
Colonial

First half results
January-June 2014

29 July 2014



The Colonial Group obtained net attributable results of €559m, mainly due to the single extraordinary positive impact of €704m, for the “deconsolidation” of Asentia.

The recurring EPRA net profit amounts to €7.9m.

- Recurring EBITDA of the Group: €79m, +7% like-for-like vs. the previous year
- Gross Asset Value Property Business: €5,582m, +4.4% - 6 months like-for-like
- EPRA NAV - fully-diluted (post-warrant): €0.45/share (+1 cent vs. Pro Forma NAV May 2014)

Capital Structure - 30/06/2014

GAV Holding ⁽¹⁾	2,423	Valuation - by market (Holding) - 06/14 	Shareholder structure Colonial 30/06/14
Holding Net Debt ⁽²⁾	936		
LTV Holding ⁽³⁾	39%		
EPRA NAV ⁽⁴⁾ - €m	1,430		
EPRA NAV ⁽⁴⁾ - €/share	0.45		
Prem./Disc. NAV (30/06/2014)	29%		

Portfolio - 30/06/2014

GAV Group ⁽⁵⁾	5,582	Valuation - by uses - 06/14 	Valuation - by area - 06/14
No. of assets Spain ⁽⁶⁾	31		
No. of assets France	18		
Total No of assets	49		
Lettable surface above ground	595,554		
Developments underway surf. above ground ⁽⁷⁾	101,846		
Surface above ground	697,400		

Key performance indicators 1H 2014

	Total	Barcelona	Madrid	Paris
New contracts	38,180	14,509	17,592	6,079
Renewals & revisions	19,271	7,216	1,746	10,309
Total commercial effort	57,451	21,725	19,338	16,388
Office occupancy EPRA ⁽⁸⁾	84%	82%	85%	84%
Rental revenues	105	15	16	74
% Like-for-like	2.9%	(6.9%)	13.3%	3.0%

Detail letting performance	
Renewals & Revisions	19,271 sq m
New Lettings	38,180 sq m

Financial indicators 1H 2014

	2014	2013	Var.	Var. LFL
Rental revenues	105	107	(2%)	3%
EBITDA rents	94	95	(1%)	5%
EBITDA/rental revenues	90%	89%	1.1 pp	-
EBITDA recurring business	79	79	(0%)	7%
Recurring EPRA net profit ⁽⁹⁾	7.9	(1.0)	-	-
Net result attributable to the Group	559	(308)	-	-

⁽¹⁾ GAV Holding: Value of assets directly-held + NAV of the 55% stake in the JV with Torre Marenostrum + NAV of the 53.1% stake in SFL

⁽²⁾ Net Debt Holding excluding committed cash

⁽³⁾ Net debt Holding excluding committed cash/GAV Holding June 2014

⁽⁴⁾ EPRA NAV post company-specific adjustments

⁽⁵⁾ Includes stake in SIIC de Paris at book value

⁽⁶⁾ Excluding small non-core retail assets. The Centro Norte complex has been reclassified into two assets (Agustin de Foxá, 29 & Hotel Tryp Chamartin)

⁽⁷⁾ Projects & refurbishments

⁽⁸⁾ EPRA occupancy: Financial occupancy according to the calculation recommended by EPRA (occupied surfaces x the market prices/surfaces in operation at market prices)

⁽⁹⁾ Recurring EPRA net profit - post company-specific adjustments

Highlights

1 First half results 2014

The rental revenues of the Colonial Group increased by 2.9% like-for-like. The portfolio in Spain has had positive growth of 2.5% like-for-like, thanks to the positive performance of the Madrid portfolio (+13.3%), which compensated for the 6.9% decrease in the Barcelona portfolio. In Paris, the rental revenues increased by 3.0% like-for-like.

The overheads decreased by 11% compared to the previous year.

The recurring EBITDA amounts to €79m, a figure in line with the previous year. In like-for-like terms, this figure increased by 7%, due to higher comparable rental revenues, together with lower overheads.

The recurring EPRA Net Profit is positive and amounts to €7.9m. It is important to point out that until 6 May 2014, the Colonial Group was not recapitalized and had to bear high financial expenses. The net results attributable to the Group were positive and amounted to €559m, mainly due to the positive extraordinary impact of the “deconsolidation”⁽³⁾ of Asentia.

Results analysis - €m	2014	2013	Var.	Var. % ⁽¹⁾
Recurring EBITDA	79	79	(0)	(0%)
Equity method results - SIIC de Paris - recurring	4	7	(2)	(36%)
Recurring financial result (excl. equity method)	(52)	(61)	9	15%
Income tax expense - recurring result	(4)	(5)	2	34%
Minority interest - recurring result	(19)	(20)	0	2%
Recurring EPRA net profit ⁽²⁾	7.9	(1.0)	9	-
Non-recurring result	551	(307)	858	-
Profit attributable to the Group	559	(308)	867	-

⁽¹⁾ Sign according to the profit impact

⁽²⁾ Recurring EPRA net profit - post company-specific adjustments

2 Highlights of the rental portfolio

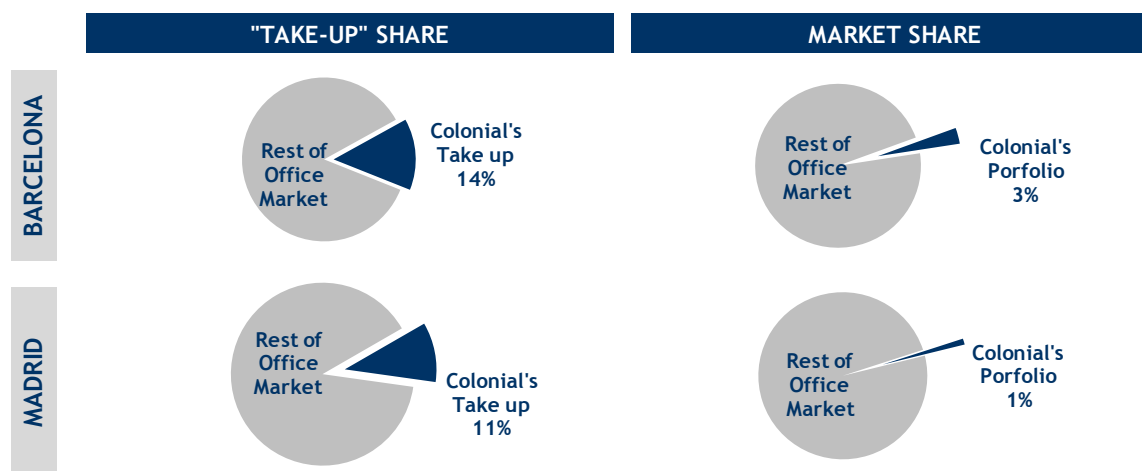
I. New contracts - Commercial effort

During the first half of 2014, the Colonial Group signed rental contracts for 57,451 sq m, of which 66% (38,180 sq m) corresponded to new contracts.

This figure exceeds the volume of new contracts signed throughout the whole of 2013 by 36% (28,041 sq m). With respect to the same period of 2013, the volume of new contracts signed by Colonial is 80% higher.

⁽³⁾The deconsolidation of Asentia refers to the exit from the consolidation perimeter or consideration as an associated company

It is important to highlight that Colonial has captured a take-up share higher than its market share in Barcelona and Madrid. As in previous quarters, this demonstrates the high capacity of Colonial's portfolio to attract demand, due to its well-positioned buildings that offer high quality facilities and maximum energy-efficiency in attractive locations.



Regarding the new contracts signed in Paris, it is important to highlight the 6,000 sq m signed on the Champ Elysées 90, a building which was 100% let before the delivery of the refurbishment project.

The main actions of the Colonial Group are shown below:

Main actions

Building	City	Tenants	Surface (sq m)
90 Av. Champs Elysees	Paris	Premier consulting firm & others	6,019
Martínez Villergas, 49	Madrid	Leading company in power generation	5,775
Paseo de los Tilos	Barcelona	Abertis Infraestructuras	5,143
Torre BCN	Barcelona	Tecnocom España Solutions	4,800
Alfonso XII	Madrid	Financial institutions	3,657
Edouard VII	Paris	Comgest & others	3,412
Washington Plaza	Paris	SPB, VTG France & others	2,942
Miguel Ángel, 11	Madrid	Adveo Group International, Hill International & others	2,837
Av. Diagonal, 530	Barcelona	Caixabank, S.A.	2,555
Berlin - Numancia	Barcelona	Infojobs & Alcatel	2,465
Av. Diagonal, 609-615 (DAU)	Barcelona	Oracle Ibérica & others	2,320
Illacuna 22@	Barcelona	Leading company in internet auctions	2,130
MAIN ACTIONS			44,055

In terms of new projects, in the first quarter of 2014, the Alfonso XII building in Madrid ("Breeam" certified) and the Diagonal 409 building in Barcelona ("Leed Silver" certified) were delivered. It is important to highlight that at the close of the first half of 2014, 3,657 sq m were signed for Alfonso XII (28% occupancy) and 605 sq m for Diagonal 409 (35% occupancy).

II. Occupancy

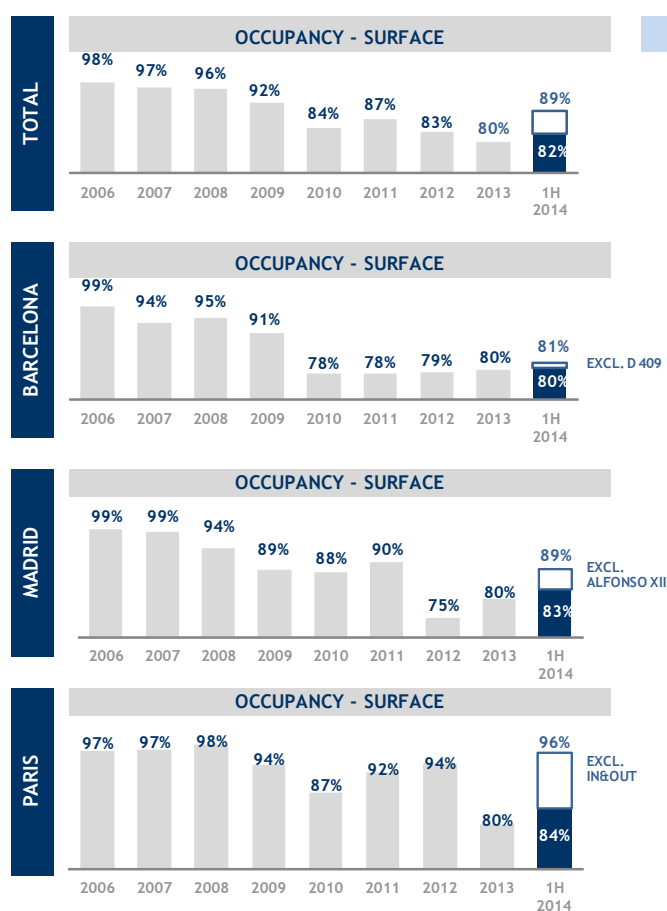
At the close of the first half of 2014, the occupancy of Colonial's office portfolio was at 82% (84% according to EPRA financial occupancy), an increase compared to the occupancy reached at the end of the previous year, thanks to the improvement in occupancy in the Madrid and Paris portfolios.

In Spain, excluding the impact of the delivery of the Alfonso XII and Diagonal 409 projects, the occupancy rate increased by 1pp in Barcelona and 6pp in Madrid, reaching 81% and 89% occupancy, respectively.

In France, the occupancy of the portfolio has been affected by the delivery of the IN/OUT building at the end of 2013, a property currently in an advanced commercialisation phase. Excluding this property, the occupancy of the office portfolio in Paris stands at 96%.

EPRA financial occupancy is at 84% (86% including all uses) and reaches levels above 90% excluding the Alfonso XII, Diagonal 409 and IN/OUT assets (projects recently delivered).

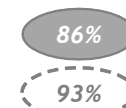
Office Occupancy⁽¹⁾ - Evolution of Colonial's Portfolio



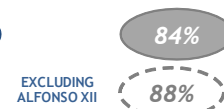
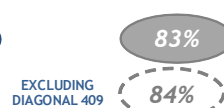
Office Occupancy
EPRA⁽²⁾ 1H 2014



Total Occupancy
EPRA⁽²⁾ 1H 2014



EPRA FINANCIAL OCCUPANCY



⁽¹⁾ Occupied surfaces/surfaces in operation

⁽²⁾ EPRA occupancy: Financial occupancy according to the calculation recommended by EPRA (Occupied surfaces multiplied by the market prices/surfaces in operation at market prices).

3 Capital Structure

I. Gross Asset Value

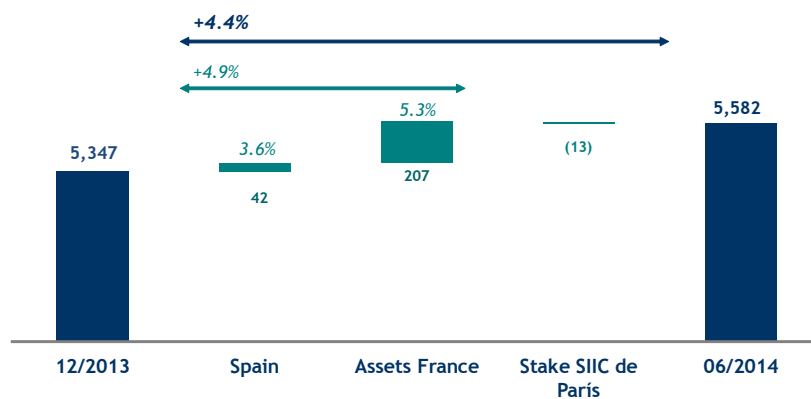
The Gross Asset Value (GAV) of the Colonial Group was €5,582m (€5,824m including transfer costs) at the close of the first half of 2014, which means a +4.4% increase versus the valuation at December 2013 (+6.5% vs. June 2013).

The asset portfolio in Spain increased by 3.6% (+€42m) in the last 6 months, resulting in the first positive variance in value since the beginning of the crisis. This increase is mainly due to a yield compression given the growing interest by investors for prime assets in Madrid and Barcelona.

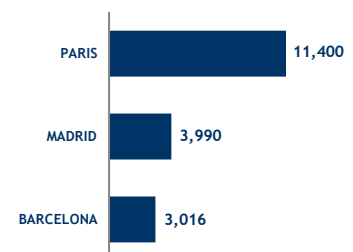
The asset value in Paris (excluding the stake in SIIC de Paris) increased by 5.3%, (+€207m) in 6 months. This increase in value is a consequence of the progressive repositioning of the property portfolio, with positive impacts on rents and yields.

The value of the 29.6% stake in SIIC de Paris decreased by €13m. Accordingly, it is important to highlight that on 23 July 2014, SFL completed the sale of its stake in SIIC de Paris at €23.88/share (€304m), after deducting the dividend received in July 2014. The price obtained was in line with the NAV at December 2013 (including the dividends received in May and July 2014).

Variance Analysis - Value



Capital value €/sq m - 30/06/2014



II. Financial structure

The Holding net debt at June 2014 amounted to €900m (€936m excluding committed cash) and the Group net debt amounted to €2,487m (€2,522 excluding committed cash).

The Loan to Value debt ratios (LTV) are 38.6% for the Holding LTV⁽¹⁾ and 45.2% for the Group⁽²⁾. When considering the asset value, before deducting transfer costs (value including transfer costs), the LTV ratios are 36.7% and 43.3%, respectively, as shown in the table below:

<i>Main leverage ratios</i>		
30/06/2014 - €m	Holding	Group
GAV incl. transfer costs	2,552	5,824
GAV excl. transfer costs	2,423	5,582
Net debt - excluding committed cash	936	2,522
LTV incl. transfer costs	36.7%	43.3%
LTV excl. transfer costs	38.6%	45.2%

The liquidity of the Colonial Group at 30 June 2014 amounted to €790m (current accounts and deposits for €176m and undrawn debt for €614m), of which €145m corresponded to Spain and €645 to France.

It is important to point out that with the completion of the disposal of the stake in SIIC de Paris, the liquidity of the Group increases up to approximately €1,100m. As a consequence, the Colonial Group is well-positioned to be able to quickly and flexibly execute all possible investment opportunities that may come up in the three markets.

