Colonial

Third quarter results
January-September 2014

13 November 2014

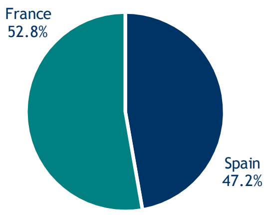
The Colonial Group obtained net attributable results of €563m, mainly due to the single extraordinary positive impact of €704m, for the "deconsolidation" of Asentia.

- **The recurring EPRA net profit amounts to €12.9m, +€11m vs. the previous year**
- **Recurring EBITDA of the Group: €120m, +6% like-for-like vs. the previous year**

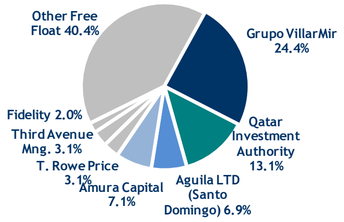
Capital Structure

GAV Holding (30/06/2014) [1]	2,423
Holding Net Debt [2]	963
LTV Holding [3]	39.8%
EPRA NAV (30/06/2014) [4] - €m	1,430
EPRA NAV (30/06/2014) [4] - €/share	0.45
Prem./Disc. NAV (30/09/2014)	25%

Valuation - by market (Holding) - 06/14



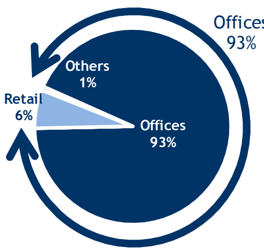
Shareholder structure Colonial



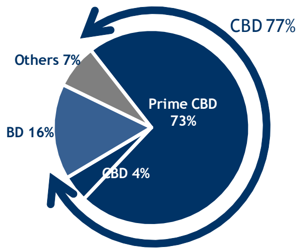
Portfolio - 30/09/2014 - GAV 30/06/2014 excl. SIIC de Paris [5]

GAV Group (30/06/2014) [5] excl. SIIC de Paris	***5,287***
No. of assets Spain [6]	31
No. of assets France	18
Total no of assets	**49**
Lettable surface above ground	606,167
Developments underway - surf. above ground [7]	91,126
Surface above ground	**697,293**

Valuation - by uses - 06/14 excl. SDP



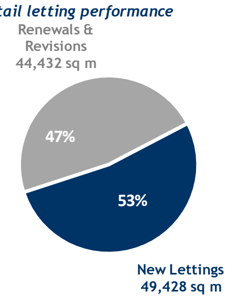
Valuation - by area - 06/14 excl SDP



Key performance indicators 3Q 2014

	Total	Barcelona	Madrid	Paris
New contracts	**49,428**	16,202	19,652	13,574
Renewals & revisions	**44,432**	12,094	15,552	16,786
Total commercial effort	**93,860**	28,296	35,204	30,360
Office occupancy EPRA [8]	**84%**	78%	85%	85%
Rental revenues	**158**	21	24	113
% Like-for-like	*2.6%*	(5.5%)	*6.8%*	*3.4%*

Detail letting performance



Financial indicators 3Q 2014

	2014	2013	Var.	Var. LFL
Rental revenues	158	160	(1%)	3%
EBITDA rents	143	143	0%	5%
EBITDA/rental revenues	91%	89%	*1.1 pp*	-
EBITDA recurring business	120	120	(0%)	6%
Recurring EPRA net profit [9]	12.9	1.7	-	-
Net result attributable to the Group	563	(369)	-	-

[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
[4] EPRA NAV according to the calculation recommended by EPRA
[5] GAV 30/06/2014 excl. stake in SIIC de Paris, disposed of in July 2014
[6] Excluding small non-core retail assets. The Centro Norte complex has been reclassified into two assets (Agustín de Foxá, 29 & Hotel Tryp Chamartín)
[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 3Q Results 2014

The rental revenues of the Colonial Group increased by 2.6% like-for-like. The portfolio in Spain has had positive growth of 0.8% like-for-like, thanks to the positive performance of the Madrid portfolio (+6.8%), which compensated for the 5.5% decrease in the Barcelona portfolio. In Paris, the rental revenues increased by 3.4% like-for-like.

The like-for-like increase in rental revenues mainly relates to the new contracts signed in 2013 and 2014 on the Martínez Villergas, Recoletos, Washington Plaza and Edouard VII assets.

The overheads have decreased by 5% compared to the previous year.
The recurring EBITDA amounts to €120m, a figure in line with the previous year. In like-for-like terms, this figure increased by 6.3%, due to higher comparable rental revenues, together with lower overheads.

The recurring EPRA Net Profit is positive and amounts to €12.9m, an increase of €11m compared to the same period the previous year.
The net results attributable to the Group were positive and amounted to €563m, mainly due to the positive extraordinary impact of the "deconsolidation"[3] of Asentia.

Results analysis - €m	2014	2013	Var.	Var. % [1]
Recurring EBITDA	120	120	(0)	(0%)
Equity method results - SIIC de Paris - recurring	4	9	(5)	(54%)
Recurring financial result (excl. equity method)	(77)	(91)	14	15%
Income tax expense - recurring result	(5)	(7)	2	28%
Minority interest - recurring result	(30)	(30)	0	1%
Recurring EPRA net profit [2]	12.9	1.7	11	-
Non-recurring result	550	(371)	921	-
Profit attributable to the Group	563	(369)	932	-

[1] Sign according to the profit impact
[2] Recurring EPRA net profit - post company-specific adjustments

[3] *The deconsolidation of Asentia refers to the exit from the consolidation perimeter or consideration as an associated company*

2 Highlights of the rental portfolio

I. New contracts – Commercial effort

During the first nine months of 2014, the Colonial Group signed rental contracts for 93,860 sq m, of which 53% (49,428 sq m) corresponded to new contracts.
This figure exceeds the volume of new contracts signed throughout the whole of 2013 by 76% (28,041 sq m). With respect to the same period of 2013, the volume of new contracts signed by Colonial has doubled (+117%).

In Spain, the key contracts relate to the new rentals of refurbished/recently delivered buildings such as Martínez Villergas, Paseo de los Tilos and Alfonso XII. It should be mentioned that the contracts were signed with top tier companies, leaders in their respective industries.

In France, the take up volume was concentrated on CBD prime buildings with rental prices, in the majority of cases, above €700/sq m/year, clearly positioned at the top end of the scale regarding market prices for this area.

The main actions of the Colonial Group are shown below:

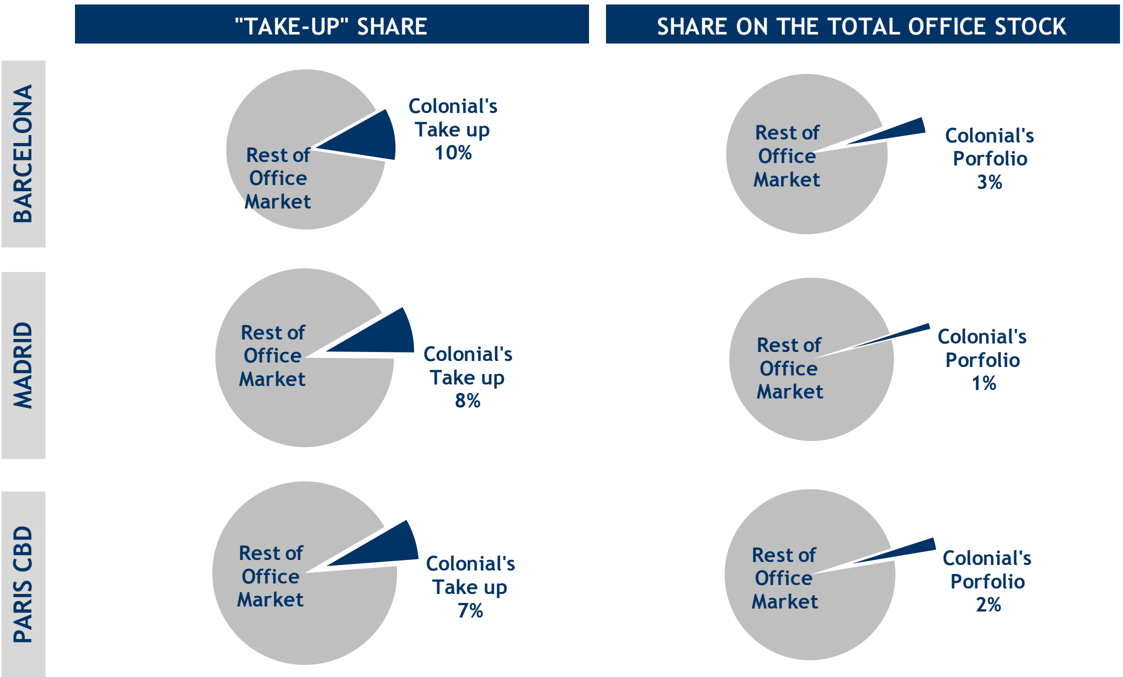
Main contracts signed in Spain

Building	Tenant	sq.m.
CAPITAN HAYA, 53	Loterías y Apuestas del Estado	12,375
MARTINEZ VILLERGAS, 49	Leading company in power generation	5,775
PASEO DE LOS TILOS, 2-6	Abertis Infraestructuras	5,143
TORRE BCN	Technology Company	4,800
ALFONSO XII, 62	Financial institutions	4,100
AV. DIAGONAL, 530	Financial institutions	2,555
LLACUNA 22@	Leading company in internet auctions	2,130
AV. DIAGONAL, 609-615	Oracle Ibérica	1,948

Main contracts signed in Paris

Building	Tenant	sq.m.
LOUVRE ST. HONORE	Fast Retailing France	7,495
90 AV.CH.ELYSÉES	Premier consulting firm	5,733
EDOUARD VII	Ashurst + Flusin	4,347
EDOUARD VII	Comgest	2,426
CEZANNE ST. HONORE	Apax Partners	1,940
CEZANNE ST. HONORE	Sumitumo Mitsui Banking	1,880
WASHINGTON PLAZA	SPB	1,415
WASHINGTON PLAZA	VTG France	1,100

It is important to highlight that Colonial has captured a take-up share higher than its share on the total office stock in Barcelona, Madrid and the Paris CBD. 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.



In the third quarter of 2014, the Travessera de Gracia/Amigó building was delivered, an energy-efficient office complex located in the Barcelona CBD, with the highest quality finishings and LEED Gold ("Green Building") certification. Currently this property is in the commercialisation phase.

