Chairman	20	18	38
Fixed compensation:	**327**	-	**327**
Directors' remuneration	170	-	170
Additional remuneration for the Executive Committee	69	-	69
Additional remuneration for the Audit and Control Committee	39	-	39
Additional remuneration for the Nomination and Remuneration Committee	49	-	49
Total	**3,759**	**138**	**3,897**

Remuneration for executive directors:	3,349	111	3,460

(*) Includes the remuneration earned by the directors in carrying out senior management functions, and the extraordinary and contingent remuneration for restructuring.

At 30 June 2013, 1,374 thousand euros of such remuneration had accrued. This relates to remuneration received by executive directors, fees and fixed remuneration, for the amounts of 589, 328 and 1,193 thousand euros, respectively.

At 30 June 2014 and 2013, the Parent had a civil liability insurance policy covering all of its directors, executives and staff, whose annual premium cost 416 thousand euros and 545 thousand euros, respectively. In 2009, the Parent took out an insurance policy on the convertible bonds (Note 9) maturing in five years at a cost of 382 thousand euros.

The Group has not granted any loans and has not taken out any pension plans or life insurance for the former or serving members of the Board of Directors of the Parent.

At 30 June 2014, two members of the Board of Directors had signed golden parachute clauses in the event of certain cases of termination or change of control, all of which were approved at the General Shareholders' Meeting.

The Parent Company's Board of Directors was made up of nine men and two women at 30 June 2014, and of nine men at 30 June 2013.

Following the changes in the Parent's shareholder structure set forth in Note 9 arising from the operations described in Note 1-h, the detail of the Board of Directors at 30 June 2014 was as follows:

Director	Position
Juan José Brugera Clavero	Chairman
Villar Mir, S.A.U. Group represented by Juan-Miguel Villar Mir	Deputy Chairman
Pedro Viñolas Serra	Chief Executive Officer

Director	Position
Carlos Fernández-Lerga Garralda	Lead Director
Juan Villar-Mir de Fuentes	Director
Silvia Villar-Mir de Fuentes	Director
Juan Carlos García Cañizares	Director
Francesc Mora Sagués	Director
Ana Sainz de Vicuña	Director
Javier Iglesias de Ussel Ordís	Director
Luis Maluquer Trepat	Director

In 2014, the directors Javier Faus Santasusana and HDA Conseil, S.A.R.L., represented by Henri Goüin d'Àmbrières, resigned.

Compensation of senior management

The Parent's senior management team is formed by senior executives and other persons responsible for the management of the Company, reporting to the CEO. At both 30 June 2014 and 31 December 2013, the Parent's senior management team was made up of one man and two women. The Company's senior management team was made up of two men and two women at 30 June 2013.

The compensation earned by senior management in the first halves of 2014 and 2013 amounted to 1,611 thousand euros and 622 thousand euros, respectively, relating to wages and salaries, and in 2014, it included the extraordinary and contingent remuneration for the restructuring performed amounting to 1,140 thousand euros.

At 30 June 2014 and 31 December 2013, a member of the senior management team had signed golden parachute clauses, which are triggered in the event of certain cases of termination or change of control.

Extraordinary and contingent compensation pursuant to 'Debt restructuring agreement'-

On 27 June 2013, the Board of Directors, at the recommendation of the Nomination and Remuneration Committee, resolved to pay extraordinary and contingent compensation to members of the Executive Committee of Colonial of up to 4,000 thousand euros. Receipt of such compensation shall be subject to a resolution by Colonial to restructure its syndicated debt, which matures on 31 December 2014 (Note 10).

In view of the situation of restructuring of the Company's debt at 31 December 2013, a provision of 4,000 thousand euros has been recognised in "Current provisions" in the consolidated statement of financial position, as the process is expected to conclude favourably.

Following the performance of the operations described in Note 1-h, the debt restructuring process was successfully completed, accordingly, the Board of Directors, subject to a report by the Nomination and Remuneration Committee, has set the exact amounts and distribution methods.

New long-term bonus scheme linked to delivery of several management indicators

On 21 January 2014, the General Shareholders' Meeting of the Company established, for the Chairman and Chief Executive Officer of Inmobiliaria Colonial, S.A. and for members of the Group Executive Committee a long-term bonus scheme that will apply in the years 2015-2019. The conditions of the scheme are described in the 2013 notes to the consolidated financial statements.

In the first half of 2014, the Parent had recognised an expense in this connection under "Staff costs - Other employee benefits expenses" in the consolidated statement of comprehensive income in the amount of 595 thousand euros.