III. Equity: EPRA Net Asset Value and share price

The EPRA Net Asset Value (NAV) of the Colonial Group amounted to €1,430m at 30 June 2014, equivalent to €0.45/share, considering the number of fully-diluted shares post-execution of the warrants (1 cent higher than the Pro Forma NAV May 2014).

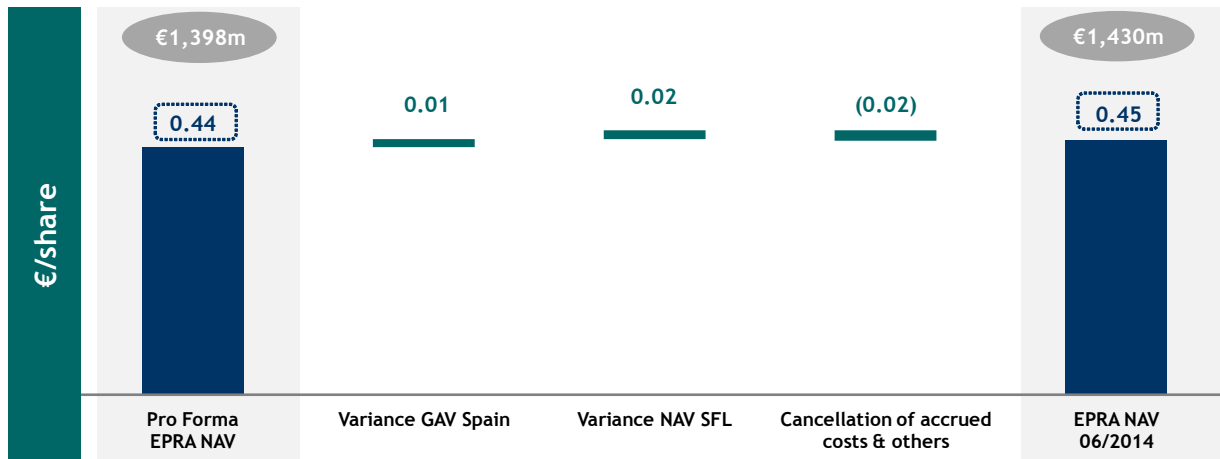
The increase in the asset value has resulted in an increase of 3 cents of the EPRA NAV (1 cent corresponds to Spain and 2 cents to France). On the other hand, the accrued hedging costs and costs related with the formalization of the new financing have been cancelled. Together with other provisions, this has resulted in a negative impact of 2 cents of a euro on the EPRA NAV.

(1) Calculated as net debt Holding excluding committed cash / GAV Holding

(2) Calculated as consolidated net debt excluding committed cash / consolidated GAV

The graph below shows the main variations of the EPRA NAV at 30 June 2014 compared to the Pro Forma NAV at May.

EPRA NAV Colonial (€/share - full dilution post warrant)



The share price at 30 June 2014 was €0.58/share and the target price of the analyst consensus was €0.61/share.

Contents

1. Financial statements
2. Office markets
3. Business performance
4. Financial structure
5. EPRA Net Asset Value and stock market performance
6. Appendices

1. Financial statements

Consolidated Profit & Loss Accounts

June cumulative - €m	2014	2013	Var.	Var. % ⁽¹⁾
Rental revenues	105	107	(2)	(2%)
Net operating expenses ⁽³⁾	(10)	(12)	1	12%
EBITDA rents	94	95	(1)	(1%)
Other income	0	2	(2)	(76%)
Overheads	(16)	(18)	2	11%
EBITDA recurring business	79	79	(0)	(0%)
Like-for-like EBITDA	72	67	5	7%
Equity method results - SIIC de Paris	(2)	12	(14)	(119%)
Rental asset disposals	0	308	(308)	-
Cost of sales	0	(311)	311	-
EBITDA - asset sales	0	(3)	3	-
Exceptional items	(4)	0	(4)	-
Operating profit before revaluation, amortizations and provisions and interests	73	87	(14)	(16%)
Change in fair value of assets	189	34	155	-
Amortizations & provisions	(156)	(1)	(156)	-
Financial results	(146)	(110)	(37)	(34%)
Profit before tax	(41)	11	(51)	-
Income tax	(16)	(19)	3	14%
Gain/ loss on discontinued operations	704	(257)	961	-
Minority Interests	(87)	(43)	(44)	(104%)
Profit attributable to the Group	559	(308)	867	-

Results analysis - €m	2014	2013	Var.	Var. % ⁽¹⁾
Recurring EBITDA	79	79	(0)	(0%)
Equity method results - SIIC de Paris - recurring	4	7	(2)	(36%)
Recurring financial result (excl. equity method)	(52)	(61)	9	15%
Income tax expense - recurring result	(4)	(5)	2	34%
Minority interest - recurring result	(19)	(20)	0	2%
Recurring EPRA net profit ⁽²⁾	7.9	(1.0)	9	-
EBITDA - asset sales	0	(3)	-	-
Equity method results - SIIC de Paris - non-recurring	(6)	5	(11)	-
Exceptional items	(4)	-	-	-
Change in fair value of assets & amortizations & provisions	33	33	(0)	-
Change in fair value of financial instruments	(5)	(8)	3	36%
Non-recurring finance costs	(89)	(40)	(49)	(123%)
Income tax expense - non-recurring result	(13)	(13)	1	6%
Gain/ loss on discontinued operations	704	(257)	961	-
Minority interest - non-recurring result	(68)	(23)	(45)	(195%)
Non-recurring result	551	(307)	858	-
Profit attributable to the Group	559	(308)	867	-

⁽¹⁾ Sign according to the profit impact

⁽²⁾ Recurring EPRA net profit - post company-specific adjustments

⁽³⁾ Invoiceable costs net of costs invoiced + other operating costs

Recurring operating result

- At the close of the first half of 2014, the Group reached a recurring EBITDA of €79m, in line with the same period the previous year.
Like-for-like^(*) recurring EBITDA was at €72m, a figure 7% higher than the first half of the previous year.
- The operating result of the property portfolio (EBITDA rents) increased by 5% in like-for-like terms.

This increase is mainly due to higher rental revenues, in like-for-like terms, in the Madrid and Paris portfolios.

These increases compensate for the decrease in rents in the Barcelona portfolio. This variance is analysed in detail in the 'Business Performance' section of this report.

Likewise, it is worth mentioning an 11% decrease in overheads.

Operating Results

June cumulative - €m	2014	2013	Var. % ⁽¹⁾
EBITDA rents like-for-like	88	84	5%
EBITDA - overheads	(16)	(18)	11%
EBITDA - other like-for-like income	0	1	(85%)
EBITDA - recurring like-for-like	72	67	7%
Non-comparable EBITDA	6	11	(43%)
EBITDA - recurring	79	79	(0%)

⁽¹⁾ Sign according to the profit impact

^(*) Like-for-like EBITDA, adjusting for disposals, variations in the project portfolio and other extraordinary effects.

Financial results

On 4 April 2014, Colonial signed a new syndicate loan for €1,040m which, together with the capital increase of €1,263m, allowed for the total repayment on 6 May 2014 of the syndicated debt, as well as practically all of its bilateral loans, positioning its Holding LTV below 40% (38.6% at 30 June).

- The total financial results of the Group in the first half of the year amounted to €(146)m, of which €(52)m correspond to recurring financial expenses and €(94)m to non-recurring financial expenses.

<i>Financial results</i>			
June cumulative - €m	2014	2013	Var. % ⁽¹⁾
Recurring Financial Income	0	2	(88%)
Recurring financial expenses - Spain	(24)	(37)	(34%)
Recurring financial expenses - France	(31)	(32)	(2%)
Capitalized interest expenses	3	6	(43%)
Recurring Financial Result (excluding equity method)	(52)	(61)	(15%)
Non-recurring financial expenses	(89)	(40)	123%
Change in fair value of financial instruments	(5)	(8)	(33%)
Financial Result (excluding equity method)	(146)	(109)	34%

⁽¹⁾ Sign according to the profit impact

June cumulative - €m	2014	2013	Var. %
Cost of debt - % Spain	2.83%	3.06%	(23bp)
Cost of debt - % France	3.80%	4.19%	(39bp)
Cost of debt - % Total	3.28%	3.51%	(23bp)

- The average cost of debt until 30 June 2014 was 3.28% (3.42% including the impact of accrued commissions associated with the financing), with an average financing spread of 218 bp. It is important to keep in mind that the change in Colonial's financing structure was effective as from 6 May 2014, and in this respect the annualized cost of debt of the new financing is 4.37%, resulting in a total rate for the Colonial Group of 4.14%.
- The capitalized interest expenses amounted to €3.4m, corresponding to the financing of one project in France.
- The non-recurring financial expenses mainly corresponded to the following: the accounting record for the capitalizable interests related to the step-up clause of the previous syndicate loan (PIK penalty) cancelled on 6 May €(41)m, the cancellation of accrued hedging costs and expenses associated with this loan €(13.5)m, and the expenses associated with the completion of the new financing €(31.8)m, registered entirely this semester.

Non-recurring operating profit

The extraordinary results were positive and amounted to €551m, mainly due to the positive impact of the “deconsolidation”⁽¹⁾ of Asentia (a positive impact of €704m).

- On 25 February 2014, Asentia increased its share capital, an increase which was fully subscribed through the credit compensation by three lenders of its syndicate loan.
- As a consequence of this capital increase, Colonial’s stake in Asentia decreased to 18.99%, resulting in the loss of the control of Asentia, as well as the exit of the company and its subsidiaries (the Asentia Group) from the consolidation perimeter of the Colonial Group.
- In 2010, Colonial had already valued its stake in the Asentia Group at 0 euros. At the time of the deconsolidation, Colonial registered the exclusion of the combined assets and liabilities related to the companies in this group under the following lines of the consolidated balance sheet: “Non-current assets available for sale”, “Liabilities associated to assets available for sale” and “Minority interests”.

This exclusion has resulted in the registration of €711m in income for discontinued operations derived from the “deconsolidation”⁽¹⁾. As a result, the Colonial Group will not include any additional results deriving from its stake in Asentia.

- During the month of April 2014, Asentia executed a new share capital increase, fully subscribed by another credit institution of its syndicate loan, resulting in a decrease in the stake held by Colonial in Asentia to 17.34%.

In addition, and following criteria of maximum prudence, during the first half of 2014, the amount of accounts receivables, generated by the tax liabilities associated with certain assets that were contributed by old shareholders in 2006, was fully provisioned.

In the line “Change in fair value of assets”, €189m was registered due to an increase in value of the property portfolio.

At 30 June 2014 the directors of the Company’s board reevaluated the recoverability of the goodwill fully assigned to the property business in France, fundamentally considering the effect of the sale of the stake held in SIIC de Paris that was completed in July 2014. As a consequence of this verification, an impairment of €120m for the entirety of the goodwill has been registered.

(1) The deconsolidation of Asentia refers to the exit from the consolidation perimeter or consideration as an associated company.

2. Office markets

Macroeconomic context⁽¹⁾

The global economy is gradually returning to normal. Although it is true that the main risks persist, the perception by the investors is that these risks have entered into a phase of greater stability. Once the turmoil from the beginning of the year was overcome, the financial and economic environment of the main emerging countries, as well as the USA and the Eurozone has tended to improve. According to the new scenario of forecasts by the IMF, world growth will reach 3.6% in 2014 and 3.9% in 2015. The acceleration of global growth will mainly be the result of the reactivation of advanced economies.

The recovery of the eurozone is progressing at a good pace, but with growing differences between countries. After the double recession that has hit the Eurozone since 2008, the signs of recovery appear to be long-lasting, gaining strength and spreading throughout the countries in the region. The data on GDP growth point to an emerging and heterogeneous economic recovery, highlighting substantial differences among the different economies.

In Spain, growing confidence in sustained recovery can be seen. The European Commission (EC) joined Spain's growth perspectives to an overall improvement in 2014 and 2015. The favourable progress of the economic indicators in recent months and advances in the correction of the main imbalances accumulated during the years prior to the crisis have allowed for a new phase of greater optimism. The improvement in activity is beginning to make a dent in the labour market, which has led the EC to improve their forecast of job creation. The first indicators for 2Q 2014 are encouraging and suggest that the growth rate of the GDP is similar to that of 1Q 2014 or could even be higher. Analysts expect GDP growth of 1.2% for 2014 and growth of 1.7% for 2015, above the average growth in the Eurozone of 1.5% for 2015.

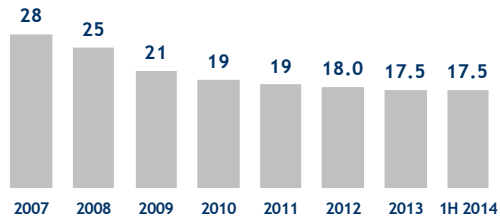
In France, there was no growth in the first months of 2014, resulting in worse than expected figures. These results have fueled doubts about the capacity of growth in France in the medium term and the skepticism related to the structural reforms implemented. The analysts forecast GDP growth of 0.7% in 2014 and 1.2% in 2015.

(1) Sources: Monthly report by "La Caixa"

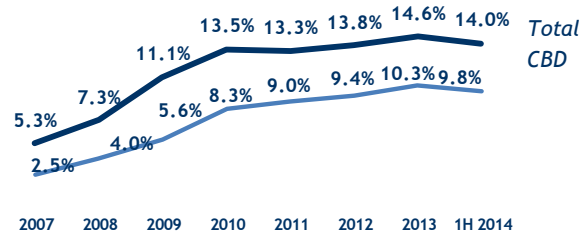
Rental market situation - offices⁽¹⁾

Barcelona

Prime CBD Prices (€/sq m/month)



Vacancy (%)

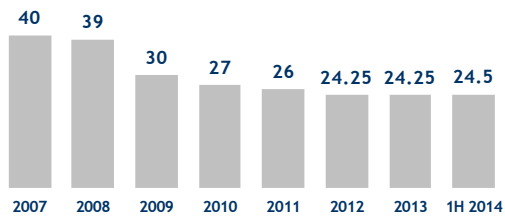


- According to the main brokers, the office take up in Barcelona was at more than 56,000 sq m in the second quarter of 2014, 35% higher than in the same quarter of 2013, yet 6% lower than the first quarter of 2014. The cumulative take up in the first half of 2014 was approximately 118,000 sq m.
- Regarding the total square metres signed, 40% corresponded to the four transactions of more than 4,000 sq m. Worth highlighting is the rental of 6,800 sq m to Henkel in Cornerstone and the rental of 5,143 sq m to Abertis in the los Tilos building, property of the Colonial Group.
- Regarding location, according to the market analysts, 33% of the surfaces signed in the second quarter of 2014 were concentrated in the city centre. Regarding take-up by number of transactions, the new business districts took 53% of the surfaces signed (highlighted are 22@ with 78% and Plaza Europa and its surroundings with 22%).
- The vacancy rate in the second quarter of 2014 continued to decrease to 14% for the entire market. The main brokers state that due to the absence of new speculative supply in 2014 and 2015 in the Barcelona office market, and a slight yet gradual decline of the stock due to the changes in land use, the vacancy rate will continue to decrease.
In the CBD, the vacancy rate was at 9.8%.
- The maximum rental prices in the prime area of Paseo de Gracia/Diagonal remain stable at €17.50/sq m/month. In the city centre, there was a slight increase of just over 1.5% due to various transactions which exceeded the maximum established in high quality buildings. According to the market analysts, in the next quarters, the pressure on prices will materialize into slight increases in the prime areas which will mark an upward trend for 2015.

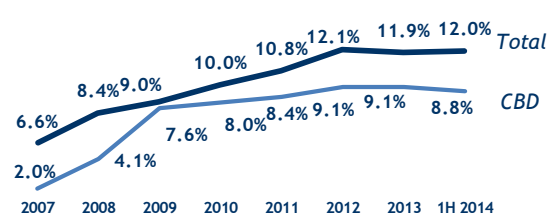
(1) Sources: Reports by Jones Lang Lasalle, Cushman & Wakefield, CBRE, and Aguirre Newman

Madrid ⁽¹⁾

Prime CBD Prices (€/sq m/month)



Vacancy (%)



- The first quarter of 2014 registered take up figures of approximately 100,000 sq m. In the second quarter of 2014, the activity of office occupancy was moderate, with a take up of close to 83,000 sq m.
- Small transactions (under 1,000 sq m) marked the main size range for the quarter, resulting in a take up of almost 35%. The majority of the rental transactions were concentrated in the urban areas (CBD and BD). Compared with 1Q 2014, the periphery areas have seen a decrease in the volume of demand.
- The vacancy rate in the Madrid office market was 12.0%, decreasing slightly compared to the first quarter of the year. In the CBD area, the vacancy was reduced by 14,000 sq m in the last three quarters, which has situated the vacancy rate below 9%.
- Regarding the rental prices, the CBD area has seen a slight increase in maximum rental prices compared to those signed at the close of 2013, increasing from €24.25/sq m/month to €24.50/sq m/month.