In addition, 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 third quarter of 2014, 5,717 sq m were signed for Alfonso XII (44% occupancy) and 1,015 sq m for Diagonal 409 (41% occupancy) and that the commercialisation is progressing satisfactorily, given the positive response to these assets in the rental market.

BARCELONA

Travessera/Amigó

Diagonal, 409

MADRID

Alfonso XII

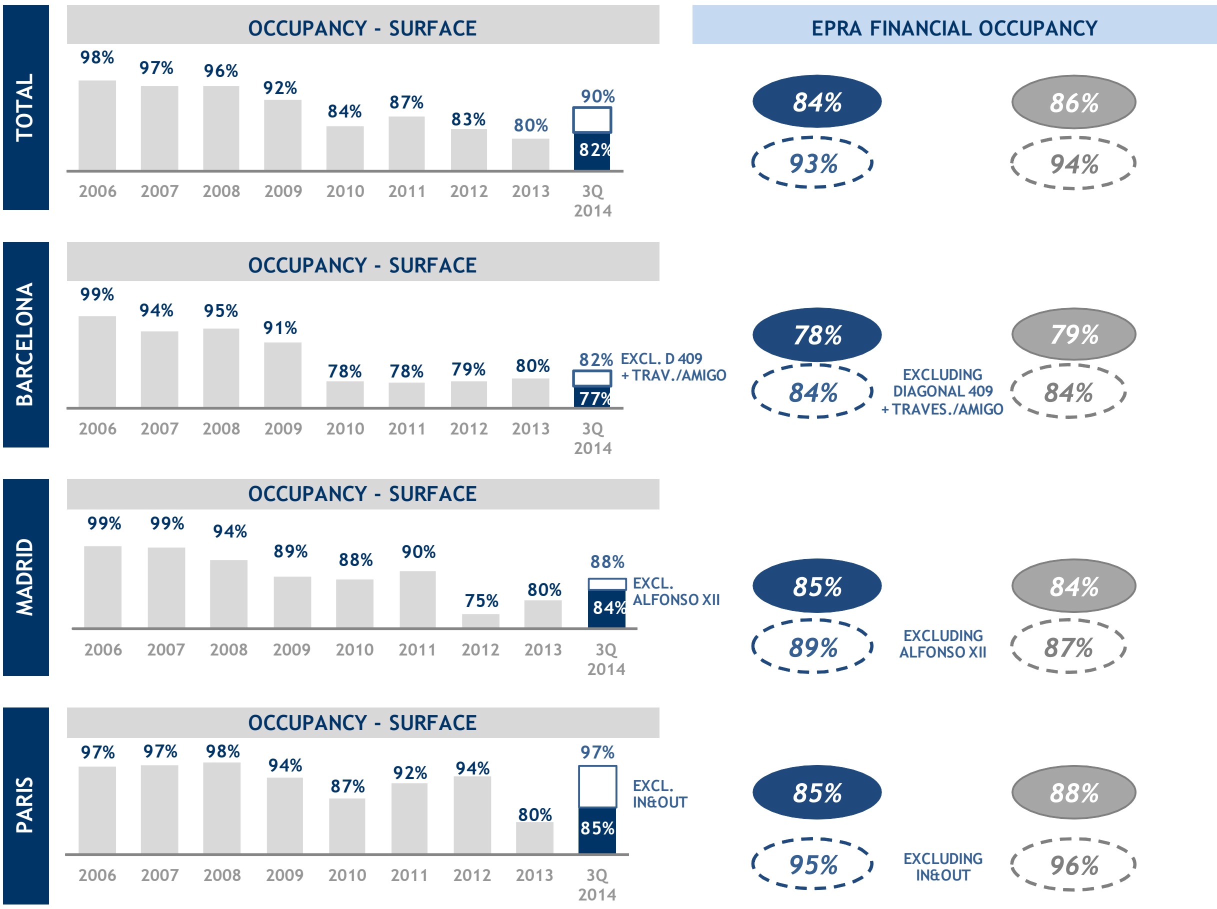
II. Occupancy

At the close of the third quarter 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 Travessera de Gracia/Amigó, Alfonso XII and Diagonal 409 projects, the occupancy rate increased in like-for-like terms by 5pp in Barcelona and 4pp in Madrid, reaching 82% and 88% occupancy, respectively.
In France, the occupancy of the portfolio is 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 97%.

EPRA financial occupancy is at 84% (86% including all uses) and has reached levels above 90%, excluding the Travessera/Amigó, Alfonso XII, Diagonal 409 and IN/OUT assets.

Office Occupancy (1) - Evolution of Colonial's Portfolio | *Office Occupancy EPRA (2) 3Q 2014* | *Total Occupancy EPRA (2) 3Q 2014*



(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

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).

The disposal of SIIC de Paris is part of the Colonial Group's continuous process of active asset management of its portfolio. In particular it resulted in:

1. The disposal of an asset at maximum price levels, after capturing its full value creation potential.
2. The release of funds for new investments that allow to maximize the value for the shareholders of the Colonial Group.

The Holding net debt at September 2014 amounted to €928m and the Group net debt amounted to €2,220m.
The Loan to Value (LTV) debt ratios were 39.8% for the Holding LTV(1) and 40.4% for the Group(2).
When considering the asset value, before deducting acquisition costs (value including transfer costs), the LTV ratios were 37.7% and 38.7%, respectively.

The liquidity of the Colonial Group amounted to a total of €964m (current accounts and deposits for €114m(3) and undrawn debt for €850m), of which €80m corresponded to Spain and €884m to France.

(1) Calculated as financial net debt Holding excluding committed cash/GAV Holding
(2) Calculated as consolidated net debt excluding committed cash/consolidated GAV
(3) After deducting the cash already allocated to committed payments amounting to €37m

Contents

1. Financial statements

Consolidated Profit & Loss Accounts

September cumulative - €m	2014	2013	Var.	Var. % [(1)]
Rental revenues	158	160	(2)	(1%)
Net operating expenses [(3)]	(15)	(17)	2	12%
EBITDA rents	143	143	0	0%
Other income	1	2	(2)	(64%)
Overheads	(24)	(25)	1	5%
EBITDA recurring business	120	120	(0)	(0%)
Like-for-like EBITDA	*113*	*106*	*7*	*6%*
Equity method results - SIIC de Paris	6	14	(8)	(54%)
Rental asset disposals	0	308	(308)	-
Cost of sales	(0)	(311)	311	-
EBITDA - asset sales	(0)	(3)	3	-
Exceptional items	(5)	(31)	(36)	-
Operating profit before revaluation, amortizations and provisions and interests (incl. equity method)	121	101	21	21%
Change in fair value of assets	189	34	155	-
Amortizations & provisions	(158)	(1)	(158)	-
Financial results	(174)	(157)	(17)	(11%)
Profit before tax	(22)	(23)	1	6%
Income tax	(18)	(21)	3	12%
Gain/ loss on discontinued operations	704	(274)	978	-
Minority Interests	(100)	(51)	(49)	(97%)
Profit attributable to the Group	563	(369)	932	-

Results analysis - €m	2014	2013	Var.	Var. % [(1)]
Recurring EBITDA	120	120	(0)	(0%)
Equity method results - SIIC de Paris - recurring	4	9	(5)	(54%)
Recurring financial result (excl. equity method)	(77)	(91)	14	15%
Income tax expense - recurring result	(5)	(7)	2	28%
Minority interest - recurring result	(30)	(30)	0	1%
Recurring EPRA net profit [(2)]	12.9	1.7	11	-
EBITDA - asset sales	(0)	(3)	3	90%
Equity method results - SIIC de Paris - non-recurring	2	5	(3)	(59%)
Exceptional items	(5)	(31)	26	84%
Change in fair value of assets & amortizations & provisions	31	33	(3)	(7%)
Change in fair value of financial instruments	(8)	(14)	6	44%
Non-recurring finance costs	(89)	(53)	(37)	(70%)
Income tax expense - non-recurring result	(13)	(13)	1	4%
Gain/ loss on discontinued operations	704	(274)	978	-
Minority interest - non-recurring result	(71)	(21)	(50)	(235%)
Non-recurring result	550	(371)	921	-
Profit attributable to the Group	563	(369)	932	-

[(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 third quarter of 2014, the Group reached a recurring EBITDA of €120m, in line with the same period the previous year.
  Like-for-like(*) recurring EBITDA was at €113m, a figure 6% higher than the third quarter 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.
  In addition, it is worth mentioning a 5% decrease in overheads.

Operating Results

September cumulative - €m	2014	2013	Var. % (1)
EBITDA rents like-for-like	**136**	**130**	**5%**
EBITDA - overheads	(24)	(25)	5%
EBITDA - other like-for-like income	0	1	(81%)
EBITDA - recurring like-for-like	**113**	**106**	**6%**
Non-comparable EBITDA	7	14	(48%)
EBITDA - recurring	**120**	**120**	**(0%)**

(1) Sign according to the profit impact

Non-recurring operating profit

The extraordinary results were positive and amounted to €550m, mainly due to the positive impact of the "deconsolidation"(2) of Asentia (a positive impact of €704m). Additional information regarding the extraordinary results as of September 2014 is explained in Appendix 6.6.

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

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

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 of the syndicated debt on 6 May 2014, as well as practically all of its bilateral loans, positioning its Holding LTV close to 40% (39.75% at 30 September).

- The total financial results of the Group as at 30 September amounted to (€174m), of which (€77m) corresponded to recurring financial expenses and (€97m) to non-recurring financial expenses:

Financial results

September cumulative - €m	SP	FR	2014	2013	Var. % (1)
Recurring financial Income	*0*	*0*	0	3	(100%)
Recurring financial expenses - Spain	*(36)*	*0*	(36)	(55)	(35%)
Recurring financial expenses - France	*0*	*(46)*	(46)	(48)	(4%)
Capitalized interest expenses	*0*	*5*	5	9	(44%)
Recurring Financial Result (excluding equity method)	*(36)*	*(41)*	**(77)**	**(91)**	**(15%)**
Non-recurring financial Income	*0*	*0*	0	5	(100%)
Non-recurring financial expenses	*(89)*	*0*	(89)	(57)	56%
Change in fair value of financial instruments	*(1)*	*(7)*	(8)	(14)	(43%)
Financial Result (excluding equity method)	*(126)*	*(48)*	**(174)**	**(157)**	**11%**

(1) Sign according to the profit impact

- The following table shows a breakdown of the cost of debt of the Group. It is important to keep in mind that the change in Colonial's financing structure is effective as from 6 May 2014.

