Colonial

# Annual results 2013

February 28, 2014

**The Colonial Group obtained negative attributable results of (€547m), mainly due to the negative impacts of the consolidation of the Asentia Group.**

**The operating profit of the Group is positive and amounts to €149m.**

**The net recurring result (Recurring EPRA net profit) amounts to €4m.**

- **Rental revenues: €213m, +1.0% like-for-like vs. the previous year**
- **Recurring EBITDA of the Group: €165m, +5% like-for-like vs. the previous year**
- **Gross Asset Value Property Business: €5,347m, +4.5% like-for-like vs. the previous year**
- **EPRA NAV – fully-diluted (post-warrant): €0.95/share**
- **Net results attributable to the Group: (€547m)**

**Colonial is moving forward in the execution of the restructuring of Colonial which was approved by the Extraordinary Shareholders' Meeting on January 21st, 2014.**

**At the publishing date of this report, the condition of the deconsolidation[(1)] of the Asentia Group has been fulfilled.**

*Key performance and financial indicators*

| December cumulative - €m | 2013 | 2012 | Var. % |
|---|---|---|---|
| Nº assets [(1)] | 49 | 52 | (6%) |
| Lettable surface above ground | 585,870 | 625,974 | (6%) |
| Developments underway surface above ground [(2)] | 110,477 | 137,042 | (19%) |
| Surface underground | 284,552 | 338,218 | (16%) |
| **Total surface (sq m)** | **980,898** | **1,101,234** | **(11%)** |
| Office occupancy | 80.0% | 82.9% | *(3.0 pp)* |
| Total occupancy | 81.1% | 83.8% | *(2.6 pp)* |
| | | | |
| Rental revenues | 213 | 225 | (5%) |
| EBITDA rents | 192 | 205 | (6%) |
| EBITDA / rental revenues | 90% | 91% | *(0.6 pp)* |
| | | | |
| EBITDA rents | 192 | 205 | (6%) |
| Results equity method SIIC de Paris | 21 | 21 | 0% |
| EBITDA overheads and others | (28) | (30) | 8% |
| EBITDA assets sales | (9) | (4) | - |
| Exceptional items | (27) | 0 | - |
| **Group Operating Profit** | **149** | **192** | **(22%)** |
| **Financial results (without results equity method)** | **(213)** | **(170)** | **(25%)** |
| **Recurring EPRA net profit [(3)]** | **4** | **9** | **(62%)** |
| **Gain/ loss on discontinued operations** | **(405)** | **(419)** | **3%** |
| **Net Result attributable to the Group** | **(547)** | **(1129)** | **52%** |

*Balance sheet indicators*

| €m | 2013 | 2012 |
|---|---|---|
| GAV property business (excl. Transfer costs) [(4)] | 5,347 | 5,535 |
| GAV property business (incl. Transfer costs) [(4)] | 5,600 | 5,795 |
| GAV discontinued operations | 736 | 1,159 |
| Group net debt | 3,543 | 3,623 |
| Net debt Spain | 2,086 | 2,076 |
| LTV [(5)] | 66% | 65% |
| Financial cost %[(7)] | 3.43% | 3.78% |
| Maturity (years) - available debt | 3.1 | 2.9 |
| | | June'13 [(6)] |
| EPRA NAV | 238 | 300 [(6)] |
| Nº of shares (m) - Fully diluted (post-warrant) | 251 | 251 |
| EPRA NAV (€/share) - Fully diluted (post-warrant) | 0.95 | 1.20 [(6)] |
| EPRA NNNAV (€/share) - Fully diluted (post-warrant) | 1.10 | 1.34 [(6)] |
| Free float % | 40% | 10% |

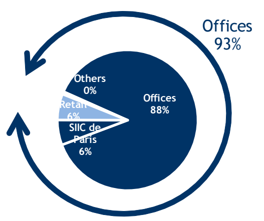
EPRA Net Asset Value post company specific adjustments

*(1) Excluding small non-core retail assets. Centro Norte complex has been reclassified in two assets (Agustin de Foxá, 29 & Hotel Tryp Chamartin)*
*(2) Projects & refurbishments*
*(3) Recurring EPRA net profit - post-company specific adjustments*
*(4) Includes NAV stake in SIIC de Paris*
*(5) Group Net Debt / GAV Strategic Business*
*(6) The NAV as of June 2013 corresponds to the NAV after considering contingent liabilities, already included in the NAV as of December 2013*
*(7) Step-up spread of 450 bp not included (Financial debt Spain)*

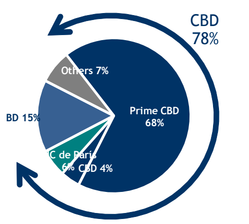
## The GAV amounted to €5,347m at December 31st, 2013 (€5,600m including transfer costs)

GRUPO CONSOLIDADO

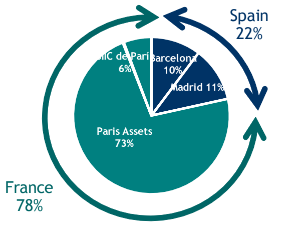
*Valuation - by use*




*Valuation - by area*

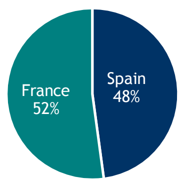



*Valuation - by market*




COLONIAL HOLDING(*)

*Valuation - by market*




*SIIC de Paris: value of the stake of SFL in SIIC de Paris*
*(*) France = SFL shares valued at NAV. Spain = Assets valued at GAV*
*(1) Deconsolidation is understood as that described in the glossary*

# Highlights

## 1 Annual Results

Since the beginning of the crisis, the office markets in Barcelona and Madrid have experienced some very difficult years, with weak fundamentals, particularly regarding demand, which has registered the lowest levels in the last years. As a consequence, rental prices are at historically low levels. However, according to the majority of analysts, they seem to have reached stabilisation for prime products. For 2014, the main brokers expect some recovery in the behaviour of the demand in Madrid, and also in Barcelona, specifically for top quality products in central areas, in combination with a scarce supply that meets these requirements.