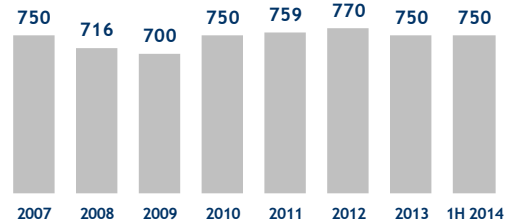
The remaining sub-markets have been characterized by their stability in rents, as there have been no changes in the maximum and minimum levels.

However, it is very important to point out that the rent-free and implementation incentives are relevant to the take up, with both upward and downward pressures in the different sub-markets.

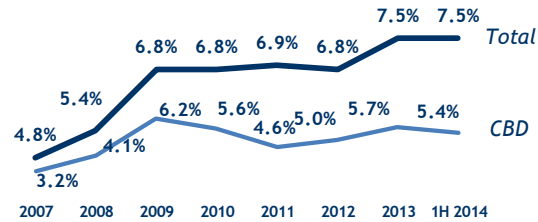
(1) Sources: Reports by Jones Lang Lasalle, Cushman & Wakefield, CBRE, and Aguirre Newman

Paris ⁽¹⁾

Prime CBD Prices (€/sq m/year)



Vacancy (%)



- The take up in the Paris region in the first half of 2014 reached more than 1,100,000 sq m, an increase of 24% compared to the same period of the previous year.
- According to the main brokers, demand by large companies was especially dynamic during the first half of 2014. Regarding the number of transactions, more than 30 were carried out, resulting in a slight increase in the number of transactions, although upgraded in terms of the size of the surfaces rented.
- Regarding location, according to the market analysts, 33% of the surfaces signed in the first half of 2014 were concentrated in the CBD area. The area of la Défense has come back to growth in demand after several weak quarters.
- In the Paris market, the vacancy rate remained practically the same as the previous quarter with an immediate supply of approximately 3,911,000 sq m, which represents a vacancy rate of 7.5% for the Paris region.

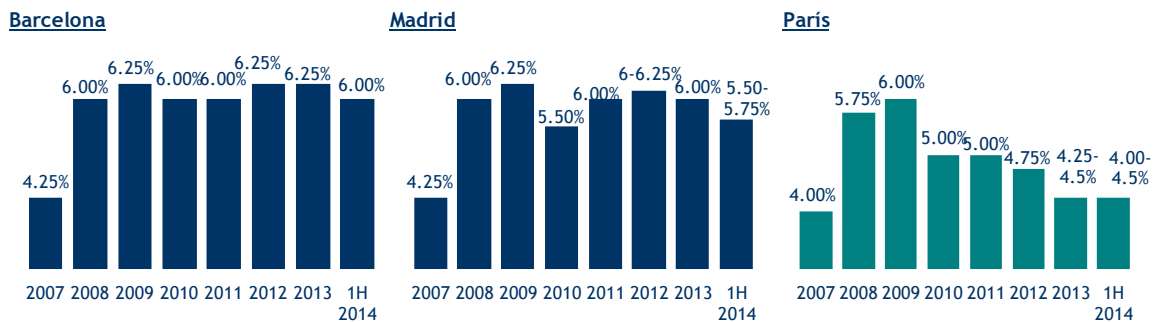
The vacancy rate in the CBD area was 5.4%, 3pp below the figure at the end of 2013.

- The rental prices in the CBD area remained stable at €750/sq m/year.

(1) Sources: reports by Jones Lang Lasalle, Cushman & Wakefield, and CBRE

Investment market situation - offices

Prime Yields ⁽¹⁾



- Barcelona:** the demand to purchase office assets has increased exponentially since the beginning of the year. The foreign capital has taken positions in relevant sales processes which will materialize in the third quarter and, together with this capital, the purchases by the SOCIMI are going to be very important in the second half of the year. Therefore, the international funds and the SOCIMI are currently the great dynamizing agents in the market, although it is true that the private local and domestic capital is also attentive to the opportunities that arise, especially if they are in the city centre. The cumulative investment volume in the first half of the year reached €206m, almost 70% of the investment volume reached in the whole of 2013, amounting to €303m. The main analysts expect that the second half of the year will see important investment volumes. They consider that the year will close with an investment volume more than double that of the previous year. The yields have decreased this first half of 2014 to stand at 6% in Paseo de Gracia/Diagonal.
- Madrid:** During the second quarter of the year, the intensity of buying pressure remained steady in the Madrid office market. In addition to private and opportunistic investors, there has been increased interest from new more conservative profiles (value added, core plus and core), such as pension funds and insurance companies. It is worth highlighting the growing interest by international investors as well as the purchasing activity of the SOCIMIs. The office investment volume reached €450m in the first half of 2014, more than double the volume of the same period the previous year. The prime yields are in the range of 5.50-5.75%, and even lower yields may be achieved for very unique assets.
- Paris:** Investment in the second quarter of 2014 reached €5,000m, which means a cumulative volume of €8,200m, giving it an increase of 85% compared to same period the previous year. The international investors have returned with an investment volume of 54% over the investments carried out this first half. The prime yields remain stable in the range of 4.00-4.50%.

(1) The market consultants in Spain report gross yields whereas market consultants in France report net yields (see definition in glossary Appendix 6.10)

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

3. Business performance

Rental revenues and EBITDA of the portfolio

- The rental revenues reached €105m, 1.8% lower than the rents of the previous year. This decrease is mainly due to assets divested during 2013, in particular Torres Agora in Madrid and the Mandarin Hotel in Paris.

In like-for-like terms, adjusting for disposals and variations in the project and refurbishment portfolio, the rental revenues of the Group increased by 2.9% like-for-like.

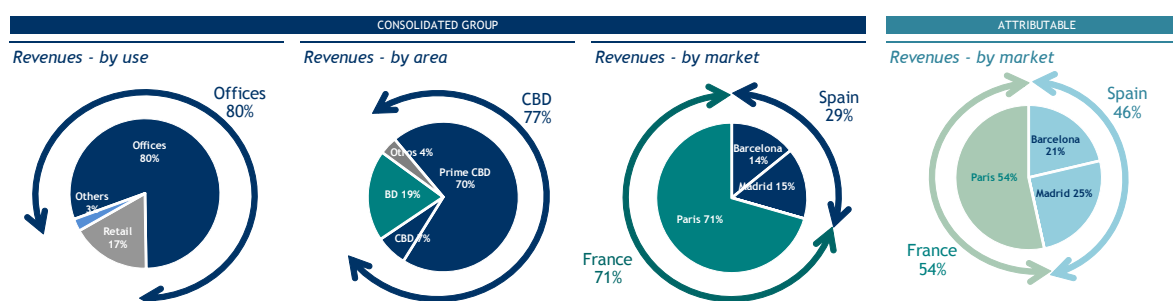
In Paris, the rental revenues increased by 3.0% like-for-like. In Spain, the rental revenues rose by 2.5% like-for-like, mainly due to the Madrid portfolio, which has gone up by 13.3%.

Rents (2014 vs. 2013) €m	Barcelona	Madrid	Paris	Total
Rental revenues 2013	15	17	75	107
<i>Like-for-like</i>	(0.9)	1.5	2.1	2.7
<i>Projects & refurbishments</i>	(1.1)	0.1	(1.7)	(2.7)
<i>Disposals</i>	(0.4)	(3.0)	(1.2)	(4.6)
<i>Indemnities & others</i>	2.4	0.3	0.0	2.7
Rental revenues 2014	15	16	74	105
<i>Total variance (%)</i>	0.1%	(6.8%)	(1.1%)	(1.8%)
<i>Like-for-like variance (%)</i>	(6.9%)	13.3%	3.0%	2.9%

- Breakdown - Rental revenues:** The majority of the Group's revenues (80%) are from office buildings.

Likewise, the Group maintains its high exposure to CBD markets (77%). In consolidated terms, 71% of the rental revenues (€74m) came from the subsidiary in Paris and 29% were generated by buildings in Spain.

In attributable terms, approximately 54% of the rents were generated in France and the rest in Spain.



- Property EBITDA reached €94m, a 5% increase in like-for-like terms, with an EBITDA margin of 90%.

<i>Property business</i>				
June cumulative - €m	2014	2013	Var. %	Like-for-like %
Rental revenues - Barcelona	15	15	0%	(7%)
Rental revenues - Madrid	16	17	(7%)	13%
Rental revenues - Paris	74	75	(1%)	3%
Rental revenues	105	107	(2%)	3%
EBITDA rents Barcelona	12	13	(2%)	(12%)
EBITDA rents Madrid	13	14	(8%)	16%
EBITDA rents Paris	69	68	1%	6%
EBITDA rents	94	95	(1%)	5%
<i>EBITDA/Rental revenues - Barcelona</i>	<i>84%</i>	<i>86%</i>	<i>(2.2 pp)</i>	
<i>EBITDA/Rental revenues - Madrid</i>	<i>81%</i>	<i>82%</i>	<i>(0.7 pp)</i>	
<i>EBITDA/Rental revenues - Paris</i>	<i>93%</i>	<i>91%</i>	<i>2.1 pp</i>	
EBITDA/Rental revenues	90%	89%	1.1 pp	

Pp: percentage points

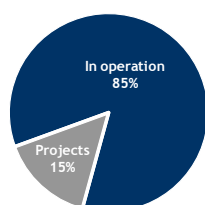
It is important to take into account that a large part of the difference between the rental revenues and the EBITDA rents relates to the costs not invoiced due to the currently low occupancy levels. Taking into account that the Colonial Group invoices the majority of its property costs to its tenants, gradual improvements in the occupancy of the assets will have a significant positive impact on the rental EBITDA, obtaining high levels of EBITDA/revenue, as was the case in years prior to the crisis (see Appendix 6.5).

Portfolio letting performance

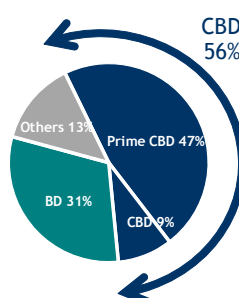
- Breakdown of the current portfolio by surface area:** At the close of the first half of 2014, the Colonial Group's portfolio totalled 983,637 sq m (697,400 sq m above ground), focused mainly on office assets.

At 30 June 2014, 85% of the portfolio was in operation and 15% corresponded to an attractive portfolio of projects and refurbishments, which is explained in more detail in the projects section.

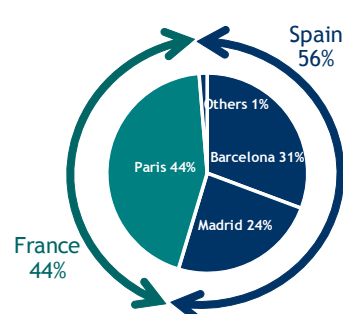
Surface - by condition



Surface - by area



Surface - by market



- **Signed contracts:** During the first half of 2014, the Group signed a total of 57,451 sq m of contracts (71% in Spain and 29% in France).

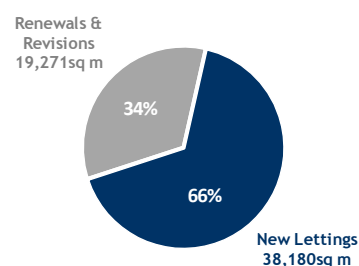
New contracts: Out of the total commercial effort, 66% (38,180 sq m) related to surfaces of new contracts. This figure is 36% higher than the volume of new contracts signed throughout the whole of 2013 (28,041 sq m). With respect to the same period of 2013, the volume of new contracts signed by Colonial is 80% higher.

Renewals: Contract renewals were carried out for 19,271 sq m. The new rental prices relating to these contracts resulted in a decrease of 6% with respect to previous rents.

However, the prices signed in the new contracts in the portfolio, both in Spain and in France, are in line with the market prices estimated by independent appraisers.

Letting Performance

June cumulative - sq m	2014	% New rents vs. previous	Average maturity
Renewals & revisions - Barcelona	7,216	(17%)	8
Renewals & revisions - Madrid	1,746	(10%)	2
Renewals & revisions - Paris	10,309	(3%)	6
Total renewals & revisions	19,271	(6%)	6
New lettings Barcelona	14,509		5
New lettings Madrid	17,592		5
New lettings Paris	6,079		5
New lettings	38,180	n/a	5
Total commercial effort	57,451	n/a	6



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

Main actions

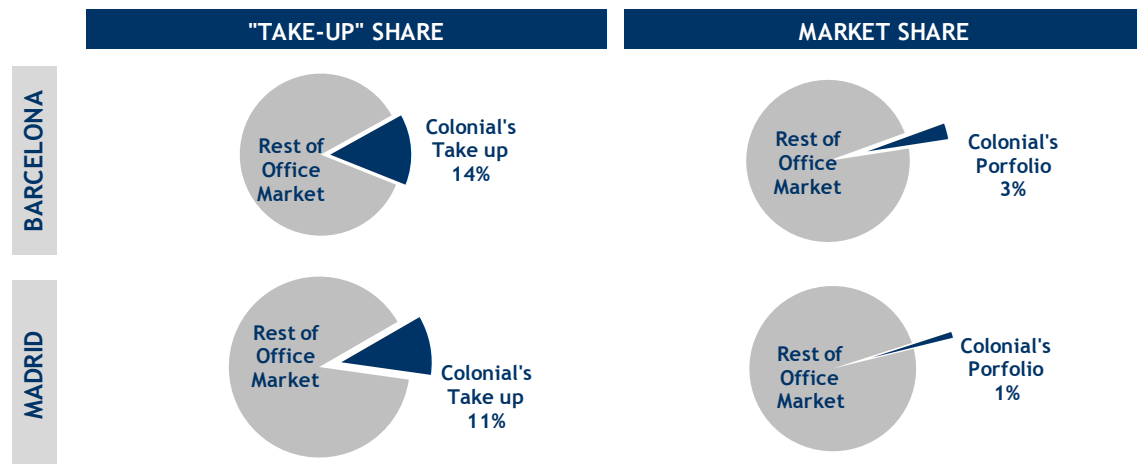
	Building	Tenants	Surface (sq m)
BARCELONA	Paseo de los Tilos	Abertis Infraestructuras	5,143
	Torre BCN	Tecnocom España Solutions	4,800
	Av. Diagonal, 530	Caixabank, S.A.	2,555
	Berlín - Numancia	Infojobs & Alcatel	2,465
	Av. Diagonal, 609-615 (DAU)	Oracle Ibérica & others	2,320
	Ilacuna 22@	Leading company in internet auctions	2,130
MADRID	Martínez Villergas, 49	Leading company in power generation	5,775
	Alfonso XII	Financial institutions	3,657
	Miguel Ángel, 11	Adveo Group International, Hill International & others	2,837
PARIS	90 Av. Champs Elysees	Premier consulting firm & others	6,019
	Edouard VII	Comgest & others	3,412
	Washington Plaza	SPB, VTG France & others	2,942

From this commercial effort, in **Madrid** we highlight the contract signed for the Martínez Villergas building with a leading company in power generation, and in **Barcelona**, the contract signed with Abertis for the Paseo de los Tilos building.

In **Paris**, it is important to mention the contract signed with a top tier consulting firm for the 90 Av. Champs Elysées building, which is currently being refurbished.

- **Analysis of new leased surfaces:** In Barcelona, the Colonial Group captured 14% of the demand and 11% in Madrid (16% if only taking into account the market sectors in Madrid in which the Group is present).

As a result, Colonial captured a take-up share higher than its market share in Barcelona and Madrid. As in previous quarters, this demonstrates the high capacity of Colonial's portfolio to attract demand, due to its well-positioned buildings that offer high quality facilities and maximum energy-efficiency in attractive locations.