September cumulative - €m	2014				2013	Var. %
	Average cost of debt	*Drawdown fees*	*Arrangement fees*	TOTAL		
Cost of debt - % Spain	*3.22%*	*0.00%*	*0.00%*	3.22%	3.03%	*(19pb)*
Cost of debt - % France	*3.57%*	*0.45%*	*0.30%*	4.32%	4.14%	*18pb*
Cost of debt - % Total	***3.37%***	***0.22%***	***0.14%***	**3.73%**	**3.48%**	*(25pb)*

- The capitalized interest expenses amounted to €5.4m, 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 of 686 bp on the principal of the previous syndicate loan (€41m); the cancellation of accrued hedging costs and expenses associated with this loan (€13.5m); and the expenses associated with the completion of the new financing (€31.8m). The variations in value of the financial instruments mainly correspond to the impact of the anticipated cancellation by SFL of non-IAS-compliant hedging transactions.

2. Office markets

Macroeconomic context[1]

The global economy is gradually returning to normal. Macroeconomic data confirms that the global economy continues as expected on the path of gradual growth. 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. During the summer period, there were a few instances of various types of instability from a variety of sources, but it is important to mention that the effect of this turmoil was limited. According to the new scenario of forecasts by the IMF, world growth will reach 3.4% in 2014 and 3.8% in 2015. The acceleration of global growth will mainly be the result of the reactivation of advanced economies.

In the eurozone, recovery is seen to be moderate and disperse. In recent months there have been signs of activity indicators weakening which have resulted in economic stagnation in the eurozone. The drop in industrial confidence results in less investment motivation, and foreign demand has been affected by weak international trade since the beginning of the year as well as increased geopolitical tensions. Recovery in the eurozone has lost momentum, and there has been a disparity in the progress made by the four main economies in this zone.

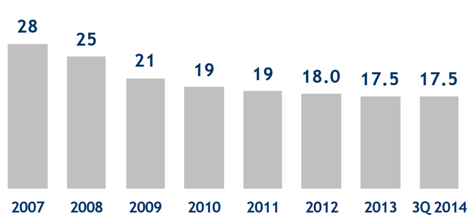
The Spanish economy has strengthened following the summer months. Although the main European economies have reported entries which were lower than expected, and in some cases even worrying, the Spanish economy shows signs of recovery which are gradually gaining strength and which are finally being reflected in the labour market. Therefore, there are reasons to be optimistic. In any case, there should be extreme caution, for at least three reasons. Firstly, an upturn in activity is driven by temporary factors, such as implementing consumer and investment decisions postponed during the crisis. Secondly, recovery is almost exclusively coming from domestic demand. Thirdly, although currently the Spanish economy is managing to keep itself relatively separate from the European weakness, its resistance capacity is limited. Analysts expect GDP growth of 1.2% for 2014 and growth of 1.7% for 2015, above the expected average growth in the Eurozone of 1.4% for 2015.

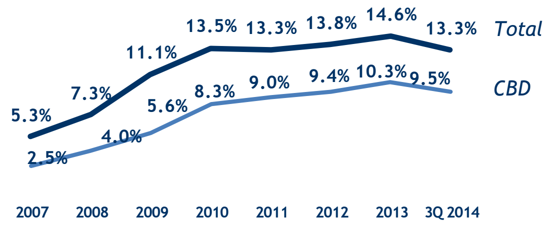
In France, there has been no growth so far in 2014. The main indicators available for 3Q confirm the weak recovery. These results have fueled doubts about the capacity of growth in France in the medium term and the skepticism related to the structural reforms implemented. The analysts forecast GDP growth of 0.4% in 2014 and 1.0% in 2015.

(1) *Sources: monthly report by "La Caixa"*

Rental market situation - offices[1]

Barcelona





- According to the main brokers, the office take up in Barcelona was at more than 51,000 sq m in the third quarter of 2014, (similar levels to Madrid), 78% higher than in the same quarter of 2013, and 3% higher than the second quarter of 2014. The cumulative take up from January to September 2014 was more than 150,000 sq m.

- Regarding the total square metres signed, 50% corresponded to five transactions of more than 2,000 sq m. The new business districts took 53% of the surfaces signed and the city centre took 19%.

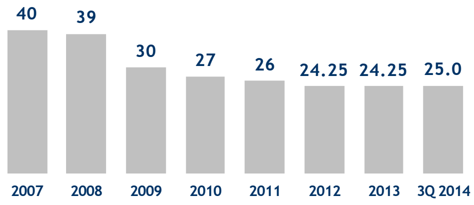
- The vacancy rate continued its downward trend for the third consecutive quarter, down to 13.3%. So far this year, eight office buildings totalling almost 80,000 sq m have been converted to other uses (mainly to hotels). The main brokers state that this shrinking supply of office space, together with the lack of future developments, undoubtedly has a direct impact on vacancy rates. The available buildings for large demand users are decreasing in number with each passing quarter. Although there are some renovation works going on in the city centre, options for high-quality buildings are still scarce. In the CBD, the vacancy rate declined slightly to 9.5%.

- The maximum rental prices in the prime area of Paseo de Gracia/Diagonal remain stable at €17.50/sq m/month for the fourth consecutive quarter. However, the main brokers expect an upturn in prices to materialize shortly, due to a lack of supply and the fact that certain properties in the city centre and new business districts may soon capture maximum rental levels. It should be highlighted that there exists a high disparity in rental levels within the same area depending on the type of owner and the quality of the building. As a result, according to forecasts by these main brokers, it is expected that Barcelona could rank as the fifth European city with highest rental growth levels for the next five years, with an average of 3.5% growth per annum.

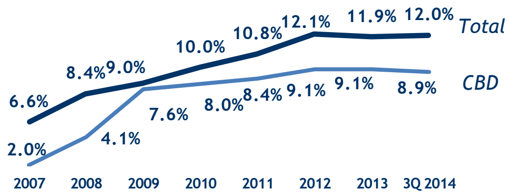
(1) Sources: Reports by Jones Lang Lasalle, Cushman & Wakefield, and CBRE

Madrid [(1)]

Prime CBD Prices (€/sq m/month)



Vacancy (%)



- The third quarter of 2014 registered take up figures of approximately 65,000 sq m with a total of 83 transactions, an improvement compared to the third quarter of both 2013 and 2012.

- Small transactions (under 1,000 sq m) marked the main size range for the quarter, resulting in a take up of 81%. Large transactions continue to be scarce. The only transaction signed for a property of over 5,000 sq m was with Grupo VIPs at Paseo de la Castellana, 278.

- The vacancy rate in the Madrid office market was 12%. The lack of exclusive office projects coming to completion since 2012 has gradually lowered the number of new buildings under five years old to 5%, compared to 16.4% in 2004. Only two buildings have been completed, one in the CBD and the other in the periphery, both of which total 23,000 sq m. Vacancy rates have continued to fall since the start of 2014, both for exclusive office properties and for high-tech buildings. In the CBD area, the vacancy rate was at 8.9%.

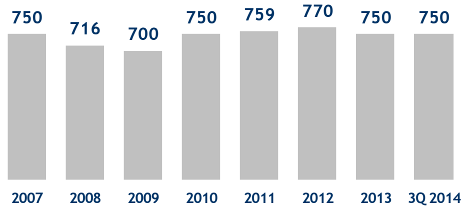
- Regarding the rental prices, the CBD area has seen an increase in maximum rental prices compared to those signed in the last quarter, reaching €25/sq m/month, initiating an upward trend.

  According to the main brokers, this situation is mainly due to two factors: the improvement in the macro-economic outlook for Spain as well as investors' confidence in the market. Rental levels in other areas remain without improvement maintaining very low rental levels due to the lack of transactions in the market.

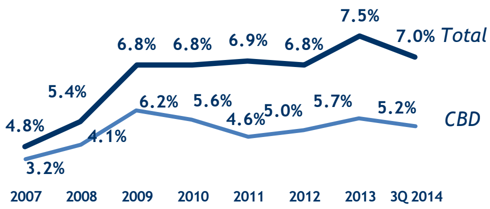
(1) Sources: Reports by Jones Lang Lasalle, Cushman & Wakefield, and CBRE

Paris [1]

Prime CBD Prices (€/sq m/year)



Vacancy (%)



- The take up in the Paris region in the first half of 2014 reached 1,500,000 sq m, an increase of 13% compared to the same period of the previous year. In the CBD area, the take up has improved above average. In particular, it has increased by 28% since the start of the year, 64,000 sq m more than the first nine months of the previous year. This is due to the fact that far from being seen as an expensive area, there is a growing interest from companies to position themselves in the centre of Paris.

- Regarding the number of transactions, 45 transactions of more than 5,000 sq m have been carried out compared to the 40 transactions that were carried out during the same period the previous year. The medium-sized transactions (1,000 sq m to 5,000 sq m) increased the most in 2014, with a growth of 30%. Small transactions also grew by 20%.

- Five new projects are in progress which, will supply an additional 70,000 sq m in the CBD area, which is currently suffering from a scarcity of new supply. The main project relates to the Colonial Group’s #Cloud office complex, which involves the refurbishment of 35,000 sq m of offices.

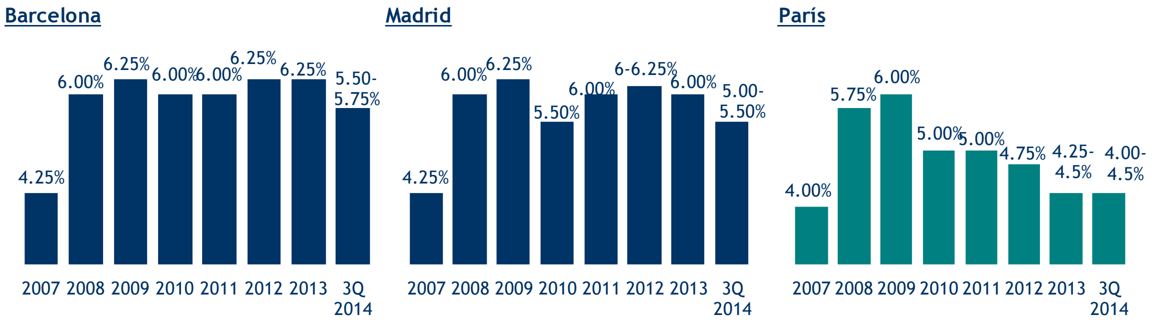
- In the Paris market, the vacancy rate remained practically the same as the previous quarter with an immediate supply of approximately 3,900,000 sq m, which represents a vacancy rate of 7% for the Paris region. The vacancy rate in the CBD area remained stable at levels around 5%.