19 Average headcount

Group headcount at 30 June 2014 and 2013, as well as the average headcount in the first half of 2014, employed in continuing operations, broken down by job category and gender is as follows:

	Av. no. employees				for 1S 2014	
	June 2013		June 2014			
	Men	Women	Men	Women	Men	Women
General and area managers	19	11	18	11	18	11
Technical graduates and middle managers	27	18	26	19	26	18
Clerical staff	14	60	12	58	13	59
Other	1	1	1	1	1	1
	61	**90**	**57**	**89**	**58**	**89**

The average Group headcount for the first half of 2013 did not differ significantly from the headcount at 30 June 2013.

20. Explanation added for translation to English

These interim condensed financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group (see Note 1). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

APPENDIX I

Companies excluded from the consolidated group due to the exit of Asentia Project S.L.U.

	% shareholding					
	Direct		Indirect		Shareholder	Line of business
	30/06/2014	31/12/2013	30/06/2014	31/12/2013		
Asentia Project, S.L.U. Avda. Diagonal 532 08006 Barcelona (Spain)	17.34%	100%	-	-		Real estate
Desarrollos Urbanísticos Entrenúcleos 2009, S.L.U. Avda. Diagonal 532 08006 Barcelona (Spain)	-	-	100%	100%	Asentia Project, S.L.U.	Real estate
Inmocaral Servicios, S.A.U. Paseo de la Castellana, 52 Madrid (Spain)	-	-	100%	100%	Asentia Project, S.L.U.	Real estate
Riofisa, S.A.U. Avda. Diagonal 532 08006 Barcelona (Spain)	-	-	100%	100%	Asentia Project, S.L.U.	Real estate
Riofisa Sur, S.L. Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	50.10%	50.10%	Riofisa, S.A.U.	Real estate
Necsa, Nuevos Espacios Comerciales, S.A. Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	60%	60%	Riofisa, S.A.U.	Real estate
Nuevas Estaciones del Ferrocarril, S.A. Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	60%	60%	Riofisa, S.A.U.	Real estate
Riofisa Espacios Inmobiliarios, S.L.U. Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	100%	100%	Riofisa, S.A.U.	Real estate
Riofisa Internacional, S.L. Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	99.99% 0.01%	99.99% 0.01%	Riofisa, S.A.U. Riofisa Desarrollos Internacionales, SL	Real estate
Riofisa Sema, S.L. Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	100%	100%	Riofisa Internacional, S.L.	Real estate
Riofisa Desarrollos Internacionales, S.L. Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	100%	100%	Riofisa Internacional, S.L.	Real estate
Riofisa Real Estate, S.R.L. Sector 1, World Trade Centre Bucharest, (Romania)	-	-	100%	100%	Riofisa Internacional, S.L.	Real estate
Riofisa Bulgaria Eood "Sredets" region, 2a Saborna Str. Floor 3 Sofia (Bulgaria)	-	-	100%	100%	Riofisa Internacional, SL	Real estate
Riofisa Developments Eood "Sredets" region, 2a Saborna Str. Floor 3. Sofia (Bulgaria)	-	-	100%	100%	Riofisa Internacional, SL	Real estate
Parque Aqua Mágica, S.L. C/ General Riera 3 07003 Palma de Mallorca (Spain)	-	-	69.97%	69.97%	Riofisa / Asentia Project	Real estate
Riofisa Dehesa, S.L. Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	69.30%	69.30%	Riofisa, S.A.U.	Real estate
Riofisa Este, S.L. Paseo de la Castellana, 52 28046 Madrid (Spain)	-	-	100%	100%	Riofisa, S.A.U.	Real estate
La Dehesa joint venture Av. Luis de Morales, 32 41018 Seville (Spain)	-	-	50%	50%	Inmocaral Servicios, S.A.	Construction
Goldale Real Estate, S.R.L 24-26 Nordului Road, 5th Floor Room 2 Bucharest (Romania)	-	-	50%	50%	Riofisa Internacional, S.L.	Real estate
Masterange Imobiliare SRL 24-26 Nordului Road, 5th Floor Room 14, District 1 Bucharest (Romania)	-	-	50%	50%	Riofisa Internacional, S.L.	Real estate

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

Inmobiliaria Colonial, S.A. and subsidiaries

Consolidated Directors' Report for the six-month period ended 30 June 2014

1, Group's situation

Macroeconomic environment

The global economy is gradually recovering. Although it is certain that the main sources of risk persist, the perception thereof by investors has entered a phase of greater stability. Once the turmoil at the beginning of the year was overcome, the financial and economic climate of the main emerging countries, the US and the eurozone tended to improve. Per the new scenario of IMF forecasts, world growth will reach 3.6% in 2014 and 3.9% in 2015. The acceleration of world growth will be mainly the result of the reactivation of the advanced economies.