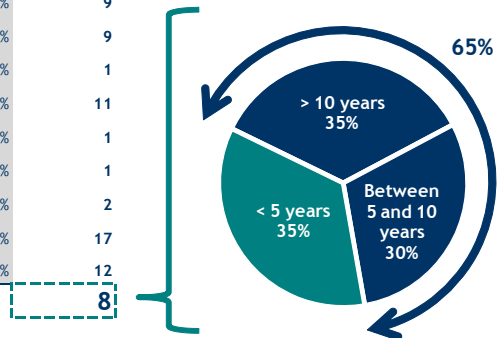
▪ **Analysis of tenant portfolio**

Regarding the number of rental renewals in the contract portfolio, 8,962 sq m of renewals were signed in Spain, and 10,309 sq m were signed in France.

This high volume of renewals shows the capacity of the Colonial Group to retain clients. This fact is also reflected in the length of time the tenants stay, as more than 65% of the main tenants have been clients of the Group for more than 5 years.

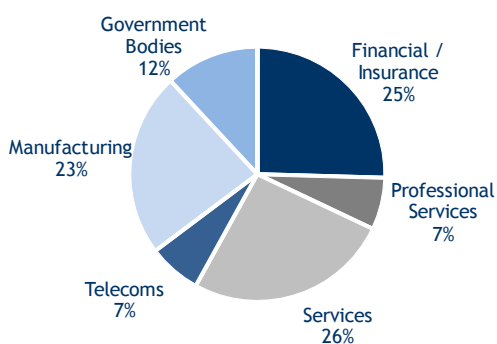
Ranking of the most important tenants (46% of rental income)

RK	Tenant	City	% total income	% cumul.	Age - Years
1	NATIXIS IMMO EXPLOITATION	Paris	6%	6%	10
2	FRESHFIELDS BRUCKHAUS DERINGER	Paris	4%	10%	10
3	GAS NATURAL SDG, S.A	Barcelona	3%	14%	8
4	ZARA FRANCE	Paris	3%	17%	2
5	TV5 MONDE SA	Paris	3%	20%	9
6	KLEPIERRE MANAGEMENT	Paris	3%	22%	0
7	LA MONDIALE GROUPE	Paris	3%	25%	7
8	GRUPO CAIXA	Barcelona	2%	28%	22
9	COMUNIDAD DE MADRID	Madrid	2%	30%	18
10	SOCIEDAD ESTATAL LOTERIAS Y APUESTAS DEL ESTADO	Madrid	2%	32%	9
11	ESMA	Paris	2%	34%	3
12	CITIBANK INTERNATIONAL PLC	Paris	2%	36%	9
13	ASHURST LLP	Paris	2%	37%	9
14	KING & WOOD MALLESONS - SJ BER	Paris	2%	39%	1
15	AYUNTAMIENTO DE MADRID	Madrid	1%	41%	11
16	IBERIA, LINEAS AEREAS DE ESPAÑA, S.A.	Madrid	1%	42%	1
17	SIMOSA -SERV. INTEGRALES MANTENIMIENTO	Madrid	1%	43%	1
18	CASINO DE JUEGO GRAN MADRID, S.A.	Madrid	1%	44%	2
19	AJUNTAMENT DE BARCELONA	Barcelona	1%	45%	17
20	MELIA HOTELS INTERNATIONAL, S.A.	Madrid	1%	46%	12



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

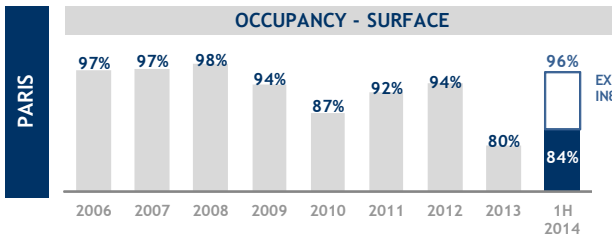
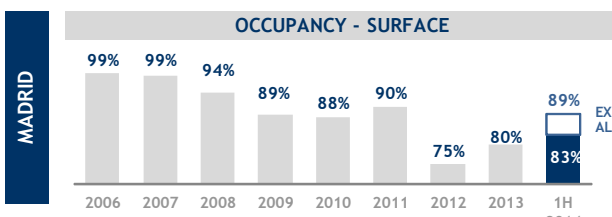
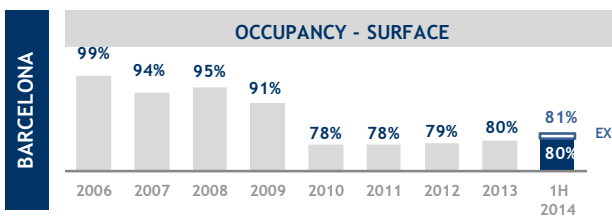
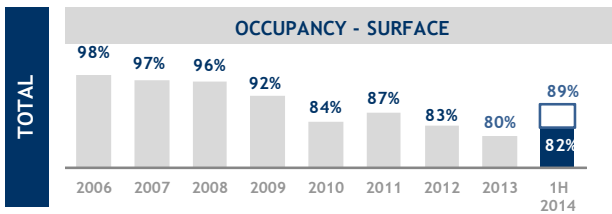
Top Tenants - Breakdown by economic sector



Portfolio occupancy

- The Colonial Group's EPRA financial occupancy for the office portfolio reached 84% at the end of the first half of 2014, and including other uses, EPRA occupancy reached 86%.

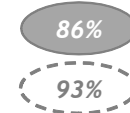
Office Occupancy⁽¹⁾ - Evolution of Colonial's Portfolio



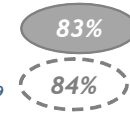
Office Occupancy
EPRA⁽²⁾ 1H 2014



Total Occupancy
EPRA⁽²⁾ 1H 2014



EXCL. D 409



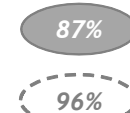
EXCL. ALFONSO XII

EXCLUDING ALFONSO XII



EXCL. IN&OUT

EXCLUDING IN&OUT



The office portfolios in **Madrid** and **Barcelona** reached EPRA⁽²⁾ financial occupancy of 85% and 82%, respectively.

In **Madrid**, the office occupancy increased mainly due to the new rentals of various assets, as is the case with Miguel Ángel, López de Hoyos and Recoletos (asset at 100% occupancy). In contrast, the entry into operation of the Alfonso XII building should be mentioned, which is fully refurbished, obtaining the “BREEAM” certificate (sustainable building). Excluding this effect, EPRA financial occupancy of the Madrid office portfolio is at 90%.

In **Barcelona**, the occupancy remained stable. It is important to keep in mind the entry into operation of the refurbished surface of the Diagonal 409 building. If we exclude this property, EPRA financial occupancy of the Barcelona office portfolio is at 83%.

⁽¹⁾ Occupied surfaces/Surfaces in operation

⁽²⁾ EPRA occupancy: Financial occupancy according to the calculation recommended by EPRA (Occupied surfaces multiplied by the market prices/surfaces in operation at market prices).

In **Paris**, the office portfolio reached EPRA financial occupancy of 84%, a higher figure than that at the end of 2013. This increase was mainly due to new rentals for the Edouard VII and Washington Plaza properties, among others.

The office portfolio occupancy in Paris was affected by the entry into operation of the In/Out office complex, currently in an advanced commercialisation phase. Excluding this effect, EPRA financial occupancy of the Paris office portfolio is at 95%.

The table below shows an analysis of the vacant office surfaces by city.

Approximately 61% of the vacant surfaces correspond to projects that have come into operation or recent refurbishments.

<i>Vacancy surface of offices</i>				
Surface above ground (sq m)	Entries into operation ⁽¹⁾	BD area and others	CBD area	June 2014
Barcelona	15,660	11,696	5,031	32,387
Madrid	11,903	4,909	7,552	24,364
Paris	28,873	0	7,019	35,892
TOTAL	56,436	16,605	19,602	92,643

(1) Projects and refurbishments that have entered into operation

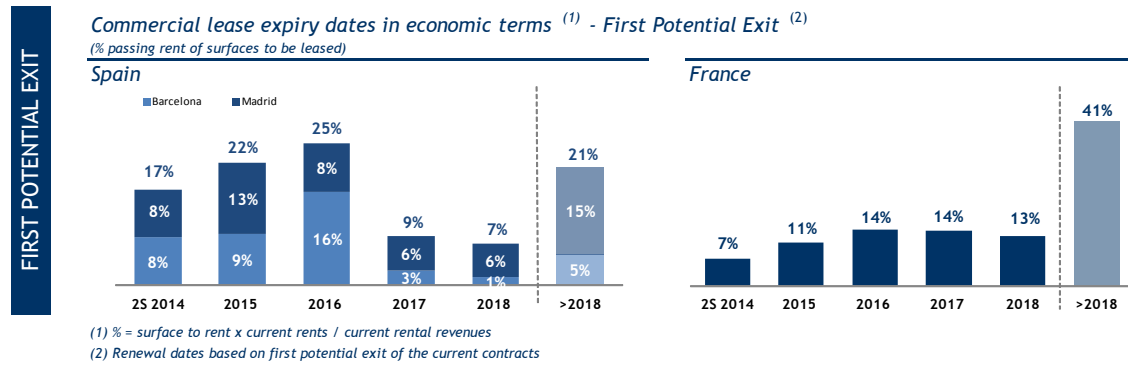
Commercial lease expiry and reversionary potential

- **Commercial lease expiry:** The following graphs show the contractual rent roll for the coming years in the portfolios in Spain and France.

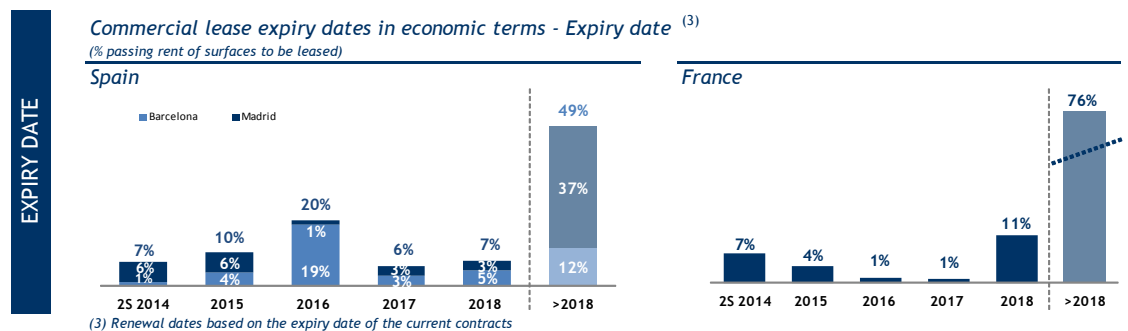
The first graph shows the commercial lease expiry dates if the tenants choose to end the contract at the first possible date (break option or end of contract).

In such cases, in the Spanish portfolio, contract renewals of between approximately 22% and 25% per year could take place in the next two years, which could result in the company benefitting from potential rent increases in the case of a recovery of the cycle.

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



The second graph reflects the performance of the contract portfolio if the tenants remain until the contract expires, the contract structure in Spain being more short-term than in France.

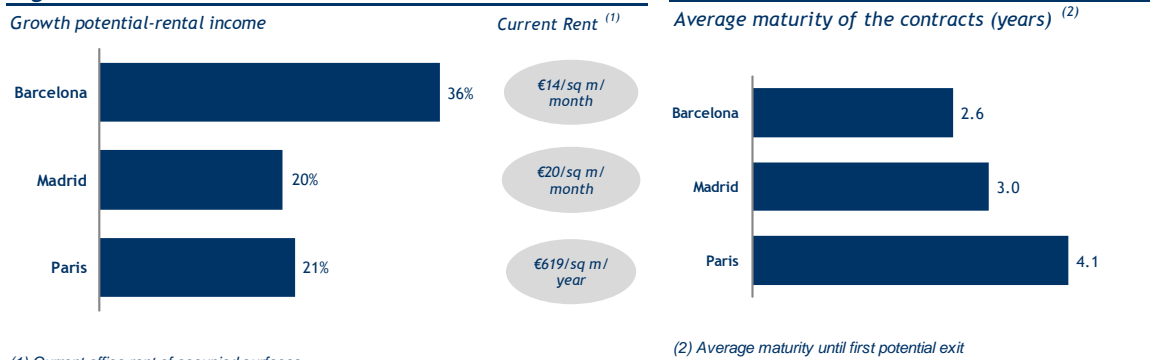


- **Reversionary Potential:** The Colonial Group’s contract portfolio has an important reversionary potential.

This growth potential is the result of comparing the rental revenues of the current contracts (contracts with current occupancy and rents) with the rental revenues that would result from letting the total surface at the market prices estimated by the independent appraisers at June 2014 (not including the potential rents from the projects and significant refurbishments underway, which are analysed in the projects section).

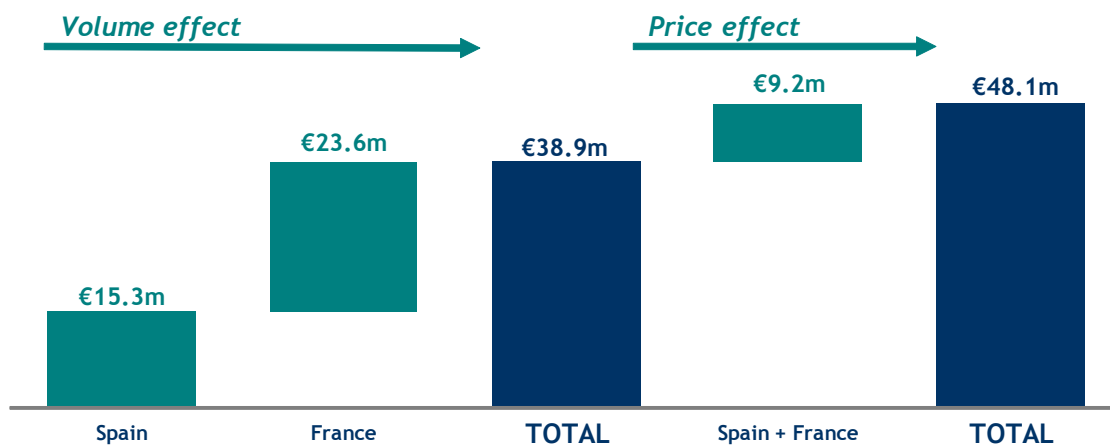
The organic growth potential of the Group’s rental portfolio at the close of first half of 2014 was +36% in Barcelona, +20% in Madrid and +21% in Paris.

Figures at June 2014



Specifically, the growth potential in the current portfolio would result in approximately €48m in additional annual rental revenues.

Growth potential-rental income



Project portfolio and refurbishments

- Currently, the company has a project portfolio of more than 56,000 sq m above ground, entering into operation between 2014 and 2018. The Colonial Group's project portfolio pipeline is the following:

Projects	Entry into operation	% Group	Market	Use	Surface above ground (sq m) ⁽¹⁾
Travessera de Gràcia/Amigó	2H 2014	100%	Barcelona	Offices	8,202
Parc Central 22@ A.1.6 - A.1.7 - A.1.2	>2016	100%	Barcelona	Offices	14,737
Spain					22,939
#Cloud (rue Richelieu)	2H 2015	100%	Paris	Offices	33,200
France					33,200
Total					56,139
Yield on cost²					6.0%

(1) Surface area of completed project

(2) Yield on cost: market rent 100% rented/market value at start of project net of impairment in value + capex



In **Spain**, the following properties have entered into operation: Alfonso XII in Madrid, a building which has obtained the “Breeam” certification (sustainable building), as well as Diagonal 409, a building which has obtained the “Leed Silver” certification. It is important to point out that 3,657 sq m were signed on Alfonso XII (28% occupancy) and 605 sq m on Diagonal 409 (35% occupancy).

In **Barcelona**, we draw attention to the project at Travessera de Gràcia/Amigó, an energy-efficient office complex which has obtained the LEED Gold (“Green Building”) certification, with the highest quality finishings, and located in a prime area.