- The prime rental prices in the CBD area remained at levels similar to recent quarters, reaching in some transactions maximum levels of €750/sq m/year. The average price for “Grade A” property in the CBD area was €650/sq m/year.

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

Investment market situation - offices

Prime Yields (1)



- **Barcelona:** Investor activity is proving to be strong in the second half of the year. The sharp increase that was registered in the first half of the year strengthened in the third quarter. The constant stream of transactions we are seeing is clear evidence of the importance of the investment activity being driven by SOCIMIs. This comes in addition to the increased interest of international investors who are willing to take on tighter yield levels, enabling them to become more competitive. This third quarter of 2014 was particularly active, with nine office transactions in Barcelona totalling an investment volume in excess of €586m. The cumulative investment volume has reached €790m YTD, compared to €289m that were reached in 2013. Regarding prime yields, higher buying activity is resulting in yield compressions, pushing prime yields to 5.5-5.75%, for the Paseo de Gracia/Diagonal axis.

- **Madrid:** There is a high interest for prime products in central areas. However, given the lack of adequate product offering, value-added funds have started to appear, which based on expected increases in rental levels, are willing to assume greater risks, analysing the possibility of acquiring vacant buildings. There has been a noticeable change in the buyer profile as almost 80% of transactions in the third quarter were carried out with domestic investors or private equity funds. Investment transactions in Madrid offices in the third quarter of 2014 reached a volume of €472m, amounting to a 2014 YTD figure of almost €750m. Prime yield levels currently stand at between 5% and 5.50%, consolidating a trend and marking new minimum levels since the start of the crisis.

- **Paris:** Investment volumes during this third quarter totalled €2,700m, which represents a cumulative total of €11,300m, an increase of 40% year-on-year. It should be mentioned that offices continued to attract the most investors in the Paris market (83% of the total investments, amounting to €9,355m).

  Prime yields remained stable within the 4.00%-4.50% range. Trophy Assets reach yields even below 4%.

(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, and CBRE

3. Business performance

Rental revenues and EBITDA of the portfolio

- The rental revenues reached €158m, 1% lower than those 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.

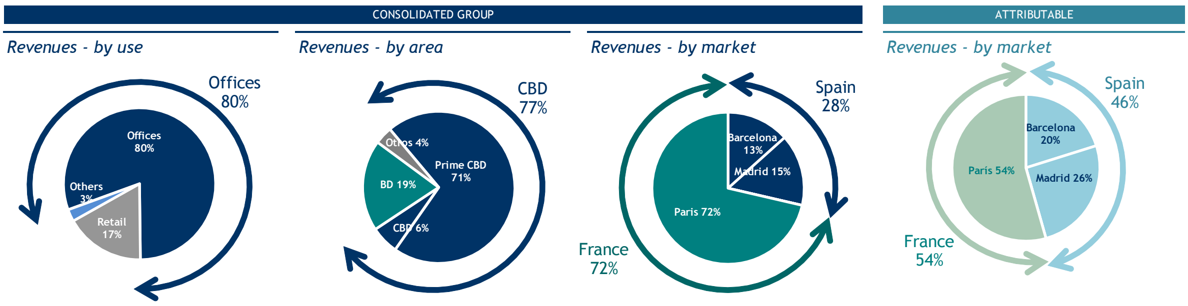
  In **like-for-like terms**, adjusting for disposals and variations in the project and refurbishment portfolio, **the rental revenues of the Group increased by 2.6% like-for-like**. In **Paris, the rental revenues increased by 3.4% like-for-like.** In **Spain, the rental revenues rose by 0.8% like-for-like, mainly due to the Madrid portfolio, which went up by 6.8%.** The like-for-like increase in rental revenues mainly relates to the new contracts signed in 2013 and 2014 on the Martínez Villergas, Recoletos, Washington Plaza and Edouard VII assets.

Variance in rents (2014 vs. 2013) €m	Barcelona	Madrid	Paris	Total
Rental revenues 2013	22	26	112	160
Like-for-like	*(1.1)*	*1.4*	*3.5*	*3.8*
Projects & refurbishments	*(1.4)*	*0.4*	*(3.1)*	*(4.1)*
Disposals	*(0.4)*	*(4.1)*	*(1.2)*	*(5.7)*
Indemnities & others	*2.4*	*0.3*	*1.5*	*4.2*
Rental revenues 2014	21	24	113	158
Total variance (%)	*(2.2%)*	*(8.1%)*	*0.7%*	*(1.2%)*
Like-for-like variance (%)	*(5.5%)*	*6.8%*	*3.4%*	*2.6%*

- <u>**Breakdown - Rental revenues:**</u> 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 (€112.7m) came from the subsidiary in Paris and 29% were generated from buildings in Spain.

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



- **Rental EBITDA reached €143m, a 5% increase in like-for-like terms**, with an EBITDA margin of 91%.

Property business

September cumulative - €m	2014	2013	Var. %	Like-for-like %
Rental revenues - Barcelona	21	22	(2%)	(6%)
Rental revenues - Madrid	24	26	(8%)	7%
Rental revenues - Paris	113	112	1%	3%
Rental revenues	**158**	**160**	**(1%)**	**3%**
EBITDA rents Barcelona	18	19	(4%)	(6%)
EBITDA rents Madrid	20	22	(8%)	11%
EBITDA rents Paris	105	102	2%	6%
EBITDA rents	**143**	**143**	**0%**	**5%**
EBITDA/Rental revenues - Barcelona	*86%*	*88%*	*(1.7 pp)*	
EBITDA/Rental revenues - Madrid	*83%*	*82%*	*0.6 pp*	
EBITDA/Rental revenues - Paris	*93%*	*91%*	*1.6 pp*	
EBITDA/Rental revenues	***91%***	***89%***	*1.1 pp*	

Pp: percentage points

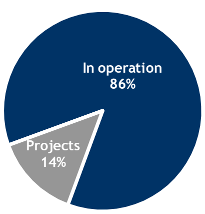
It is important to take into account that a large part of the difference between the rental revenues and the rental EBITDA relates to costs not invoiced due to the current low occupancy levels. Taking into account that the Colonial Group invoices the majority of its property costs to its tenants, gradual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

Portfolio letting performance

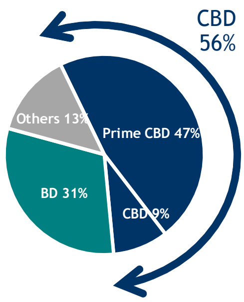
- <u>Breakdown of the current portfolio by surface area:</u> At the close of the third quarter of 2014, the Colonial Group's portfolio totalled 984,369 sq m (697,293 sq m above ground), focused mainly on office assets.

  At 30 September 2014, 86% of the portfolio was in operation and 14% corresponded to an attractive portfolio of projects and refurbishments, which is explained in more detail in the projects section.

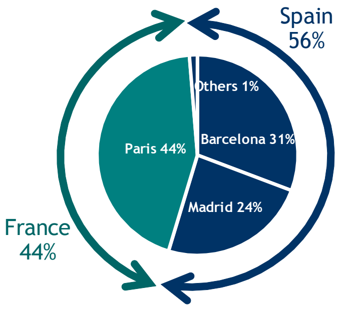
Surface - by condition



Surface - by area



Surface - by market



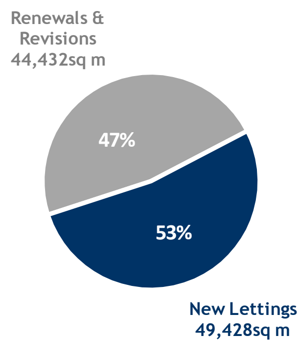
- **Signed contracts:** During the first nine months of 2014, the Group signed a total of 93,860 sq m of **contracts** (68% in Spain and 32% in France).

  New contracts: Out of the total commercial effort, 53% (49,428 sq m) related to surfaces of new contracts. This figure is 76% 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 has doubled (+117%).

  Renewals: Contract renewals were carried out for 44,432 sq m. The new rental prices relating to these contracts resulted in a decrease of 7% with respect to previous rents.
  However, the prices signed in the new contracts of the portfolio, both in Spain and in France, are in line with the market prices estimated by independent appraisers in June 2014.

Letting Performance

September cumulative - sq m	2014	% New rents vs. previous	Average maturity
Renewals & revisions - Barcelona	12,094	*(17%)*	6
Renewals & revisions - Madrid	15,552	*(11%)*	2
Renewals & revisions - Paris	16,786	*(3%)*	6
Total renewals & revisions	**44,432**	***(7%)***	**5**
New lettings Barcelona	16,202		5
New lettings Madrid	19,652		5
New lettings Paris	13,574		6
New lettings	**49,428**	**n/a**	**5**
Total commercial effort	**93,860**	**n/a**	**5**