The recovery of the eurozone is progressing at a good pace, but with growing differences between countries. Following the double recession which has hit the eurozone since 2008, the signs of recovery have been lasting: gaining strength and spread among countries in the region. The GDP growth data point to an incipient and heterogeneous economic recovery, highlighting the substantial differences among the different economies.

In Spain, there was growing confidence regarding a sustained recovery. The European Commission (EC) also acknowledged the widespread improvement in growth prospects for Spain for 2014 and 2015. The favourable progress of the economic indicators in recent months and the advances in the adjustment of the main cumulative imbalances arising in the years prior to the crisis enabled Spain to enter a phase of greater optimism. Increased activity began to leave its mark on the labour market, leading the EC to also increase its job creation forecasts. The first indicators for 2Q of 2014 are encouraging and suggest that the growth rate of the GDP is similar to that of 1Q 2014, or even higher. Analysts expect growth in the GDP of 1.2% for 2014 and growth of 1.7% for 2015, above the average eurozone growth of 1.5% for 2015.

In France, growth was zero in the first months of 2014, offering worse records than expected. Such results fed doubts regarding France's growth capacity at medium term and the scepticism regarding the structural reforms implemented. Analysts foresee GDP growth of 0.7% in 2014 and of 1.2% in 2015.

Source: Monthly "la Caixa" report

State of the rental market

Barcelona

According to the main brokers, office rentals in Barcelona amounted to more than 56,000 m² in the second quarter of 2014, up 35% on the first quarter of the previous year, but 6% down on the first quarter of 2014. Cumulative rentals in the first half of 2014 were almost 118,000 m².

As regards all m² rented, 40% relate to four rentals of more than 4,000m². Noteworthy was the rental of 6,800m² of Henkel in Cornerstone and the lease of 5,143m² of Abertis at the los Tilos building, owned by the Colonial Group.

With respect to location, according to market analysts, 33% of the surface area leased in the second quarter of 2014 was concentrated in the city centre. With regard to absorption by number of operations, the new business areas accounted for 53% of the surface area leased, (highlighting 22@ with 78% and Plaza Europa and surrounding areas with 22%).

The vacancy rate in the second quarter of 2014 continued its fall, reaching 14%. The main brokers state that due to the zero new speculative offerings in 2014 and 2015 in the Barcelona offices market, and a slight but gradual decline in stock due to the reconversions of use, the vacancy rate will continue to fall.

Maximum rent in the prime Paseo de Gracia/Diagonal area remained stable at €17.50 /m²/month. In the city centre, there was a slight rally of a little more than 1.5%, due to various operations which exceeded the maximum established in property.

Madrid

In the first quarter of 2014, leases of around 100,000m² were arranged. In the second quarter of 2014, office occupancy was moderated, with lease arrangements covering 83,000m².

Small rentals (less than 1,000m²) are the main size range of the quarter, accounting for almost 35% of rental agreements. The urban areas (CBD and BD) concentrated the number of lease transactions In comparison with the 1Q 2014, the periphery area saw a downturn in demand volume.

The vacancy rate of offices in the Madrid market was 12.2%, down 1% on the first quarter of the year. Vacancies in the CBD area fell by 14,000m² in the last three quarters, a fact which placed the vacancy rate below 9%.

With respect to rent, in the CBD area, there was a slight increase in maximum rent with respect to that arranged at 2013 year-end, from 24.25 euros/m²/month to 24.5 euros/m²/month.

The remaining submarkets were characterised by rental stability, and there were no changes in their maximum or minimum levels.

However, it is important to highlight that the incentives for shortages and implementation are significant in arrangement terms, including upward or downward pressure on various sub-markets.

France

Office rentals in the Paris region in the first half of 2014 amounted to more than 1,100,000m², a year-on-year rise of 24%.

According to the main brokers, demand by the leading companies was especially dynamic in the first half of 2014. Approximately 30 transactions were performed, representing a slight increase on the number of operations, but high in terms of the size of the leased areas.

With respect to location, according to the market analysts, 33% of the surface area leased in the first half of 2014 was concentrated in the CBD area. The Défense area has shown growth in demand after various weak quarters.

The vacancy rate in Paris remained virtually the same as in the last quarter, with an immediately supply of 3,911,000 m², thereby representing a vacancy rate of 7.5% in the Paris region.