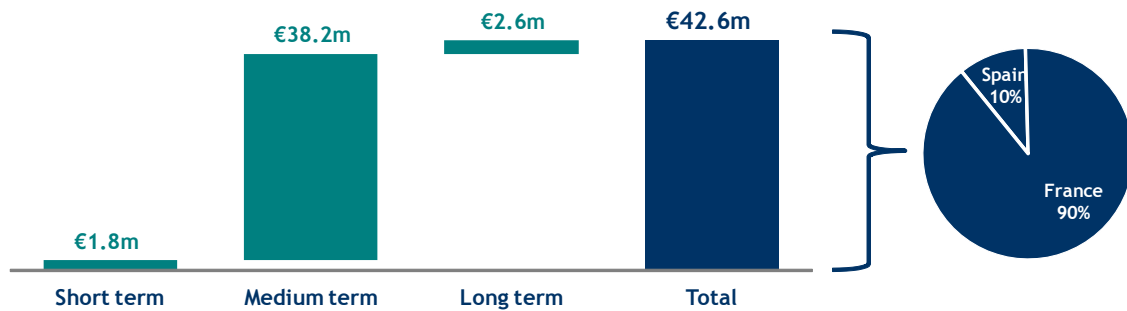
In **France**, there is the #CLOUD project (rue Richelieu). A complete refurbishment is being carried out on this office complex, which involves creating 33,200 sq m of unique offices in the centre of Paris for top tier clients. It will obtain the “Breeam” energy certification.

In addition to the above-mentioned project portfolio, the Colonial Group is carrying out substantial refurbishment projects on certain properties with the aim of optimizing the positioning of these assets. In France, these include substantial refurbishments on the Louvre des Antiquaires building and the 90 Champs Elysées building. At the date of this report, the 90 Champs Elysées building was already 100% let, highlighting the signing of more than 6,000 sq m, 5,000 sq m of which were signed with a top tier consulting firm.

More details regarding each of the projects are described in Appendix 6.4.

- **Rental potential of the project portfolio.** The project portfolio of the Colonial Group will generate additional rental revenues of approximately €43m(*) per year in the coming years, which is broken down in the following graph:

Additional rental income of projects and significant refurbishments



(*) Estimated rents at current market prices

Disposals/portfolio rotation

- During 2014 no asset disposals have been carried out.
- SIIC de Paris disposal: On 23 July 2014, SFL completed the sale of its stake in SIIC de Paris, at a price of €23.88/share (€304m) after deducting the dividend received in July 2014. The price obtained was in line with the NAV at December 2013 (including the dividends received in May and July 2014).

Valuation of the property business

- At the close of the first half of 2014, the rental business of the Colonial Group was valued at €5,582m (€5,824m including transfer costs), by Jones Lang LaSalle, CB Richard Ellis, and BNP Paribas Real Estate. The appraisal figures are updated half-yearly, following the best market practices.

Property Business

Asset valuation (€m)	30-Jun-14	31-Dec-13	30-Jun-13	Jun 14 vs Dec 13		Jun 14 vs Jun 13	
				Total	Like-for-like ⁽¹⁾	Total	Like-for-like ⁽¹⁾
Barcelona	526	518	538	1.5%	1.5%	(2.2%)	(2.2%)
Madrid	634	565	681	12.2%	4.4%	(7.0%)	1.8%
Paris	3,832	3,640	3,288	5.3%	5.3%	16.5%	8.0%
Portfolio in operation ⁽²⁾	4,992	4,723	4,508	5.7%	4.8%	10.7%	6.0%
Projects	284	304	528	(6.6%)	7.3%	(46.2%)	18.5%
Others	11	12	11	(1.5%)	(1.5%)	0.4%	(2.4%)
Property business	5,287	5,039	5,047	4.9%	4.9%	4.8%	6.9%
SIIC de Paris	295 ⁽³⁾	308	296	(4.2%)	(4.2%)	(0.4%)	(0.4%)
Colonial group	5,582	5,347	5,343	4.4%	4.4%	4.5%	6.5%
Spain	1,206	1,165	1,302	3.6%	3.6%	(7.4%)	0.5%
France	4,376	4,182	4,041	4.6%	4.6%	8.3%	8.3%

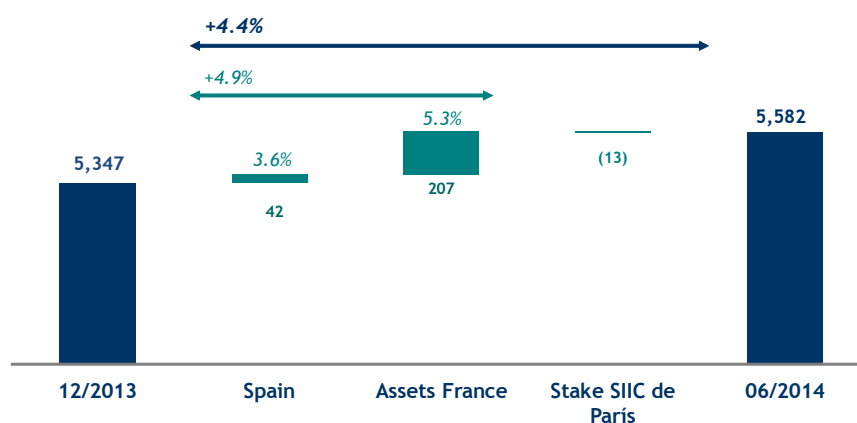
(1) Portfolio in comparable terms

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

(3) Book value of stake in SIIC de Paris

- The valuation of the Colonial Group's assets at June 2014 rose by +4.4% compared to December 2013 (+6.5% vs. June 2013).

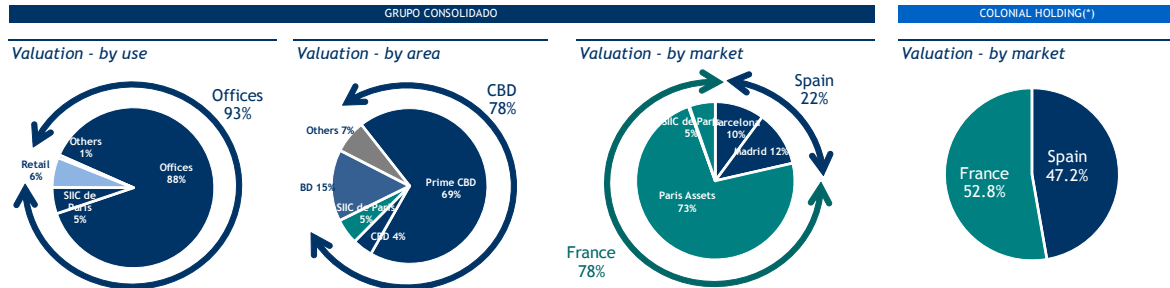
Variance Analysis - Value



The asset portfolio in Spain increased by 3.6% (+€42m) in the last 6 months, resulting in the first positive variance in value since the beginning of the crisis. This increase is mainly due to a yield compression given the growing interest of investors for prime assets in Madrid and Barcelona.

The asset value in Paris (excluding the stake in SIIC de Paris) increased by 5.3%. This is due to an increase in value of €207m of the property portfolio, a consequence of the progressive repositioning of the portfolio with positive impacts on rents and yields.

- Out of the total valuation of the property business, €5,287m corresponds to the asset portfolio directly owned by the Colonial Group and €295m corresponds to the book value of SFL's stake in SIIC de Paris.



SIIC de Paris: value of the SFL's stake in SIIC de Paris
 (*) France = SFL shares valued at NAV. Spain = Assets valued at GAV

- Regarding the valuation of the portfolio in operation, the capital value (€/sq m) and the valuation yields are as follows:

Capital values €/sq m ⁽¹⁾

Portfolio in operation	€m	sq m above ground	€/sq m
Barcelona	526	174,333	3,016
Madrid	634	158,851	3,990
Paris	3,832	336,147	11,400

Yields ⁽²⁾

Portfolio in operation	Yield occupancy 100%	Valuation Yield
Barcelona	6.3%	6.5%
Madrid	6.2%	6.2%
Paris	4.8%	4.7%

(1) In Barcelona, the sq m for the calculation of the capital value correspond to the surface above ground of all the assets excluding the projects of Travessera de Gràcia, Amigó and Parc Central and 160 sq m of non-core retail assets.
 In Madrid, the sq m correspond to the surface above ground of all the assets excluding 227 sq m of other non-lettable surface
 In France, the sq m correspond to the surface above ground of the entire portfolio, excluding the Richelieu project, and additionally including specific rentable surfaces below ground (40,829 sq m). The rest of the surfaces below ground mainly correspond to parking units.
 (2) In order to be able to compare the data with the market benchmarks of the consultants, the corresponding yields of the portfolio in Spain are gross and in France they are net (for definitions of yields see the glossary in appendix 6.10).

4. Financial structure

Main debt figures

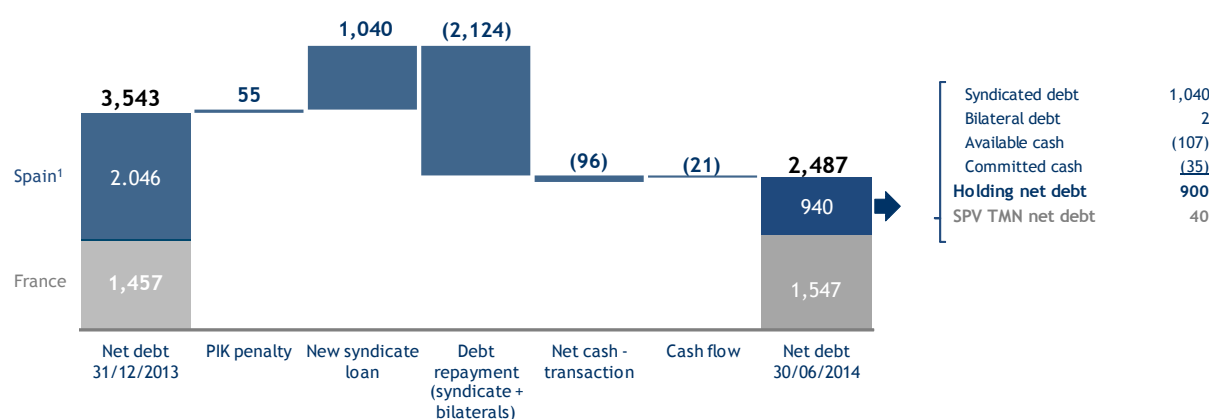
Group financial net debt stood at €2,487m at 30 June 2014, as shown in the table below:

Breakdown of the consolidated net financial debt	June 2014			December 2013			Var.
	SP	FR	Total	SP	FR	Total	Total
Syndicate loan	1,040	140	1,180	1,759	50	1,809	(629)
Mortgage debt/leases	45	235	280	299	237	536	(256)
Subordinated debt	0	0	0	42	0	42	(42)
Unsecured debt and others	0	203	203	11	199	210	(7)
Total gross debt with credit institutions	1,085	578	1,663	2,111	486	2,597	(934)
Bonds	0	1,000	1,000	0	1,000	1,000	0
Total gross debt	1,085	1,578	2,663	2,111	1,486	3,597	(934)
Cash & cash equivalents	(145)	(31)	(176)	(25)	(29)	(54)	(122)
Group Net Debt	940	1,547	2,487	2,086	1,457	3,543	(1,056)
Average maturity of drawn debt (years)	4.5	2.9	3.5	1.3	2.8	2.7	0.8
Cost of debt %	2.83%	3.80%	3.28%	3.02%	4.05%	3.43%	(23bp)

On 4 April 2014, Colonial signed a new syndicate loan for €1,040m, which together with the capital increase of €1,263m, allowed for the total repayment on 6 May 2014 of the previous syndicated debt, as well as practically all of its bilateral loans, positioning its Holding LTV⁽²⁾ at 38.6%.

The evolution of Colonial's debt from 31 December 2013 to 30 June 2014 was the following:

Net Debt Movements €m - June 2014



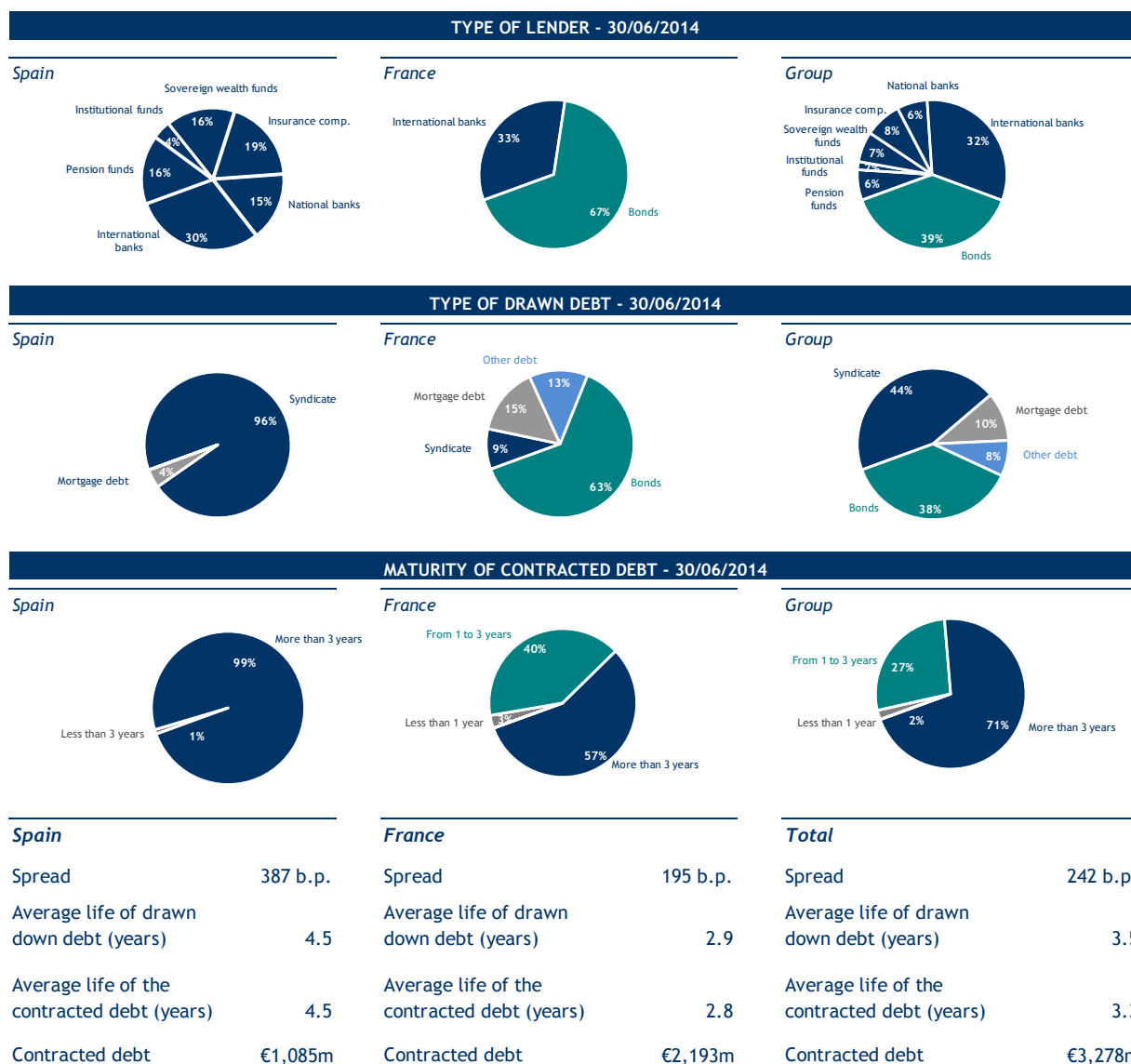
(1) The net debt also includes the debt of SPV ABIX and the TorreMarenostum JV

(2) Holding net debt excluding committed cash / Holding GAV

The new syndicate loan was led by CA-CIB (Crédit Agricole Corporate and Investment Bank), and subscribed by internationally renowned institutions.

The Colonial Group has a well-diversified mix of debt sources, with long-term maturities which will allow it to take advantage of future growth opportunities.

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



Additional information regarding the characteristics of the debt is explained in Appendix 6.6.

▪ **Main leverage ratios and liquidity:**

The Holding net debt at June 2014 amounted to €900m (€936m excluding committed cash) and the Group net debt amounted to €2,487m (€2,522 excluding committed cash).

The LTV leverage ratios are 38.6% for the Holding LTV⁽¹⁾ and 45.2% for the Group⁽²⁾. When considering the asset value before deducting transfer costs (value including transfer costs), the LTV ratios are 36.7% and 43.3%, respectively, as shown in the table below:

<i>Main leverage ratios</i>		
30/06/2014 - €m	Holding	Group
GAV incl. transfer costs	2,552	5,824
GAV excl. transfer costs	2,423	5,582
Net debt - excluding committed cash	936	2,522
LTV incl. transfer costs	36.7%	43.3%
LTV excl. transfer costs	38.6%	45.2%

The liquidity of the Colonial Group at 30 June 2014 amounted to €790m (current accounts and deposits for €176m and undrawn debt for €614m) of which €145m correspond to Spain and €645m to France.