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

Main actions

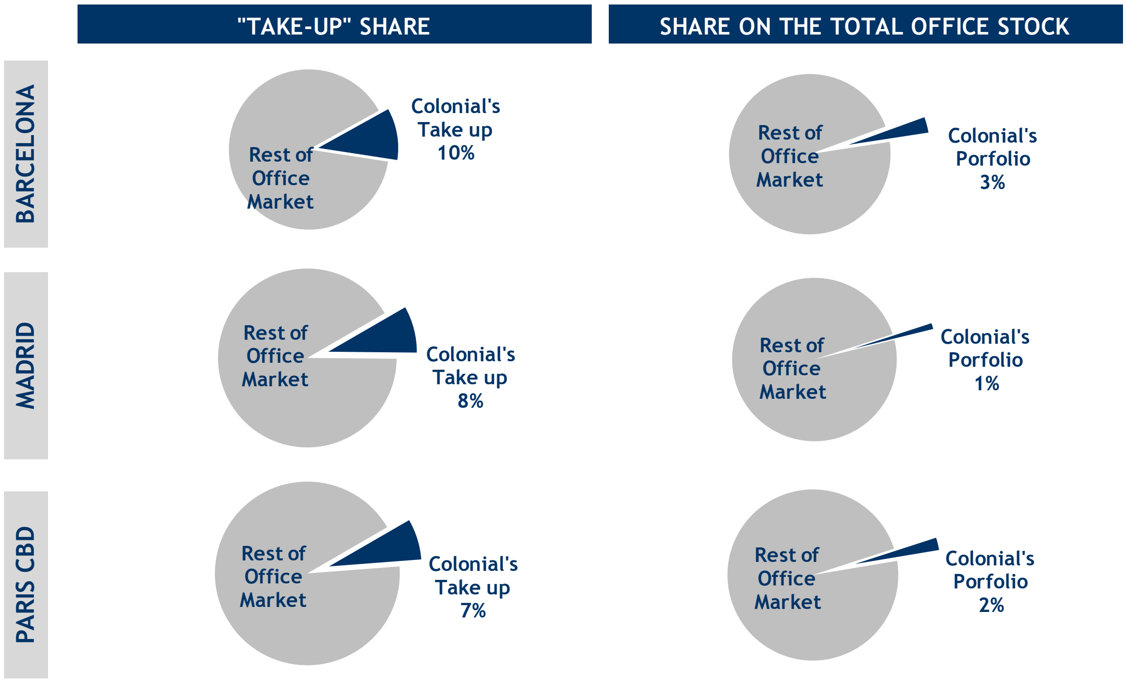
	Building	Tenants	Surface (sq m)
BARCELONA	Torre BCN	Technology Company & others	5,600
	Paseo de los Tilos	Abertis Infraestructuras	5,143
	Berlín - Numancia	Infojobs, Alcatel & Audi Retail	3,566
	Av. Diagonal, 609-615 (DAU)	Oracle Ibérica & others	2,933
MADRID	Capitan Haya, 53	Loterias y Apuestas del Estado & others	12,970
	Martínez Villergas, 49	Leading company in power generation	5,775
	Alfonso XII	Financial institutions	5,717
	Miguel Ángel, 11	Adveo Group International, Hill International & others	2,837
PARIS	Edouard VII	Comgest, Ashurst+Flusin & others	7,930
	Louvre Saint Honoré	Fast Retailing France & others	7,520
	90 Av. Champs Elysées	Premier consulting firm & others	6,019
	Cezanne Saint Honoré	Apax Partners, Sumitumo Mitsui Banking & others	3,899
	Washington Plaza	SPB, VTG France & others	2,942

From this commercial effort, we highlight the contract signed in **Madrid** for the Capitan Haya building with Loterías y Apuestas del Estado, in **Barcelona,** the contract with Abertis for the Paseo de los Tilos building, as well as the contract with Tecnocom España Solutions for the Torre BCN building.

In **Paris**, it is important to mention the contract signed with Fast Retailing France for the Louvre Saint Honoré building and another contract signed with a top tier consulting firm for the 90 Av. Champs Elysées building, which is currently being refurbished.

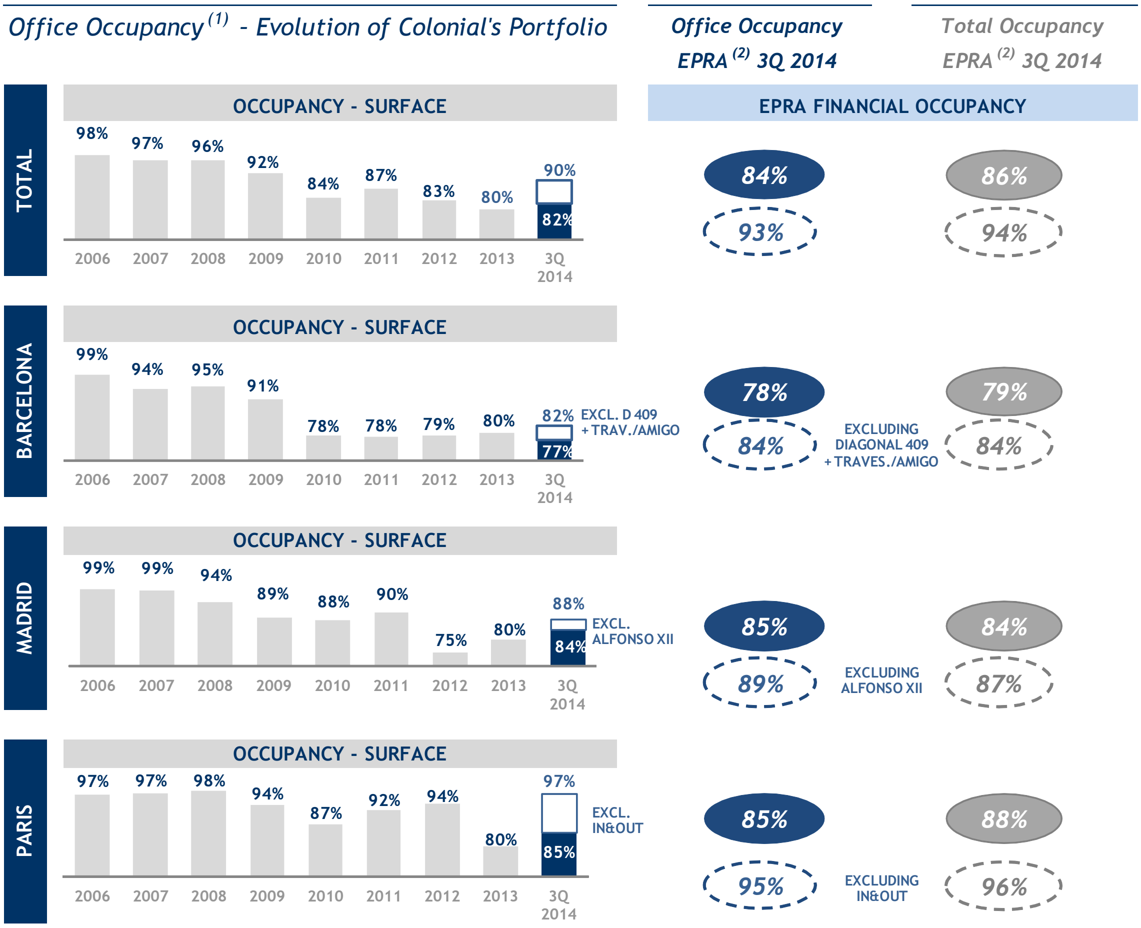
- <u>Analysis of new leased surfaces</u>: In Barcelona, the Colonial Group captured 10% of the demand, 8% in Madrid (12% if only taking into account the market sectors in Madrid in which the Group is present) and 7% in the Paris CBD.

  As a result, Colonial captured a take-up share higher than its share on the total office stock in Barcelona, Madrid and the Paris CBD. 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.



Portfolio occupancy

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



The office portfolios in Madrid and Barcelona reached EPRA[(2)] financial occupancy of 85% and 78%, respectively.

In **Madrid**, the office occupancy increased mainly due to the new contracts signed in various assets, as is the case with Martínez Villergas, 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, fully refurbished and obtaining the "BREEAM" certificate (sustainable building). Excluding this effect, EPRA financial occupancy of the Madrid office portfolio is at 89%.

(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 **Barcelona**, the office occupancy decreased mainly due to the entry into operation of the Travessera de Gracia/Amigó building, an energy-efficient office complex located in the heart of a prime area, with the highest quality finishings and LEED Gold ("Green Building") certification. Currently, this property is in the commercialisation phase.

In addition, we highlight the entry into operation during the first quarter of 2014 and the refurbishment of the office building at Diagonal 409 (41% occupancy).

If we exclude these properties, EPRA financial occupancy of the Barcelona office portfolio is at 84%. It should be mentioned that at the close of the third quarter, the commercialisation of the new assets is progressing satisfactorily, given the positive response to the new deliveries in the rental market.

In Paris, the office portfolio reached EPRA financial occupancy of 85%, 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. 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 60% of the vacant surfaces correspond to projects that have come into operation or to recent refurbishments.

Vacancy surface of offices

Surface above ground (sq m)	Entries into operation (1)	BD area and others	CBD area	September 2014
Barcelona	19,336	11,270	8,681	39,287
Madrid	9,843	4,909	8,579	23,331
París	28,873	0	5,471	34,344
TOTAL	58,052	16,179	22,731	96,962

(1) Projects and refurbishments that have entered into operation

Regarding the recent entries into operation, in particular the following properties in Spain are highlighted (more details in Appendix 6.4).

BARCELONA

Travessera/Amigó

Diagonal 409

MADRID

Alfonso XII

Project portfolio and refurbishments

- Currently, the company has a project portfolio of more than 50,000 sq m above ground, entering into operation between 2015 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)
Parc Central 22@ A.1.6 - A.1.7 - A.1.2	>2016	100%	Barcelona	Offices	14,737
Spain					**14,737**
#Cloud (rue Richelieu)	2H 2015	100%	Paris	Offices	33,200
France					**33,200**
Total					**47,937**

(1) Surface area of completed project

Parc Central 22@ - BARCELONA

#Cloud (rue Richelieu) - PARIS

In **Spain**, the development of an office complex of nearly 15,000 sq m is expected to begin in the medium term. This office complex is located in the heart of the 22@ business district, opposite Avenida Diagonal, one of the up-and-coming areas in the city of Barcelona.

In **France**, the #CLOUD project (rue Richelieu) is progressing satisfactorily. 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. The complex 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 the market.

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.

Disposals/portfolio rotation

- During 2014 to date, 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).

The disposal of SIIC de Paris is part of the Colonial Group's continuous process of active asset management of its portfolio. In particular it resulted in:

1. The disposal of an asset at maximum price levels, after capturing its full value creation potential.
2. The release of funds for new investments that allow to maximize the value for the shareholders of the Colonial Group.