In the CBD area, the vacancy rate was 5.4%, 3 pp below the 2013 year-end figure.

Rents in the Paris CBD remained stable at €750 per m² per annum.

Source: Reports by Jones Lang Lasalle, Cushman & Wakefield, CBRE, Aguirre Newman

Organisational structure and functioning

The Colonial Group is a leading real estate company in the quality offices market in the eurozone. It stands as one of the leading operators in the Spanish and European real estate market. The Group has a property portfolio valued at more than 5,500 million euros, with a clear rental commitment centred on the operation and development of buildings for rent and a prominent presence in the rental business of quality offices in the prime areas of the Paris, Madrid and Barcelona markets.

On 6 May 2014, Colonial culminated the rights offer of 1,263 million euros (whose demand tripled the supply) and arranged to new syndicated loan for 1,040 million euros.

Following this increase, the Company's shareholder structure comprised institutional investors in Spain and abroad, supporting the Company's rental strategy, with a presence in Paris, Madrid and Barcelona.

Noteworthy among such investors are the Villar Mir Group, Qatar Investment Authority (QIA), Quadrant (Santo Domingo Group) and Amura Capital (Mora Banc Group).

The new Colonial has a "Loan-to-Value" Holding of around 40% and the Group has sufficient liquidity to enable it to perform new investment, always following the strategy of including in its portfolio select office buildings in Barcelona, Madrid and Paris.

The Colonial Group's strategy involves consolidating itself as the leading player in the prime offices segment, in order to lead the transformation of the Spanish property market.

In particular, its strategy comprises:

- Improving cash flow of assets, increasing occupancy portfolios and capturing all the potential of a successful project portfolio.
- Taking advantage of all investment opportunities, both those of organic growth and possible corporate transactions.
- Consolidating itself as European leader in its traditional business, its strategic project: the offices market in the prime areas of Paris, Madrid and Barcelona.
- Operating with an adequate capital structure, taking advantage of capital market opportunities.
- Maximising value for its shareholders, offering an attractive return with limited risk.

2. Business performance and results

Introduction

Revenue totalled 102 million euros at 30 June 2014, and was generated by the Group's recurring business (property rentals).

The Group obtained recurring EBITDA of 79 million euros, in line with the same period of 2013.

Also, the interest in SIIC de París contributed an attributable loss of -2 million euros, recognised in Share of profit/(loss) of associates.

Operating profit before net gains, depreciation and amortisation, provisions and interest came in at 73 million euros.

According to the independent appraisals by CB Richard Ellis, Jones Lang Lasalle and Atis Real at year-end, the Group's investment property was revalued by 189 million euros in the year. This revaluation, reported both in France and in Spain, reflects a 4.4% increase in value in like-for-like terms of rental assets in operation with respect to December 2013 (3.6% in Spain and 4.6% in France).

The Group capitalised 3 million euros of borrowing costs related to developments in progress.

Net finance costs were -149 million euros.

Of note was extraordinary profit of 551 million euros, mainly due to the positive impact of 704 million from the deconsolidation of Asentia.

After subtracting profit attributable to non-controlling interests (-87 million euros), the profit after tax attributable to the Group amounted to 559 million euros.

The Colonial Group's rental business at the end of the first half of 2014 was appraised by Jones Lang LaSalle, CB Richard Ellis and BNP Paribas Real Estate at 5,582 million euros, including the 295 million euros corresponding to the carrying amount of the equity holding in SIIC de Paris. The appraisal values are updated twice a year, in line with best market practices.

The appraisal of the Colonial Group's assets at June 2014 was up +4.4% in comparable terms with respect to December 2013 (+6.5% vs. June 2013).

The valuation of the asset portfolio in Spain rose by 3.6% (+42 million euros) in the last six months, representing the first rise in value since the commencement of the crisis. This increase is mainly due to a yield compression given the growing interest of investors in prime assets in Madrid and Barcelona.

The value of assets in Paris rose by 5.3%. This is due to an increase in value of 207 million euros in the property portfolio, consequence of the progressive repositioning of the portfolio with positive impacts on rents and yields. The value of the holding of 29.6% in SIIC de París fell 13 million euros.

Of the total rental division appraisal, 5,287 million euros relates to the Colonial Group's asset portfolio and 295 million to the value of SFL's holding in SIIC de París (carrying amount of the holding in SIIC de Paris), a property company listed on the Paris market with an office portfolio of more the 1,500 million euros.