It is important to point out that with the completion of the disposal of the stake in SIIC de Paris, the liquidity of the Group increases up to approximately €1,100m. As a consequence, the Colonial Group is well-positioned to be able quickly and flexibly execute all possible investment opportunities that may come up in the three markets.

(1) Holding net debt excluding committed cash / Holding GAV

(2) Calculated as consolidated net debt excluding committed cash / consolidated GAV

Hedging portfolio

The breakdown of the hedging portfolio at 30 June 2014 is the following:

30 June 2014 Financial instrument - €m	Description	Spain	France	Total	%	MTM (Ex-coupon)
SWAP	From floating to fixed rate	145	185	330	13%	(14)
CAP	Floating rate with a maximum	2,134	0	2,134	87%	0
Total hedging portfolio (Variable - Fixed)		2,279	185	2,464	100%	(14)
Maturity (years)		2.1	3.2	2.2		
% Hedging portfolio / Gross debt (*)		85%	32%	67%		
% Fixed rate or hedged debt vs/ Gross debt (*)		85%	75%	79%		

(*) In the case of Colonial, only the new CAPs (€780m) to hedge the new syndicate loan have been considered

- The Group uses financial derivative instruments to manage its exposure to variances in interest rates. The risk management policy is aimed at reducing at least 50% of the exposure to interest rate volatility to limit and control the impact of these variances on the result and cash flow, maintaining adequate total costs of the debt. In addition, the policy of the Group is to contract instruments that comply with the requirements established under the IFRS 39, allowing the variance in the market value (MTM) to be registered directly in net equity. Accordingly, on 9 May 2014, Colonial proceeded to contract CAPs for €780m, with a strike or hedging level of 1.25%, maturing on 31 December 2018, with the intention to cover 75% of the principal of the new syndicate loan.
- The effective hedging ratio at 31 December 2013 (hedges/debt at floating rates) stood at 67% (85% in Spain and 32% in France).
- At 30 June 2014, the total percentage of debt hedged or at a fixed rate over the total debt stood at 79% due to the effect of the SFL bonds at a fixed rate.

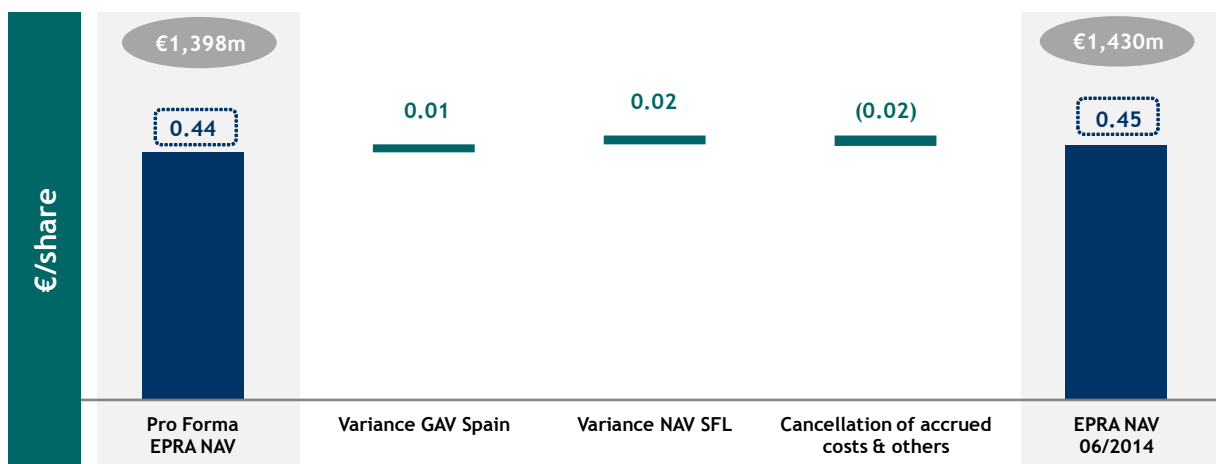
5. EPRA NAV and stock market performance

EPRA Net Asset Value (NAV)

The EPRA NAV of the Colonial Group stood at €1,430m at 30 June 2014, which is equivalent to €0.45/share, considering the number of fully-diluted shares post-execution of the warrants (1 cent higher than the Pro Forma NAV May 2014).

The main variations of the NAV at 30 June 2014 vs. the Pro Forma NAV May 2014 are shown in the graph below:

EPRA NAV Colonial (€/share - full dilution post warrant)



The increase in the asset value has resulted in an increase of 3 cents of the EPRA NAV (1 cent corresponds to Spain and 2 cents to France). On the other hand, the accrued hedging costs and costs related with the formalization of the new financing have been cancelled. Together with other provisions, this has resulted in a negative impact of 2 cents of a euro on the EPRA NAV.

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

EPRA Net Asset value	6/2014
Consolidated financial statements	1,476
Include:	
(i.a) Revaluation of investment properties (if IAS 40 cost option is used)	4
(i.b) Revaluation of other investments	11
Exclude:	
(ii) Fair value of financial instruments	10
(iii.a) Deferred tax	67
(iii.b) Tax credits on balance	(143)
Include/exclude:	
Adjustments (i) to (iii) above in respect of joint ventures interests	5
EPRA NAV	1,430
EPRA NAV (€/share) - fully diluted post warrant	0.45
<i>N° of shares (m) - Fully-diluted (post-execution of warrants)</i>	<i>3,189</i>

Calculation of the EPRA NAV: starting from the consolidated equity of (€1,476m), the following adjustments were carried out:

1. Revaluation of investments: this amounts to €4m, corresponding to latent capital gains (not accounted for on the balance sheet) of specific assets registered at book value.
2. Revaluation of other investments: corresponding to latent capital gains (not accounted for on the balance sheet) of some other investments.
3. Adjustment of accounted for MTM: in order to determine the EPRA NAV, the net value of the MTM ("mark-to-market") of the hedging instruments registered on the balance sheet was adjusted (+€10m), in accordance with the International Financial Reporting Standards (IFRS), and following the EPRA recommendations.
4. Adjustment of deferred taxes: adjustment of the amount of deferred taxes associated with the revaluation of the property assets (+€67m), registered on the balance sheet, in accordance with the International Financial Reporting Standards (IFRS), and following the EPRA recommendations.
5. Adjustment of the tax credit on balance: in order to calculate the EPRA NAV, the values attached to the tax credit on-balance (€143m) has been adjusted.

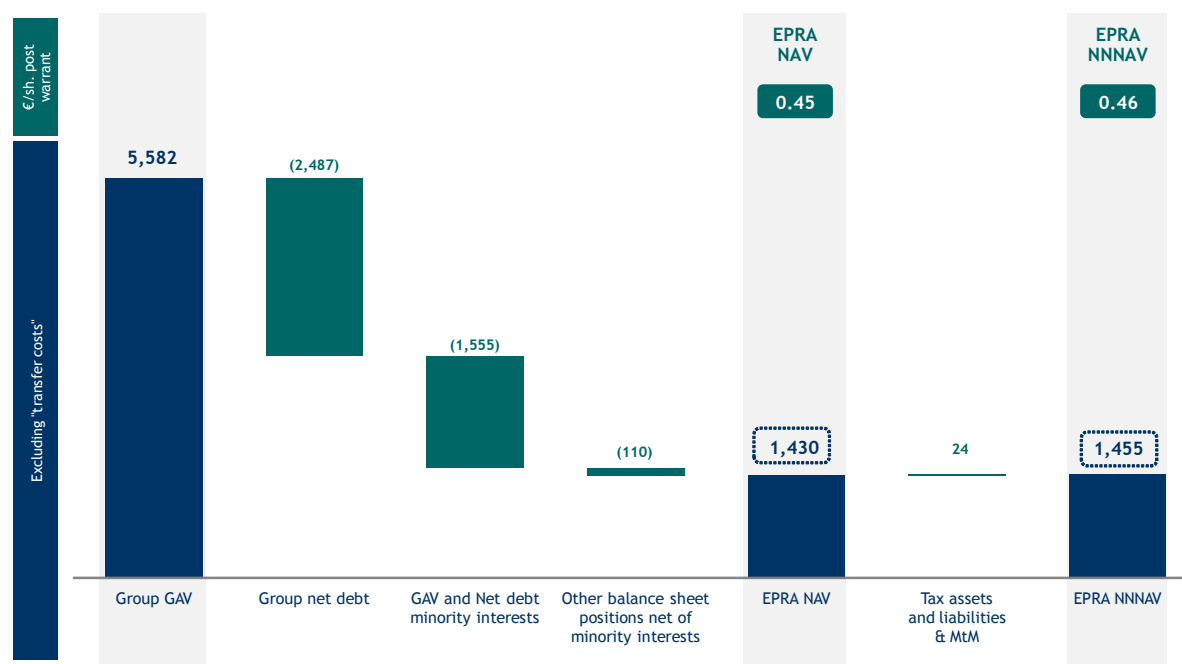
EPRA NNNAV amounted to €1,455m at June 2014, which corresponds to €0.46/share, considering the number of fully-diluted shares post-execution of the warrants.

EPRA Triple Net Asset value (NNNAV)	6/2014
EPRA NAV	1,430
Include:	
(i) Fair value of financial instruments	(10)
(ii) Fair value of debt	(43)
(iii) Deferred tax	(65)
(iv) Tax credits on balance	143
EPRA NNNAV	1,455
EPRA NNNAV (€/share) - fully diluted post warrant	0.46
<i>N° of shares (m) - Fully-diluted (post-execution of warrants)</i>	3,189

For its calculation, the following items have been adjusted in the EPRA NAV: the fair market value of the financial instruments (-€10m), the fair market value of the debt (-€43m), the taxes that would be accrued with the sales of the assets at their market value (-€65m), applying tax benefits for reinvestments and the tax credit on balance (+€143m), considering a going concern assumption.

The breakdown of the NAV from the perspective of the main balance sheet items is shown below:

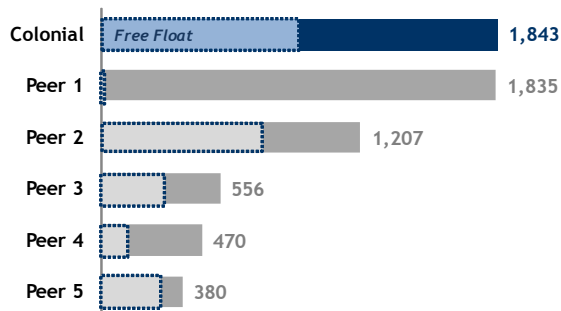
EPRA NAV Colonial - "Building Blocks" (€m)



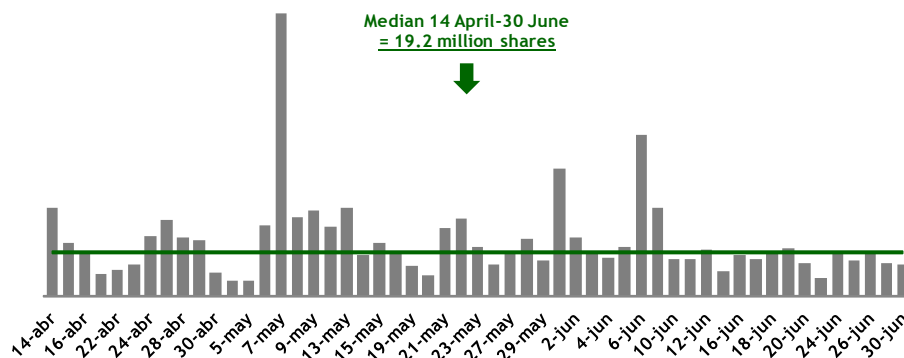
Share price performance

The successful completion of the capital increase has enabled Colonial to position itself as the first listed Spanish property company in terms of market capitalization (30/06/2014).

Market capitalization



Daily traded volume (shares)

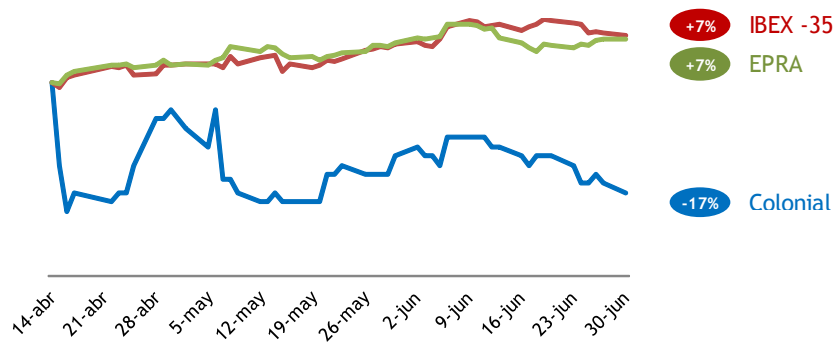


Due to the high free float, as well as the significant average daily traded volume, Colonial has been included in two EPRA indices: the FTSE EPRA/NAREIT Developed Europe and the FTSE EPRA/NAREIT Developed Eurozone. In addition, Colonial has been included in the Global Property Index 250 (GPR 250 Index). These indices are benchmark property indices for international listed companies.



In addition, Colonial is part of the Investment Property Databank (IPD) index, a global property profitability benchmark index.

The successful capital increase has been very positively received by the capital markets, as reflected by the high demand that tripled the offering. Colonial is currently trading at a premium to the NAV.



Select domestic and international financial analysts have started to cover the company and therefore are tracking and analysing the share price performance.

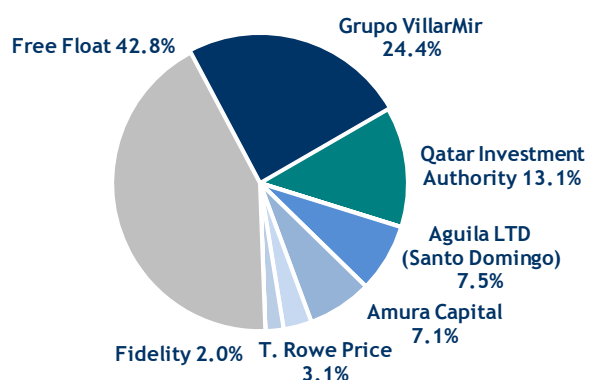
The target prices and recommendations are as follows:

Institution	Analyst	Date	Recommendation	Target Price (€/share)
Kempen	Boudewijn Schoon	15/04/2014	Underweight	0.53
Ahorro Corporación	Juan Moreno	07/05/2014	Sell	0.47
N+1 Equities	Rodrigo Vázquez	06/06/2014	Buy	0.71
Morgan Stanley	Bart Gysens	17/06/2014	Equal-weight	0.65
Interdin	Pablo Ortiz de Juan	17/07/2014	Buy	0.70
2014 average				0.61

Company shareholder structure

The capital increase has enabled Colonial to create a shareholder structure with renowned investors and a broad free float.