4. Financial structure

Main debt figures

Group financial net debt stood at €2,220m at 30 September 2014, as shown in the table below:

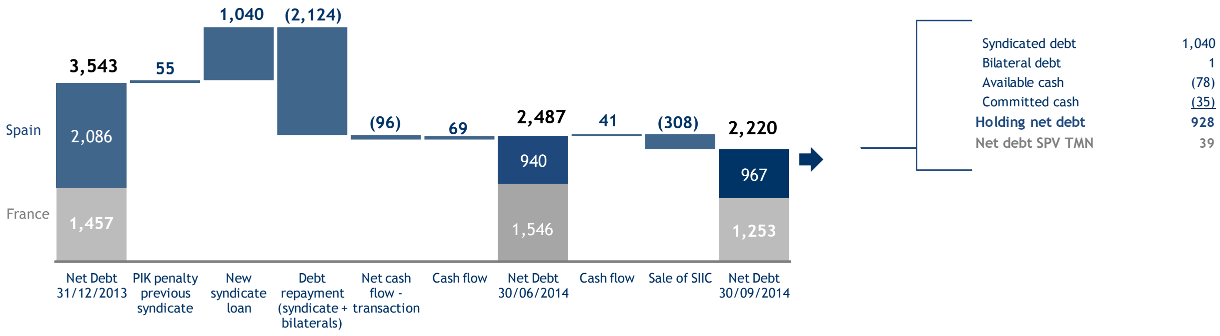
Breakdown of the consolidated net financial debt Colonial Group	September 2014			December 2013			Var.
	SP	FR	Total	SP	FR	Total	Total
Syndicate loan	1,040	0	1,040	1,759	50	1,809	(769)
Mortgage debt/leases	44	234	278	299	237	536	(258)
Subordinated debt	0	0	0	42	0	42	(42)
Unsecured debt and others	0	53	53	11	199	210	(157)
Bonds	0	1,000	1,000	0	1,000	1,000	0
Total gross debt	**1,084**	**1,287**	**2,371**	**2,111**	**1,486**	**3,597**	**(1,226)**
Cash & cash equivalents (*)	**(117)**	**(34)**	**(151)**	**(25)**	**(29)**	**(54)**	**(97)**
Group Net Debt	967	1,253	2,220	2,086	1,457	3,543	**(1,323)**
Average maturity of drawn debt (years)	**4.2**	**2.5**	**3.3**	**1.3**	**2.8**	**2.7**	**0.6**
Cost of debt %	**3.22%**	**4.32%**	**3.73%**	**3.02%**	**4.05%**	**3.43%**	**(25pb)**

(*) without excluding committed cash for a total amount of €37m

As at 30 June 2014, the net debt of the Group was reduced by €267m (-10.7%), mainly due to the proceeds from the SIIC de Paris disposal.

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

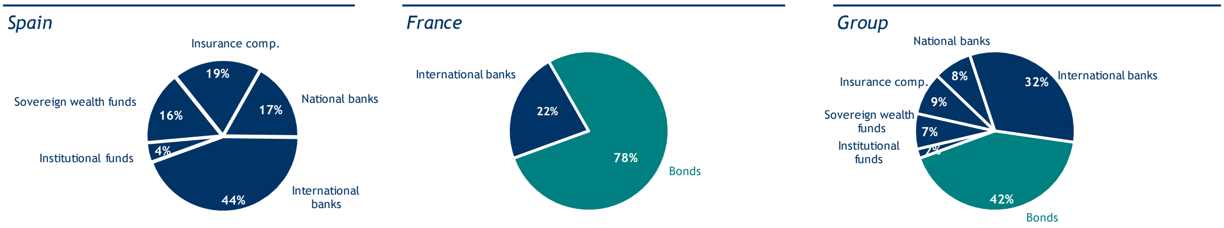
Net Debt Movements €m - December 2013-September 2014



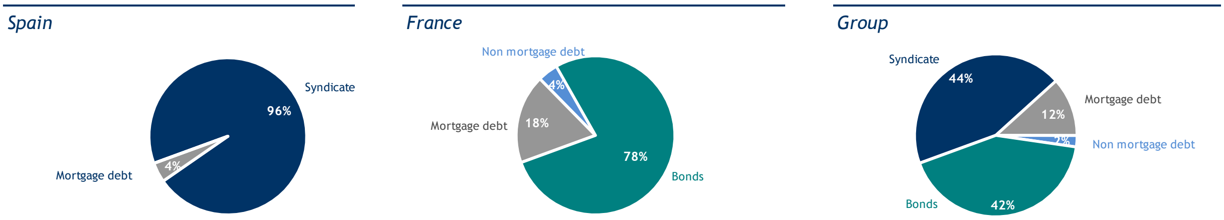
The Colonial Group has a well-diversified mix of debt sources, with long-term maturities which will allow it to take advantage of future growth opportunities.

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

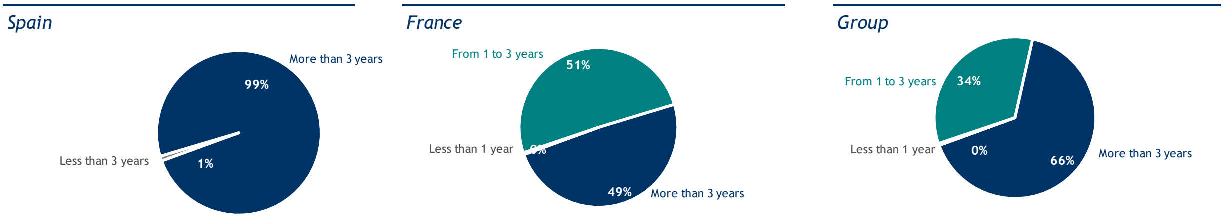
TYPE OF LENDER - 30/09/2014



TYPE OF DRAWN DEBT - 30/09/2014



MATURITY OF CONTRACTED DEBT - 30/09/2014



Spain		***France***		***Total***	
Spread	387 b.p.	Spread	208 b.p.	Spread	290 b.p.
Average life of drawn down debt (years)	4.2	Average life of drawn down debt (years)	2.5	Average life of drawn down debt (years)	3.3
Average life of the contracted debt (years)	4.2	Average life of the contracted debt (years)	2.6	Average life of the contracted debt (years)	3.1
Contracted debt	€1,084m	Contracted debt	€2,137m	Contracted debt	€3,221m

The Loan to Value (LTV) debt ratios at 30 September 2014 were 39.8% for the Holding LTV(1) and 40.4% for the Group(2).

When considering the asset value, before deducting acquisition costs (value including transfer costs), the LTV ratios were 37.7% and 38.7%, respectively.

At 30 September 2014, the liquidity of the Colonial Group amounted to a total of €964m (current accounts and deposits for €114m(3) and undrawn debt for €850m), of which €80m corresponded to Spain and €884m to France.

Additional information regarding the financial structure is explained in Appendix 6.7.

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

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

(3) After deducting the cash already allocated to committed payments amounting to €37m

Hedging portfolio

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

30 September 2014 Financial instrument - €m	Description	Spain	France	Total	%	MTM (Ex-coupon)
SWAP	From floating to fixed rate	142	185	327	14%	(14)
CAP	Floating rate with a maximum	2,080	0	2,080	86%	0
Total hedging portfolio (Variable - Fixed)		**2,222**	**185**	**2,407**	**100%**	**(14)**
Maturity (years)		**1.9**	**3.0**	**2.0**		
% Hedging portfolio / Gross debt (*)		**85%**	**65%**	**81%**		
% Fixed rate or hedged debt vs/ Gross debt (*)		**85%**	**92%**	**89%**		

(*) 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 30 September 2014 (hedges/debt at floating rates) stood at 81% (85% in Spain and 65% in France).

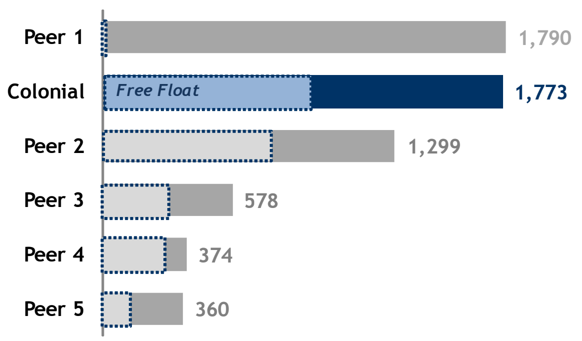
- At 30 September 2014, the total percentage of debt hedged or at a fixed rate over the total debt stood at 89% due to the effect of the SFL bonds at a fixed rate (in Spain the rate stayed at 85% while in France it increased to 92%).

5. Stock market performance and shareholder structure

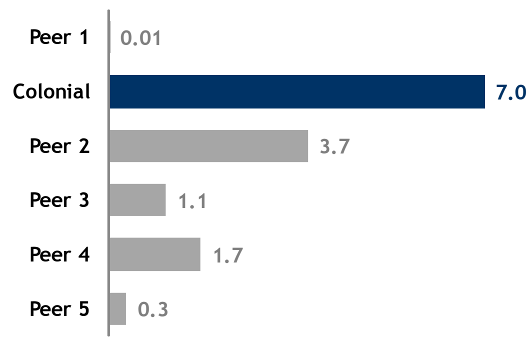
Share price performance

The successful completion of the capital increase has enabled Colonial to position itself as one of the top listed Spanish property companies in terms of market capitalization (30/09/2014) and traded volume.

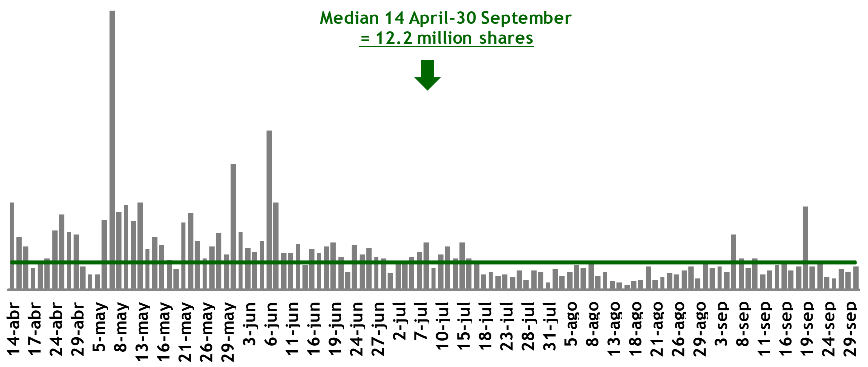
Market capitalization 30/09/2014



Av. daily volume - €m (September - 30 days)



Daily traded volume (shares)

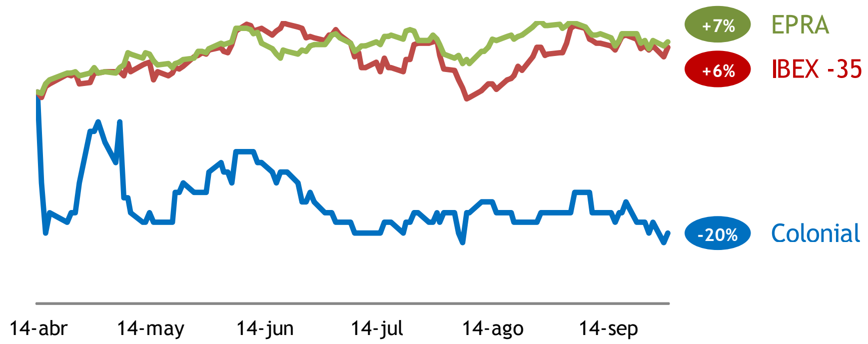


Due to the high free float, as well as the significant average daily traded volume, Colonial has been included in two EPRA indices: the FTSE EPRA/NAREIT Developed Europe and the FTSE EPRA/NAREIT Developed Eurozone. In addition, Colonial has been included in the Global Property Index 250 (GPR 250 Index).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

EPRA EUROPEAN PUBLIC REAL ESTATE ASSOCIATION
Global property research Solutions for customized property indices
IPD Measured Fund

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.