Highlights by business area are as follows:

Ongoing business: Rental business

Rental revenue amounted to 105 million euros, 1.8% down year-on-year. This decrease was mainly due to divested assets in 2013, notably Torres Agora in Madrid and the Hotel Mandarín in Paris. In like-for-like terms, that is, adjusting divestments and changes in the projects and refurbishment portfolio, the Group's rental income rose 2.9% like for like. In Paris, rental earnings rose by 3.0% like for like. In Spain, rental earnings rose like for like by 2.5%, mainly due to the Madrid portfolio, which rose by 13.3%.

The EBITDA on property reached 94 million euros, up 5% in like-for-like terms, which an income spread of 90%.

Most of the Group's earnings, 80%, are concentrated in office buildings. Likewise, the Group maintained its high exposure to CBD markets (77%). In consolidated terms, 71% of rental income (74 million euros) comes from the Paris subsidiary, and 29% was generated by properties in Spain. In attributable terms, approximately 54% of rentals took place in France and the remainder in Spain.

At the end of the first half of 2014, the Colonial Group had a GLA (gross leasable area) of 983,637m² (697,400m² above ground), mostly comprising office space. 85% of this portfolio was operational at 30 June 2014, and 15% relates to an attractive refurbishment and projects portfolio.

During the whole of the first half of 2014, the Colonial Group had arranged lease agreements for 57,451m², of which 38,180m² relate to the marketing of new surface areas and 19,271m² to refurbishments. With respect to the market breakdown, 34% (19,338m²) of total sales campaigns relate to agreements signed in the Madrid market, 38% (21,725m²) correspond to agreements signed in the Barcelona market and 28% (16,388m²) correspond to agreements entered into in Paris.

The intense sales drive in the first half of 2014 enable an EPRA financial occupancy of the office portfolio for the whole portfolio of 84%, slightly higher than the December 2013 figure. The Madrid and Barcelona office portfolios attained an EPRA financial occupancy of 85% and 82%, respectively. In Paris, the office portfolio attained an EPRA financial occupancy of 84%.

At 30 June 2013, the Colonial Group had a portfolio of rental properties consisting of three office buildings. In all, these properties encompass a surface area of over 56,000m². Lettings on these properties will start between 2014 and 2018.

3. Outlook

The outlook for the Paris, Madrid and Barcelona office markets is as follows:

Madrid market

According to the leading brokers, the outlook for the development of new projects for the next two years is, frankly, bleak.

It is believed that vacancies will define the fundamental variables of the market, in addition to the pace in its trends. On the positive side, it would seem that the public authorities' practice of vacating buildings is slowing down. In any event, trends in vacancy will be more acutely affected by leasing than by new supply coming onto the market.

Rental prices will be heavily influenced by vacancy rates in each area, according to the brokers. In the prime CBD area, this stabilisation should be confirmed or even new increases reported. With respect to rent, in the CBD area, there was a slight increase in maximum rent with respect to that arranged at 2013 year-end, from 24.25 euros/m²/month to 24.5 euros/m²/month.

Barcelona market

For 2014, taking account of the improving economic situation and the trends already seen in other markets such as Madrid, the leading brokers expect higher absorption levels.

The vacancy rate should slightly decline owing to the scant new supply to be added to the market, the expected upturn in leasing levels and a reduction of vacant office stock owing to the change of some buildings to use as a hotel.

In the city centre, there was a slight rally of a little more than 1.5% in the second quarter of 2014, due to various operations which exceeded the maximum established in quality property. Analysts believe that in the coming quarters, price pressure will generate timid rallies in prime areas which will mark an upward trend vis-à-vis 2015.

Paris market

In 2013, the Paris office market noted the weakening effects of the French economy, although the prime assets remained stable. The forecasts of the main brokers for 2014 are more favourable, since they are beginning to show signs of a global and national recovery, and the rental business is expected to rally progressively from 2014 onwards.

4. Risk management policies and objectives

See section E of the 2013 Annual Corporate Governance Report.

In reference to the "Financing of real-estate assets- Indebtedness level" it should be stated that in 2014, the Parent successfully completed the capitalisation process and the obtainment of a new loan, as described in explanatory Note 1-h, enabling the Parent to obtain leverage ratios more adapted to the valuation of its assets and its capacity to generate cash flows.

5. Research and development

As a result of the inherent characteristics of the Group, its business activities and structure, Inmobiliaria Colonial S.A. does not usually carry out research and development activities.

6. Treasury shares

In the first half of 2014, Inmobiliaria Colonial S.A. disposed of all its portfolio treasury shares.

7. Events after the end of the reporting period

No events have taken place since the close of the six-month period ended 30 June 2014.