Shareholder structure at 30/06/2014 (*)



(*) According to reports in the CNMV and notifications received by the company

Board of Directors

Name of Director			Executive Committee	Nominations & Remunerations Committee	Audit & Control Committee
Juan José Brugera Clavero	Chairman		Chairman		
Grupo Villar Mir S.A.U represented by Juan-Miguel Villar Mir	Vice-chairman - Director		Vice-chairman		
Pedro Viñolas Serra	Chief Executive Officer		Member		
Juan Villar-Mir de Fuentes	Director			Member	Member
Silvia Villar-Mir de Fuentes	Director				
Juan Carlos García Cañizares	Director		Member	Member	
Francesc Mora Sagués	Director		Member	Member	
Ana Sainz de Vicuña	Independent Director				Member
Carlos Fernández-Lerga Garralda	Independent Director		Member	Chairman	Member
Javier Iglesias de Ussel Ordís	Independent Director			Member	Chairman
Luis Maluquer Trepal	Other External Director				Member
Francisco Palá Laguna	Secretary - Non-Director		Secretary	Secretary	Secretary
Nuria Oferil Coll	Vice-secretary - Non-Director				

6. Appendices

6.1 Consolidated balance sheet

6.2 Asset portfolio - Locations

6.3 Asset portfolio - Details

6.4 Project portfolio

6.5 Historical series

6.6 Financial Structure - Details

6.7 Legal structure

6.8 Subsidiaries - Details

6.9 Additional information

6.10 Glossary

6.11 Contact details

6.12 Disclaimer

6.1 Consolidated balance sheet

Consolidated balance sheet

€m	06/2014	12/2013	MARKET VALUE RECONCILIATION	€m
ASSETS				
Consolidated goodwill	0	120	Tangible fixed assets - own use ⁽¹⁾	29
<i>Investment property - In operation</i>	4,882	4,602	Real estate investment (w/o advances on fixed assets) ⁽²⁾	5,185
<i>Investment property - Work in progress, advances and provisions</i>	309	314	Non-current assets held for sale - Investment properties ⁽³⁾	20
Property investments	5,191	4,916	Value accounted on balance	5,234
Equity method	0	302	Unrealised capital gains - own use	8
Other non-current assets	185	216	Not appraised	2
Non-current assets	5,376	5,554	Rent free periods	43
Debtors and other receivables	81	66	Adjustments	53
Other current assets	180	57	Appraisal value according to external appraisers⁽⁴⁾	5,287
Assets available for sale	314	843		
Current assets	575	966		
TOTAL ASSETS	5,951	6,520		
LIABILITIES				
Share capital	791	226		
Other reserves	146	36		
Profit (loss) for the period	559	(547)		
Other instruments for equity	1	2		
Exchange differences	0	(1)		
Treasury shares	(21)	(60)		
Equity	1,476	(344)		
Minority interests	1,341	1,273		
Net equity	2,817	929		
Bond issues and other non-current issues	997	996		
Non-current financial debt	1,590	547		
Deferred tax	182	169		
Other non-current liabilities	141	121		
Non-current liabilities	2,910	1,833		
Bond issues and other current issues	11	14		
Current financial debt	73	2,057		
Creditors and other payables	99	88		
Other current liabilities	42	62		
Liabilities associated to assets available for sale	0	1,538		
Current liabilities	223	3,758		
TOTAL EQUITY & LIABILITIES	5,951	6,520		

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

⁽²⁾ Included in the line of "Property Investments"

⁽³⁾ Included in the line of "Assets available for sale"

⁽⁴⁾ NAV stake in SIIC de Paris not included

6.2 Appendix - Asset portfolio - Locations

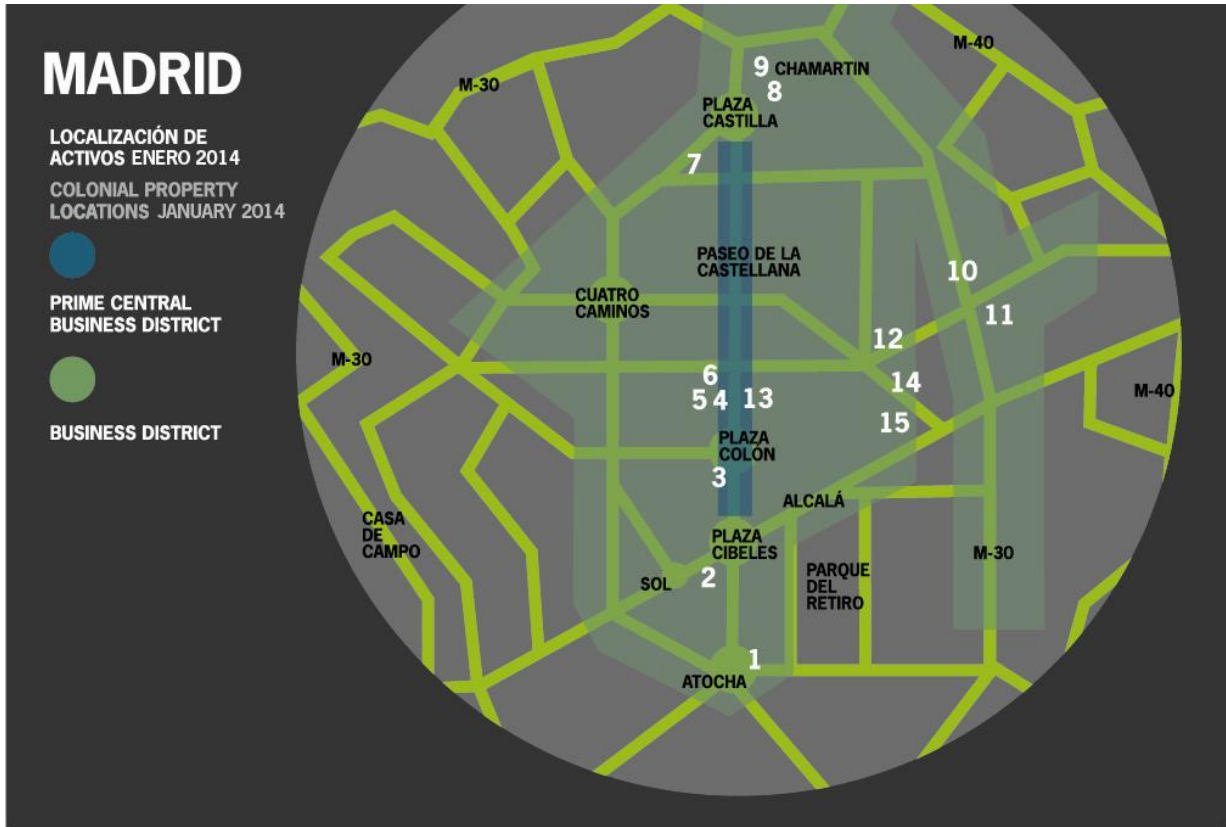
Barcelona



	<p>1 TORRE BCN</p>		<p>6 TRAVESSERA GRÀCIA 11</p>		<p>11 TORRE MARE NOSTRUM</p>		<p>15 COMPLEJO DE OFICINAS ILLACUNA</p>
	<p>2 PG. DELS TIL·LERS 2-6</p>		<p>7 AMIGÓ 11-17</p>		<p>12 AUSIÀS MARC 148</p>		<p>16 COMPLEJO DE OFICINAS CUGAT NORD</p>
	<p>3 AV. DIAGONAL 682</p>		<p>8 AV. DIAGONAL 530-532</p>		<p>13 DIAGONAL GLÒRIES</p>		
	<p>4 AV. DIAGONAL 609-615</p>		<p>9 AV. DIAGONAL 409</p>		<p>14 COMPLEJO DE OFICINAS PARC CENTRAL</p>		
	<p>5 BERLÍN 38-48 / NUMANCIA 46</p>		<p>10 VIA AUGUSTA 21-23</p>				

6.2 Appendix - Asset portfolio - Locations (cont.)

Madrid



BREEAM® ES



1 ALFONSO XII, 62



2 ALCALÁ, 30-32



3 PASEO DE RECOLETOS, 37-41



4 PASEO DE LA CASTELLANA, 43



5 MIGUEL ÁNGEL, 11



6 JOSÉ ABASCAL, 56



7 CAPITÁN HAYA, 53



8 AGUSTÍN DE FOXÁ, 29



9 HOTEL TRYP CHAMARTÍN



10 RAMÍREZ DE ARELLANO, 37



11 MV 49 BUSINESS PARK



12 LÓPEZ DE HOYOS, 35



13 PASEO DE LA CASTELLANA, 52



14 FRANCISCO SILVELA, 42



15 ORTEGA Y GASSET, 100

6.2 Appendix - Asset portfolio - Locations (cont.)

Paris

The entire Paris portfolio has energy certificates



1
LDE-LDA



2
WASHINGTON
PLAZA



3
GALERIE DES
CHAMPS-ÉLYSÉES



4
90,
CHAMPS-ÉLYSÉES



5
92,
CHAMPS-ÉLYSÉES-
OZONE



6
CÉZANNE
SAINT-HONORÉ



7
EDOUARD VII



8
176, CHARLES
DE GAULLE



9
RIVES DE SEINE



10
IN/OUT



11
96, IENA



12
131, WAGRAM



13
103, GRENELLE



14
104-110, HAUSSMANN



16
ILOT RICHELIEU



17
LE VAISSEAU



18
112, WAGRAM

6.3 Appendix - Asset portfolio - Details

Spain

RENTAL PORTFOLIO SPAIN	Floor space above ground					Floor space above ground	Floor space below ground	Total surface	Parking units
	Offices	Retail	Resid.	Logistic	Hotel				
AV. DIAGONAL, 409	4,531					4,531		4,531	
AV. DIAGONAL, 530	11,781					11,781	1,688	13,469	99
AV. DIAGONAL, 609-615 (DAU)	19,800					19,800	18,839	38,639	438
AV. DIAGONAL, 682	8,622					8,622	516	9,138	43
PEDRALBES CENTRE		5,558				5,558	1,308	6,866	
AUSIAS MARC / LEPANT	6,430					6,430	1,521	7,951	64
BERLIN, 38-48/NUMANCIA, 46	11,308					11,308	1,692	13,000	99
GLORIES - Diagonal	11,672					11,672	536	12,208	40
GLORIES - Llacuna	20,451					20,451	13,620	34,071	480
TILOS	5,143					5,143	3,081	8,224	79
VIA AUGUSTA, 21-23	4,838					4,838		4,838	
TORRE BCN	9,035					9,035	3,398	12,433	88
TORRE DEL GAS	22,750					22,750	19,370	42,120	609
SANT CUGAT NORD	27,904					27,904	20,627	48,531	690
P. CASTELLANA, 52	7,523					7,523	588	8,111	49
RECOLETOS, 37	17,202					17,202	5,340	22,542	175
CASTELLANA, 43	5,998					5,998	2,442	8,440	81
MIGUEL ANGEL, 11	6,300					6,300	2,231	8,531	81
JOSE ABASCAL, 56	12,325					12,325	6,437	18,762	219
ALCALA, 30-32	9,088					9,088	1,700	10,788	52
ALFONSO XII, 62	13,135					13,135	2,287	15,422	77
FRANCISCO SILVELA, 42	5,725					5,725	3,654	9,379	105
ORTEGA Y GASSET 100	7,792					7,792	2,563	10,355	96
CAPITAN HAYA	16,015					16,015	9,668	25,683	295
LOPEZ DE HOYOS, 35	7,140					7,140	4,105	11,245	111
CENTRO NORTE ⁽¹⁾	7,233					7,233	2,557	9,790	158
CENTRO NORTE HOTEL					8,458	8,458	11,089	19,547	
MARTINEZ VILLERGA, 49	24,135					24,135	14,581	38,716	437
RAMIREZ DE ARELLANO, 37	5,988					5,988	4,923	10,911	160
RENTAL PORTFOLIO	309,863	5,558			8,458	323,879	160,360	484,240	4,825
ORENSE 46-48		5,010				5,010	1,295	6,305	51
OTHER COMMERCIAL PREMISES		1,029				1,029	350	1,379	
PORTFOLIO IN OPERATION SPAIN	309,863	11,597			8,458	329,918	162,005	491,923	4,876
PARC CENTRAL	14,737					14,737	14,737	29,474	184
TRAVESSERA DE GRACIA, 11	4,440					4,440	1,517	5,957	45
AMIGÓ	3,762					3,762	1,403	5,165	41
SANT CUGAT NORD							435	435	
BERLIN, 38-48/NUMANCIA, 46	1,509					1,509	12	1,521	
AV. DIAGONAL, 609-615 (DAU)	2,196					2,196	150	2,346	
TORRE BCN	800					800	0	800	
PEDRALBES CENTRE							18	18	
HOTEL MARINA DE LA TORRE					11,519	11,519	0	11,519	
ORENSE							93	93	
JOSE ABASCAL, 56	12					12	0	12	
MIGUEL ANGEL, 11							818	818	
AV. DIAGONAL, 682							84	84	
PROJECTS UNDERWAY SPAIN	27,458				11,519	38,977	19,267	58,244	270
TOTAL SPAIN	337,321	11,597			19,977	368,895	181,272	550,167	5,146
BARCELONA	191,711	5,721				197,432	104,552	301,984	2,999
MADRID	145,610	5,010			8,458	159,078	76,370	235,448	2,147
OTHERS		866			11,519	12,385	350	12,735	

⁽¹⁾ The Centro Norte complex has been reclassified into two assets (Agustin de Foxá, 29 & Hotel Tryp Chamartin)

6.3 Appendix - Asset portfolio - Details (cont.)

France

RENTAL PORTFOLIO FRANCE	Floor space above ground					Floor space above ground	Floor space below ground	Total surface	Parking units
	Offices	Retail	Resid.	Logistic	Hotel				
CALL-LDA	21,418	1,200			2,134	24,752	5,730	30,483	236
EDOUARD 7	27,430	15,997	1,384		4,502	49,314	10,145	59,458	523
HANOVRE LB	3,325					3,325	1,246	4,571	
C. ELYSEES 8288		4,489				4,489	3,789	8,278	125
C. ELYSEES 90	1,015	981				1,996		1,996	99
C. ELYSEES 92	4,110	3,089				7,199		7,199	
CEZANNE SAINT HONORE	23,370	1,849				25,219	3,337	28,556	128
PRONY-WAGRAM	7,100				449	7,549	3,119	10,668	124
IENA	7,505					7,505	4,711	12,217	264
108-112 WAGRAM	4,470	892				5,362	546	5,908	29
WASHINGTON PLAZ	34,780	460			2,241	37,481	13,271	50,752	662
HAUSS. 104-110	11,683	791				12,474	2,650	15,124	104
NEUILLY	5,107	389				5,496	2,739	8,234	145
QUAI LE GALLO	28,873					28,873	14,567	43,440	581
ISSY LES MOULINEAUX	6,026					6,026	2,321	8,347	124
RIVES DE SEINE	20,270				1,760	22,030	6,589	28,619	366
103 GRENELLE	15,176	258			1,052	16,486	1,872	18,357	100
SAINT DENIS			60			60	16	76	1
PORTFOLIO IN OPERATION FRANCE	221,658	30,395	1,444		12,138	265,635	76,649	342,284	3,611
WASHINGTON PLAZA	4,425					4,425	2,678	7,103	
CALL-LDA	7,085	5,481				12,566	8,462	21,028	
108-112 WAGRAM						0	562	562	
GRENELLE						0	2,996	2,996	
C. ELYSEES 8288		110				110	2,304	2,414	
C. ELYSEES 92						0	493	493	
CEZANNE SAINT HONORE	1,043					1,043	1,504	2,547	
C. ELYSEES 90	7,737					7,737	1,609	9,346	
QUAI LE GALLO							3,741	3,741	
ILOT RICHELIEU	33,187					33,187	1,609	34,796	99
NEULLY	642					642	861	1,503	
PRONY-WAGRAM						0	532	532	
IENA						0	930	930	
EDOUARD 7		35	3,125			3,160	0	3,160	
HANOVRE LB						0	36	36	
PROJECTS UNDERWAY FRANCE	54,119	5,626	3,125			62,869	28,316	91,186	99
TOTAL FRANCE	275,777	36,021	4,570		12,138	328,505	104,965	433,470	3,710
TOTAL PROPERTY COLONIAL	613,098	47,618	4,570		32,115	697,400	286,237	983,637	8,856

6.4 Appendix - Project portfolio

Travessera de Gràcia/Amigó



A project of two office buildings with a total of 8,202 sq m above ground, located in Travessera de Gracia, where it crosses with Calle Amigó, no more than a few metres from Avenida Diagonal, in a busy and well-connected shopping area. A project with state-of-the-art façades with outstanding design. Office space ranging from 200 sq m to 540 sq m per floor. High-quality and energy-efficient buildings and facilities have enabled the company to obtain the LEEDs GOLD certification (“green building”).

Parc Central 22@ - Barcelona



An office complex project opposite Avenida Diagonal in the heart of the 22@ business district, one of the most up-and-coming areas in the city, which includes an integrated 15,000 sq m office building within a complex. This project is expected to begin in the medium term. The materials and finishings will be top quality and the design philosophy is to perfectly integrate the complex into its surroundings. There will be 136 parking spaces, all located in the same building.

#CLOUD (Rue Richelieu)



Acquired by SFL in April 2004, located just a few paces from the Palais Brongniart in the “Cité Financière” (Financial District) and that was let in the past by a large French Bank. During the third quarter of 2012, refurbishments began on the property. This office complex will undergo a complete renovation project, #Cloud, which will involve the creation of 33,200 sq m of individual offices for top tier clients in central Paris.