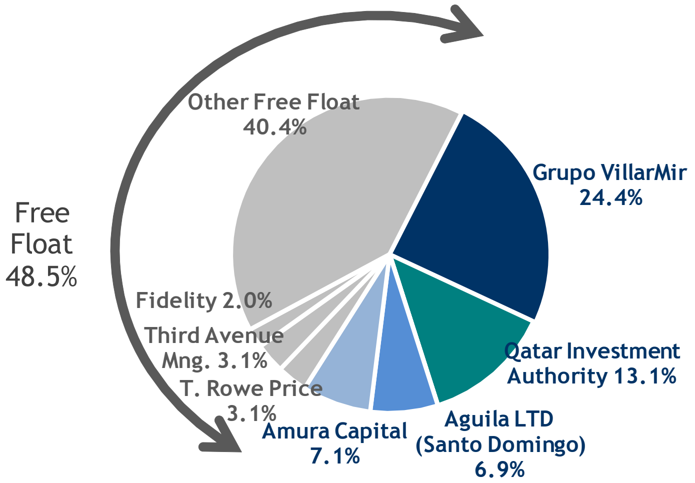
Select domestic and international financial analysts currently cover the company and therefore are tracking and analysing the share price performance.
The target prices and recommendations are as follows:

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
Morgan Stanley	Bart Gysens	17/06/2014	Equal-weight	0.65
Interdin	Pablo Ortiz de Juan	17/07/2014	Buy	0.70
N+1 Equities	Rodrigo Vázquez	30/10/2014	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 of approximately 50%.

Shareholder structure at 30/09/2014 (*)



(*) 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	Colonial	Chairman		
Grupo Villar Mir S.A.U represented by Juan-Miguel Villar Mir	Vice-Chairman - Director	Grupo Villar Mir	Vice-chairman		
Pedro Viñolas Serra	Chief Executive Officer	Colonial	Member		
Juan Villar-Mir de Fuentes	Director	Grupo Villar Mir		Member	Member
Silvia Villar-Mir de Fuentes	Director	Grupo Villar Mir			
Juan Carlos García Cañizares	Director	Aguila LTD (Santo Domingo)	Member	Member	
Francesc Mora Sagués	Director	Amura Capital	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 Trepat	Other External Director				Member
Francisco Palá Laguna	Secretary - Non-Director		Secretary	Secretary	Secretary
Nuria Oferil Coll	Vice-secretary - Non-Director				

6. Appendices

6.1 Appendix – Consolidated balance sheet

Consolidated balance sheet

€m	30/09/2014	31/12/2013
ASSETS		
Consolidated goodwill	0	120
Investment property - In operation	*4,917*	*4,602*
Investment property - Work in progress, advances and provisions	*323*	*314*
Property investments	5,240	4,916
Equity method	0	302
Other non-current assets	185	216
Non-current assets	**5,425**	**5,554**
Debtors and other receivables	104	66
Other current assets	156	57
Assets available for sale	20	843
Current assets	**280**	**966**
TOTAL ASSETS	5,705	6,520
LIABILITIES		
Share capital	*791*	*226*
Other reserves	*146*	*36*
Profit (loss) for the period	*563*	*(547)*
Other instruments for equity	*1*	*2*
Exchange differences	*0*	*(1)*
Treasury shares	*(21)*	*(60)*
Equity	1,480	(344)
Minority interests	1,355	1,273
Net equity	**2,835**	**929**
Bond issues and other non-current issues	997	996
Non-current financial debt	1,354	547
Deferred tax	182	169
Other non-current liabilities	140	121
Non-current liabilities	**2,674**	**1,833**
Bond issues and other current issues	21	14
Current financial debt	14	2,057
Creditors and other payables	126	88
Other current liabilities	36	62
Liabilities associated to assets available for sale	0	1,538
Current liabilities	**197**	**3,758**
TOTAL EQUITY & LIABILITIES	5,705	6,520

6.2 Appendix - Asset portfolio – Locations

Barcelona

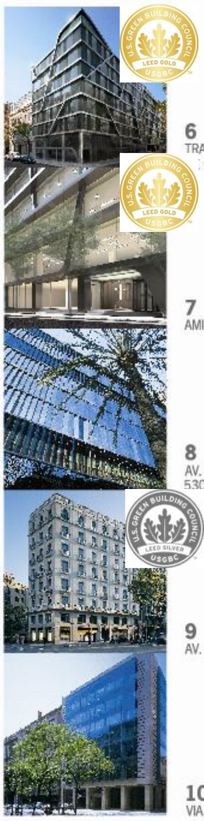
1 TORRE BCN

2 PG. DELS TIL·LERS 2-6

3 AV. DIAGONAL 682

4 AV. DIAGONAL 609-615

5 BERLÍN 38-48 / NUMÀNCIA 46



6 TRAVESSERA GRÀCIA 11

7 AMIGÓ 11-17

8 AV. DIAGONAL 530-532

9 AV. DIAGONAL 409

10 VIA AUGUSTA 21-23

11 TORRE MARENOSTRUM

12 AUSIÀS MARC 148

13 DIAGONAL GLÒRIES

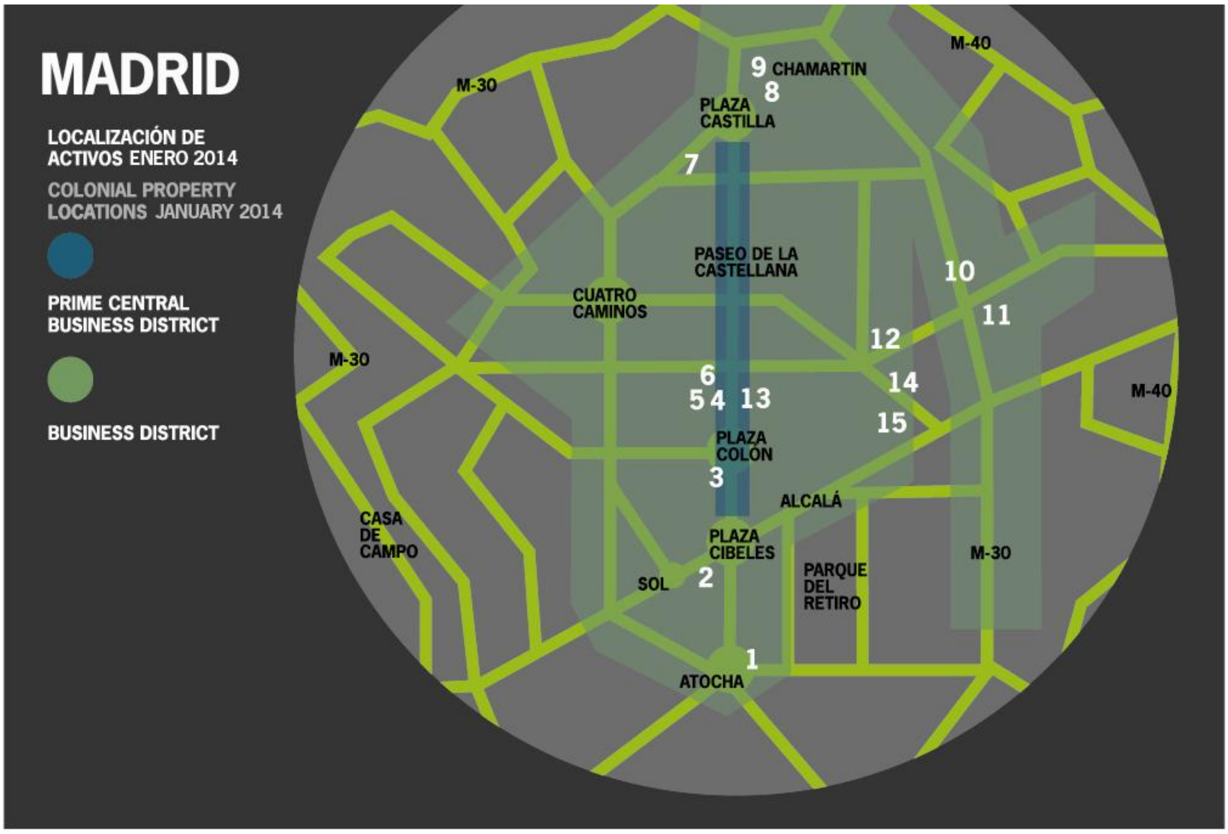
14 COMPLEJO DE OFICINAS PARC CENTRAL

15 COMPLEJO DE OFICINAS ILLACUNA

16 COMPLEJO DE SANT OFICINAS CUGAT NORD

6.2 Appendix - Asset portfolio – Locations (cont.)

Madrid



6.2 Appendix - Asset portfolio – Locations (cont.)

Paris

The entire Paris portfolio has energy certificates

breeam NF HQE® LEED USGBC

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

15 6, HANOVRE

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)	19,304					19,304	18,839	38,143	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	
TRAVESSERA DE GRACIA, 11	4,515					4,515	1,994	6,509	55
AMIGÓ	3,580					3,580	1,766	5,346	70
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	78
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	7,233					7,233	2,557	9,789	159
CENTRO NORTE HOTEL					8,458	8,458	11,089	19,547	
MARTINEZ VILLERGAS, 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	**317,462**	**5,558**			**8,458**	**331,478**	164,121	**495,599**	**4,952**
ORENSE 46-48		5,010				5,010	1,295	6,305	51
OTHER COMMERCIAL PREMISES		1,029				1,029	350	1,379	
PORFOLIO IN OPERATION SPAIN	**317,462**	**11,597**			**8,458**	**337,517**	165,765	**503,283**	**5,003**
PARC CENTRAL	14,737					14,737	14,737	29,474	184
SANT CUGAT NORD							435	435	
BERLIN, 38-48/NUMANCIA, 46	1,509					1,509	12	1,521	
AV. DIAGONAL, 609-615 (DAU)	2,692					2,692	150	2,842	
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	**19,752**				**11,519**	**31,271**	16,346	**47,617**	**184**
TOTAL SPAIN	**337,214**	**11,597**			**19,977**	**368,788**	**182,111**	**550,900**	**5,187**
BARCELONA	*191,604*	*5,721*				*197,325*	*105,392*	*302,717*	*3,038*
MADRID	*145,610*	*5,010*			*8,458*	*159,078*	*76,370*	*235,448*	*2,149*
OTHERS		*866*			*11,519*	*12,385*	*350*	*12,735*	