6.5 Appendix - Historical series

€m	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Barcelona										
Offices occupancy	97%	100%	99%	94%	95%	91%	78%	78%	79%	80%
Rental income	55	53	56	60	51	49	39	32	31	28
EBITDA	53	51	55	58	49	47	37	28	27	25
Ebitda / Rental income	95%	96%	97%	97%	96%	97%	93%	88%	89%	89%
Madrid										
Offices occupancy	93%	98%	99%	99%	94%	89%	88%	91%	75%	80%
Rental income	37	44	68	70	56	50	47	45	44	35
EBITDA	34	42	66	66	52	46	42	41	40	30
Ebitda / Rental income	93%	94%	96%	95%	92%	92%	90%	90%	90%	86%
Paris										
Offices occupancy	97%	96%	98%	99%	98%	94%	87%	92%	94%	80%
Rental income	157	153	162	170	182	183	175	152	150	149
EBITDA	147	145	153	162	171	173	162	141	138	137
Ebitda / Rental income	94%	95%	95%	95%	94%	94%	93%	93%	92%	92%

6.6 Financial Structure - Details

Financial structure at 30 June 2014

The main characteristics of the debt are as follows:

1. Colonial's syndicate loan for €1,040m. This loan, signed on 4 April 2014, and the capital increase of €1,263m allowed for the total repayment, on 6 May 2014, of the previous syndicated debt, as well as practically all of its bilateral loans, positioning its Holding LTV below 40%.

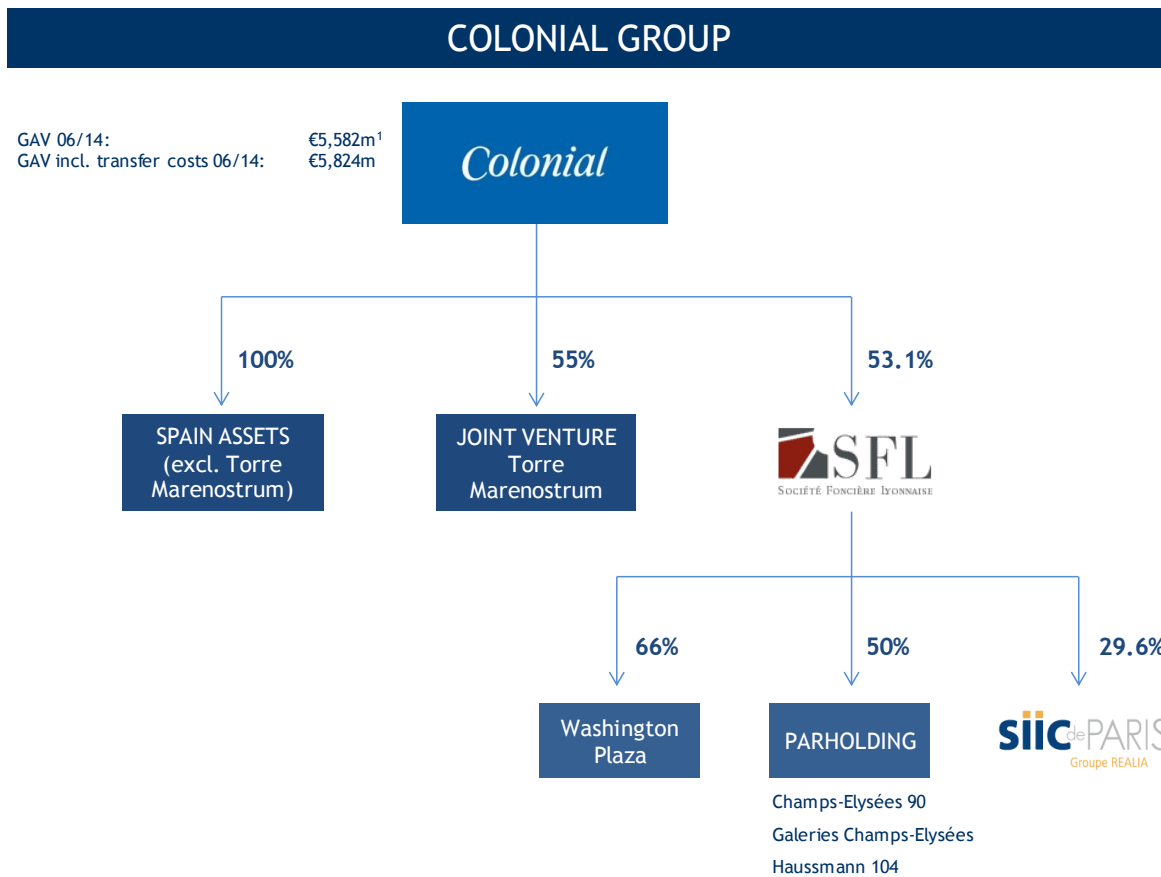
This new loan was subscribed by different entities, including Crédit Agricole Corporate and Investment Bank, Sucursal en España, GIC, AXA, ING and Banc Sabadell among others.

Its main characteristics are:

- Bullet maturity at 31 December 2018
 - Mortgage securities over Colonial's assets
 - Pledges on SFL's shares and TMN's capital shares
 - Margin: 400 bp over Euribor 3 months
 - Voluntary amortizations: permitted as from the first anniversary of the debt
 - Market covenants: LTV below 58% and ICR (Interest Coverage Ratio) above 1.25x
2. SFL's two syndicate loans:
 - a) A syndicate loan for a nominal amount of €400m, the agent bank of which is "BNP PARIBAS", maturing in July 2018 with an applicable spread between 180 bp and 230 bp, subject to the LTV level. At 30 June it was undrawn at €140m.
 - b) A syndicate loan, the agent bank of which is "Natixis Banques Populaires" for a nominal amount of €350m, maturing in December 2015. The applicable spread is 215 bp. This loan, at 30 June 2014, was totally undrawn.
 3. SFL's bonds for €1,000m, of which €500m were issued on 17 May 2011, and €500m on 28 November 2012. They yield an annual fixed coupon of 4.625% and 3.50%, respectively, payable yearly with their respective maturities on 25 May 2016 and 28 November 2017. These bonds are unsubordinated and non-preferential between them, and have been accepted for listing on the regulated market of Euronext Paris.
 4. Bilateral loans with mortgage securities:
 - a) The Colonial Group in Spain holds €45m in bilateral loans, with mortgage securities on various property assets. The average maturity of these loans is 5.9 years and the average financing spread is 80 bp.
 - b) SFL has a total of €235m in bilateral loans with various financial institutions, with mortgage securities on property assets. The average maturity of these loans is 2.9 years and the average financing spread is 187 bp.
 5. Bilateral loans without mortgage securities:

SFL holds various loans in the amount of €203 with an average maturity of 3.4 years and an average financing spread of 140 bp.

6.7 Appendix - Legal structure



Colonial also maintains a minority stake of 17.34% in Asentia.

(1) GAV Spanish assets + 100% GAV SFL Group + book value of the 29.6% stake in SIIC de Paris

6.8 Appendix - Subsidiaries - Details

▪ Main SFL figures

<i>Key performance indicators</i>			
	SFL		
	Jun-14	Jun-13	Var. %
No. of Assets	18	18	0%
Office occupancy	84%	91%	(6.8 pp)
Total occupancy	86%	92%	(5.7 pp)
Rental revenues	74	75	(1%)
EBITDA rents	69	68	1%
EBITDA / rental revenues	93%	91%	2.1 pp
EBITDA recurring	60	59	1%
EBITDA asset sales	(0)	(0)	-
EBITDA Total	60	59	1%
Profit attributable to Group	139	82	70%
	Jun-14	Dec-13	Var. %
GAV assets ⁽¹⁾	4,081	3,874	5%
Net Debt	1,546	1,457	-
LTV ⁽²⁾	34%	33%	-
NAV EPRA (excluding transfer costs)	2,405	2,309	4%
N° of shares (mn)	46.5	46.5	0%
NAV EPRA (excluding transfer costs) (€/share)	51.7	49.7	4%
NAV EPRA (including transfer costs) (€/share)	55.5	53.3	4%

Calculated considering the consolidation criteria

(1) GAV following consolidation criteria excluding transfer costs (not including SIIC de Paris)

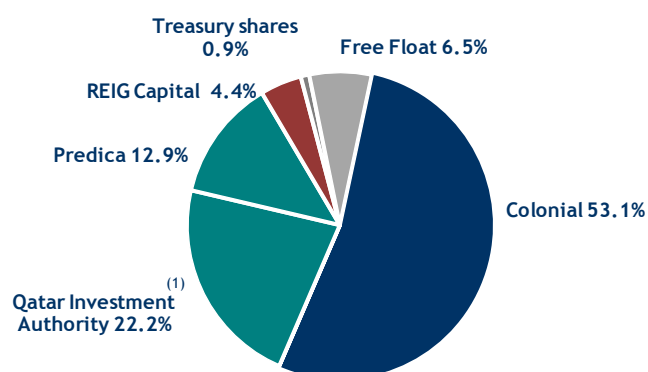
(2) LTV: Group net debt / (GAV including transfer costs + stake in SIIC de Paris)

6.8 Appendix - Subsidiaries - Details




Shareholder structure and Board of Directors of SFL

The high level of interest to participate in the Colonial Group's project has also resulted in a change in the shareholder structure of SFL, replacing shareholders on the way out with long-term shareholders with strategies in line with those of the Colonial Group, with regards to the Paris market.

SFL - Shareholder structure at 30/06/2014



Board of Directors SFL

Name of Director			Executive Committee	Nominations & Remunerations Committee	Audit & Control Committee	Independent Directors Committee
Juan José Brugera Clavero	Chairman	<i>Colonial</i>	Chairman	Member		
Carlos Fernández-Lerga Garralda	Director	<i>Colonial</i>			Chairman	
Carmina Ganyet Cirera	Director	<i>Colonial</i>	Member			
Pere Viñolas Serra	Director	<i>Colonial</i>	Member	Chairman		
Angels Arderiu Ibars	Director	<i>Colonial</i>				
Carlos Krohmer	Director	<i>Colonial</i>				
Luis Maluquer Trepal	Director	<i>Colonial</i>				
Jean-Jacques Duchamp	Director		Member		Member	
Chantal du Rivau	Director					
Reig Capital Group Luxembourg SARL (Alejandro Hernandez-Puertolas)	Director					
Anne-Marie de Chalambert	Independent Director					Member
Jacques Calvet	Independent Director				Member	Member
Anthony Wyand	Independent Director			Member		Member

(1) Stake held through Qatar Investment Authority (13.6%) and DIC Holding (8.6%)

6.9 Appendix - Additional Information

EPRA Net Profit

EPRA Earnings - June cumulative - €m	2014	2013
Earnings per IFRS Income statement	559	(308)
Adjustments to calculate EPRA earnings, exclude:		
(i) Changes in value of investment properties, development properties held for investment and other interests	(33)	(33)
(ii) Profits or losses on disposal of investment, development properties held for investment and other interests	(0)	3
(iii) Exceptional items	4	-
(iv) Tax credits impairment	13	13
(v) Changes in fair value of financial instruments and associated close-out costs	94	48
(vi) Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation)	6	(5)
(vii) Minority interests in respect of the above	68	23
EPRA net profit - pre company-specific adjustments	712	(258)
(vii) Company-specific adjustments - discontinued operations	(704)	257
EPRA net profit - post company-specific adjustments	7.9	(1.0)

Valuation yields

The gross and net valuation yields of the Spanish property portfolio are the following (see definitions of yields in the glossary in appendix 6.10)

Valuation Yield Spain 30/06/2014

Portfolio in operation	Valuation Yield	
	Gross	Net
Barcelona	6.5%	6.2%
Madrid	6.2%	6.0%

6.10 Appendix - Glossary

Earnings per share (EPS)	Profit from the year attributable to the shareholders divided by the number of shares
BD	Business District
Market capitalisation	The value of the company's capital obtained from its stock market value. It is obtained by multiplying the market value of its shares by the number of shares in circulation.
CBD	Central Business District (prime business area)
Property company	Company with rental property assets
Portfolio (surface area) in operation	Property/surfaces with the capacity to generate rents at the closing date of the report
Asentia deconsolidation	Exit from the consolidation perimeter of the Colonial Group or consideration as an associated company
EBITDA	Operative results before net revaluations, amortizations, provisions, interests and taxes
EPRA	European Public Real Estate Association: Association of listed European property companies that sets best market practices for the sector
Free float	The part of share capital that is freely traded on the stock market and not controlled in any stable way by shareholders
GAV excl. Transfer costs	Gross Asset Value of the portfolio according to external appraisers of the Group, after deducting transfer costs.
GAV incl. Transfer costs	Gross Asset Value of the portfolio according to external appraisers of the Group before deducting transfer costs
GAV Holding Colonial	Gross Asset Value of directly-held assets + NAV of the 55% stake in the Torre Marenostrum JV + NAV of 53.1% stake in SFL
Holding	A company whose portfolio contains shares from a certain number of corporate subsidiaries
IFRS	International Financial Reporting Standards
JV	Joint Venture (association between two or more companies)
Like-for-like rents	Data that can be compared between one period and another, excluding the following: 1) investments and disposals, 2) changes in the project and refurbishment portfolio, and 3) other extraordinary items, for example, indemnities from tenants in case of anticipated leave

6.10 Appendix - Glossary (cont.)

Like-for-like valuation	Data that can be compared between one period and another (excluding investments and disposals)
LTV	Loan to Value (Net financial debt/GAV of the business)
EPRA NAV	EPRA Net Asset Value (EPRA NAV) is calculated based on the consolidated equity of the company and adjusting some items following the EPRA recommendations
EPRA NNAV	The EPRA NNAV is calculated adjusting the following items in the EPRA NAV: the fair market value of the financial instruments, the fair market value of the debt, the taxes that would be accrued with the sale of the assets at their market value applying tax benefits for reinvestments and the tax credit on balance, considering a going concern assumption
Occupancy - surfaces	Percentage: occupied square metres of the portfolio at the closing date of the report/surfaces in operation of the portfolio
Occupancy - EPRA	Financial occupancy according to the calculation recommended by the EPRA (occupied surface areas multiplied by the market rental prices/surfaces in operation at market rental prices)
Reversionary potential	This is the result of comparing the rental revenues from current contracts (contracts with current occupancy and current rents in place) with the rental revenues that would result from 100% occupancy at market prices, estimated by independent appraisers. Projects and refurbishments are excluded
Projects underway	Property under development at the closing date of the report
RICS	Royal Institution of Chartered Surveyors
SFL	Société Foncière Lyonnaise
TMN	JV of Colonial (55%) and Gas Natural (45%) related to the Torre Mareostrum building
Valuation Yield	Capitalization rate applied by the independent appraisers in the valuation
Yield on cost	Market rent 100% occupied/Market value at the start of the project net of impairment of value + invested capital expenditure
Yield occupancy 100%	Passing rents + vacant spaces rented at the market prices/market value
Gross Yield	Gross rents/market value excluding transfer costs
Net Yield	Net rents/market value including transfer costs
€m	In millions of euros

6.11 Appendix - Contact details

Investor Relations

Tel. +34 93 404 7898
inversores@inmocolonial.com

Shareholders Office

Tel. +34 93 404 7910
accionistas@inmocolonial.com

Colonial Website

www.inmocolonial.com

Capital Market registry data - Stock market

Bloomberg: COL.SM
Código ISIN: ES0139140042
Índices: IPD, EPRA (FTSE EPRA/NAREIT Developed Europe y FTSE EPRA/NAREIT Developed Eurozone)

6.12 Appendix - Disclaimer

This presentation includes forward-looking statements. All statements other than statements of historical facts included in this presentation, including, without limitation, those regarding the financial position, business strategy, management plans and objectives for future operations of Colonial are forward-looking statements. Forward-looking statements included in this presentation have not been verified by an independent entity and therefore their accuracy and completeness should not be assumed. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause such actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of Colonial and the environment in which they expect to operate in the future. Forward-looking statements speak only as of the date of this presentation and Colonial expressly disclaims any obligation or undertaking to release any update of, or revisions to, any forward-looking statements in this presentation, any change in their expectations or any change in events, conditions or circumstances on which these forward-looking statements are based.

Neither the Company nor any of its advisors or representatives assumes any kind of responsibility for any damages or losses derived from any use of this document or its contents.

THIS PRESENTATION DOES NOT CONSTITUTE OR FORM PART OF ANY OFFER FOR SALE OR SOLICITATION OF ANY OFFER TO BUY ANY SECURITIES.