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 & others				
CALL-LDA	21,418	962			2,134	24,514	5,730	30,244	236
EDOUARD 7	27,730	15,996	4,509		4,202	52,438	10,145	62,582	523
HANOVRE LB	3,325		0			3,325	1,246	4,571	
C. ELYSEES 8288		4,489				4,489	3,789	8,278	125
C. ELYSEES 90	1,148	981				2,129		2,129	99
C. ELYSEES 92	4,110	3,089				7,199		7,199	
CEZANNE SAINT HONORE	23,369	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	5,102	389				5,491	2,739	8,230	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	**222,087**	**30,155**	**4,569**		**11,838**	**268,649**	**76,649**	**345,298**	**3,611**
WASHINGTON PLAZA	4,425					4,425	2,678	7,103	
CALL-LDA	7,085	5,719				12,804	8,462	21,266	
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	7,604					7,604	1,609	9,213	
QUAI LE GALLO							3,741	3,741	
ILOT RICHELIEU	33,187					33,187	1,609	34,796	99
NEULLY	647					647	861	1,507	
PRONY-WAGRAM						0	532	532	
IENA						0	930	930	
EDOUARD 7		36	0			36	0	36	
HANOVRE LB						0	36	36	
PROJECTS UNDERWAY FRANCE	**53,990**	**5,865**	**0**			**59,855**	**28,316**	**88,171**	**99**
TOTAL FRANCE	**276,077**	**36,020**	**4,569**		**11,838**	**328,504**	**104,965**	**433,469**	**3,710**
TOTAL PROPERTY COLONIAL	**613,291**	**47,617**	**4,569**		**31,815**	**697,293**	**287,076**	**984,369**	**8,856**

6.4 Appendix - Project portfolio

1 Projects in progress

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.

#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 which was let in the past by a large French Bank.
During the third quarter of 2012, refurbishments began on the property. This office complex is undergoing a complete renovation project called #Cloud, which will involve the creation of 33,200 sq m of individual offices for top tier clients in central Paris.

6.4 Appendix - Project portfolio (cont.)

2 Recently delivered projects

Travessera de Gràcia / Amigó

A project of two office buildings with a total of 8,095 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 building to obtain the LEEDs GOLD Pre-certification (“green building”).

Alfonso XII

An office project with more than 13,000 sq m, distributed over eight floors of up to 2,000 sq m and offering totally open and flexible spaces. In addition, the building has a lot of light and exceptional views of the city. The building is located in a privileged area in Madrid in front of the Retiro Park, just a few metres from the Paseo del Prado, and the hub of the Castellana. It has excellent transportation links, as it is next to the Atocha train station, with direct access to the airport, and connections to the main bus and metro lines. In addition, it has its own car park. The building offers high quality, optimum functionality, and it will be an energy efficient building, obtaining the “BREEAM” (Sustainable Building) certificate.

6.4 Appendix - Project portfolio (cont.)

2 Recently delivered projects (cont.)

Diagonal 409



A "LEED Gold" certified, seven floor building with open plan floors distributed over approximately 500 sq m. Very light and perfectly located at the intersection of Avenida Diagonal and Calle Balmes. Ideal for companies looking to combine a classic style with the functionality of the most modern office building.

In/Out



Located on the outskirts of Paris, this building is found within the Vallée de la Culture Community Revival Project. The renovation project converted the building into a brand new high end office complex. The main building is used for offices, and a new extension houses a services centre, a restaurant, a cafeteria, a doorman's office, an amphitheatre, modular conference rooms, and fitness facilities. Incorporating innovative technical solutions, the project has been designed with optimum functionality and total flexibility in mind. At the same time, it keeps in line with sustainable development and it complies with the demands of environmental responsibility. The combination of these characteristics makes Quai Le Gallo one of the most sought-after addresses in the current Parisian rental and investment market.

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 Non-recurring operating profit - Details

The extraordinary results were positive and amounted to €550m, 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 last few months, 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 3.79%.

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

In the line "Change in fair value of assets", €189m was registered due to an increase in value of the property portfolio, as a consequence of the asset valuations made by independent appraisers in June 2014.

At 30 June 2014, the Board of Directors of the Company 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 was registered.

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

6.7 Financial Structure – Details

Financial structure at 30 September 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%.

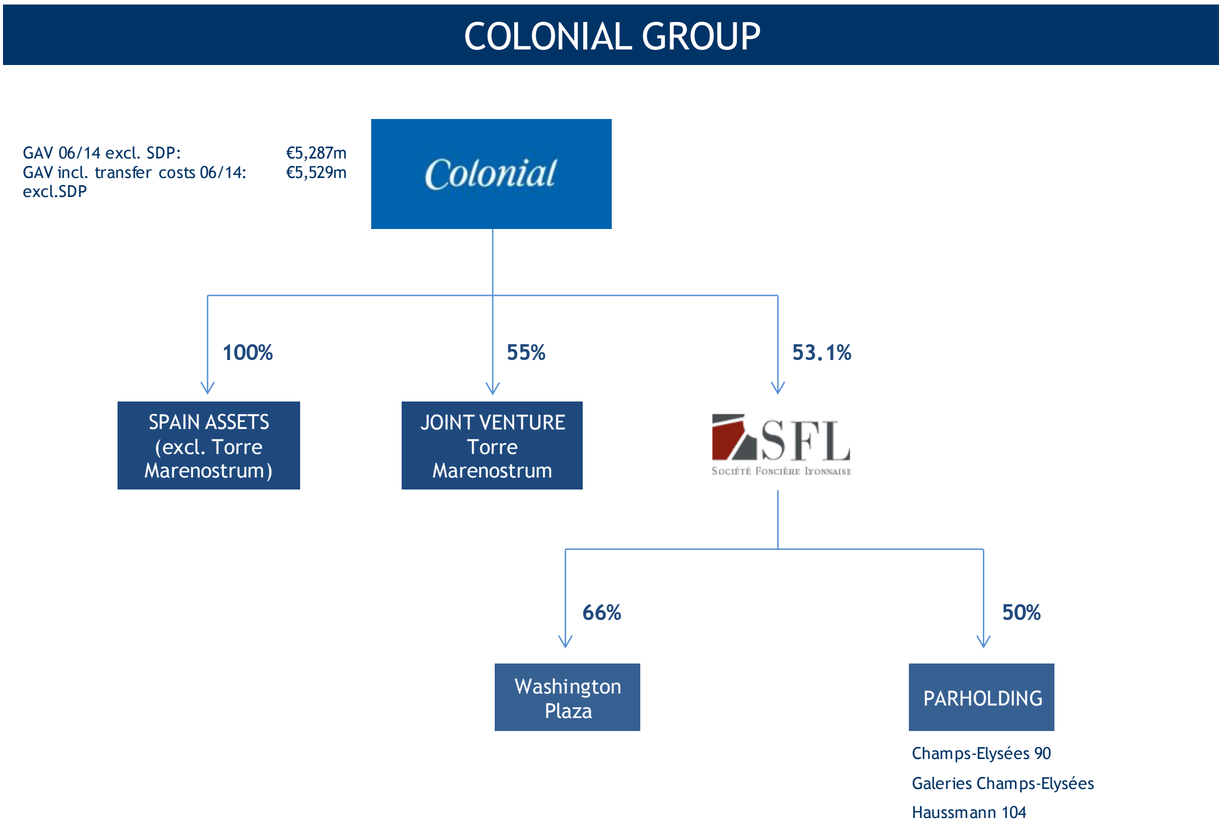
   This new loan was subscribed by different entities, including Crédit Agricole Corporate and Investment Bank, Sucursal en España, GIC, AXA, ING and Banc Sabadell.

   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.
   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.

   At 30 September 2014, these loans were 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 €44m in bilateral loans, with mortgage securities on various property assets. The average maturity of these loans is 5.6 years and the average financing spread is 80 bp.
   b) SFL has a total of €234m in bilateral loans with various financial institutions, with mortgage securities on property assets. The average maturity of these loans is 2.7 years and the average financing spread is 187 bp.
5. Bilateral loans without mortgage securities:

   SFL holds various loans in the amount of €53 with an average maturity of 4.2 years and an average financing spread of 159 bp.

6.8 Appendix - Legal structure



Colonial also maintains a minority stake of 3.79% in Asentia.

Gross Asset Value as of June 2014, excluding the stake in SIIC de Paris, disposed of in July 2014. The asset valuations are updated by independent appraisers half-yearly (in June and December), following the best market practices.

6.9 Appendix – Additional Information

Epra Net Profit

EPRA Earnings - September cumulative - €m	2014	2013
Earnings per IFRS Income statement	**563**	**(369)**
Adjustments to calculate EPRA earnings, exclude:		
(i) Changes in value of investment properties, development properties held for investment and other interests	(31)	(33)
(ii) Profits or losses on disposal of investment, development properties held for investment and other interests	0	3
(iii) Exceptional items	5	31
(iv) Tax credits impairment	13	13
(v) Changes in fair value of financial instruments and associated close-out costs	97	66
(vi) Adjustments (i) to (iv) above in respect of joint ventures (unless already included under proportional consolidation)	(2)	(5)
(vii) Minority interests in respect of the above	71	21
EPRA net profit - pre company-specific adjustments	**716**	**(272)**
(viii) Company-specific adjustments - discontinued operations	(704)	274
EPRA net profit - post company-specific adjustments	**12.9**	**1.7**

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 Anexo – Glosario (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 NNNAV	The EPRA NNNAV is calculated adjusting the following items in the EPRA NAV: the fair market value of the financial instruments, the fair market value of the debt, the taxes that would be accrued with the sale of the assets at their market value applying tax benefits for reinvestments and the tax credit on balance, considering a going concern assumption
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 Lyonnaisse
TMN	JV of Colonial (55%) and Gas Natural (45%) related to the Torre Marenostrum building
Valuation Yield	Capitalization rate applied by the independent appraisers in the valuation
Yield on cost	Market rent 100% occupied/Market value at the start of the project net of impairment of value + invested capital expenditure
Yield occupancy 100%	Passing rents + vacant spaces rented at the market prices/market value
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

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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

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