In 2013, the office market in Paris was affected by the weakening of the French economy. However, prime assets remained stable. The forecasts for 2014 are more favourable, given signs of a global and domestic improvement, and the rental activity is expected to recover gradually during 2014.

Within this context, the office portfolio of the Colonial Group has had a defensive behaviour, with an increase in rental income of 1.0% like-for-like. Specifically, the increase in rental income generated in the Paris market has compensated for the reductions in rental income in the Barcelona and Madrid portfolios.

The recurring EBITDA in 2013 amounted to €165m (+5% like-for-like compared to the year before), and the net recurring result (EPRA Net Profit)(2) was positive and amounted to €4m, a figure below the same period of the previous year.

| Results analysis - €m | 2013 | 2012 | Var. | Var. % (1) |
|---|---|---|---|---|
| Recurring EBITDA | 165 | 175 | (10) | (6%) |
| Equity method results - SIIC de Paris - recurring | 11 | 13 | (2) | (13%) |
| Recurring financial result (excl. equity method) | (124) | (133) | 10 | 7% |
| Income tax expense - recurring result | (8) | (5) | (3) | (72%) |
| Minority interest - recurring result | (41) | (40) | (0) | (1%) |
| Recurring EPRA net profit (2) | 3.6 | 9.5 | (6) | (62%) |
| Non-recurring result | (551) | (1,138) | 588 | 52% |
| Profit attributable to the Group | (547) | (1,129) | 582 | 52% |

(1) Sign according to the profit impact

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

The net attributable results of the Group were negative and amounted to (€547m), mainly due to the negative accounting impacts attributable to the consolidation of the non-strategic business[(1)] (Asentia Group), and the negative impacts on the extraordinary expenses mainly related to the financial restructuring and the penalty of the financial expense "step up"[(2)].

It is important to point out that at the publishing date of this report, Asentia is considered as an associated company ("empresa asociada"). Consequently, the results generated by the Asentia Group from January 1st, 2014, onwards, do not have an impact on the consolidated accounts of the Colonial Group.

## 2 Highlights of the rental portfolio

During all of 2013, the Colonial Group signed rental contracts for 108,469 sq m, of which 28,041 sq m correspond to the commercialization of new surfaces and 80,428 sq m to renewals.

In Spain, more than 57,000 sq m of the commercial effort was concentrated in six buildings. In Madrid, we highlight the 15,935 sq m signed on the Martínez Villergas building with Iberia, and in Barcelona the 11,672 sq m signed with the Ajuntament de Barcelona for the BCN Glories Diagonal building, and the contracts signed with Accenture and Anuntis Segundamano in Sant Cugat Nord for 4,882 sq m and 3,755 sq m, respectively. In Paris, we highlight the signing of 22,000 sq m with Natixis for the Rives de Seine building, and the 7,000 sq m for the Edouard VII building with Klepierre Management.

The following table shows the main actions carried out in 2013:

***Main actions***

| Building | City | Tenants | Surface (sq m) |
|---|---|---|---|
| Rives de Seine | Paris | Natixis Immo Explotation | 22,030 |
| Martínez Villergas, 49 | Madrid | Iberia, Líneas Aéreas de España | 15,935 |
| Sant Cugat Nord | Barcelona | Accenture, Anuntis Segundamano, Europastry & others | 12,550 |
| BCN Glories Diagonal-Llacuna | Barcelona | Ajuntament de Barcelona | 11,672 |
| Alcala, 30-32 | Madrid | Comunidad de Madrid | 9,088 |
| Edouard VII | Paris | Klepierre Management & others | 8,204 |
| Louvre des Antiquaires CALL·LDA | Paris | Hugo Boss, Ariba & others | 4,813 |
| Av. Diagonal, 609-615 (DAU) | Barcelona | SILK & others | 4,275 |
| ILlacuna 22@ | Barcelona | Konecta BTO, Schindler & GJ Ecomm Factory | 3,917 |
| Hanovre | Paris | Pretty Simple | 3,325 |
| **MAIN ACTIONS** | | | **95,809** |

*At the publishing date of this document, 20,046 sq m have been signed corresponding to large contracts that are not included in the occupancy as of December 2013. We particularly highlight the 6,996 sq m signed on the Edouard VII building, the 6,790 sq m on the Martínez Villergas building and the 4,800 sq m on the Torre BCN building, reaching occupancy rates of 99%, 94% and 86%, respectively.*

(1) *The negative impacts attributable to the consolidation of the Asentia Group have no impact on the Net Asset Value (NAV) of the company, nor do they imply a cash outflow for Colonial.*

(2) *Capitalizable interests over the principal of the syndicate loan (this impact is analyzed in detail in the chapter on Financial structure)*

## 3 Portfolio in operation

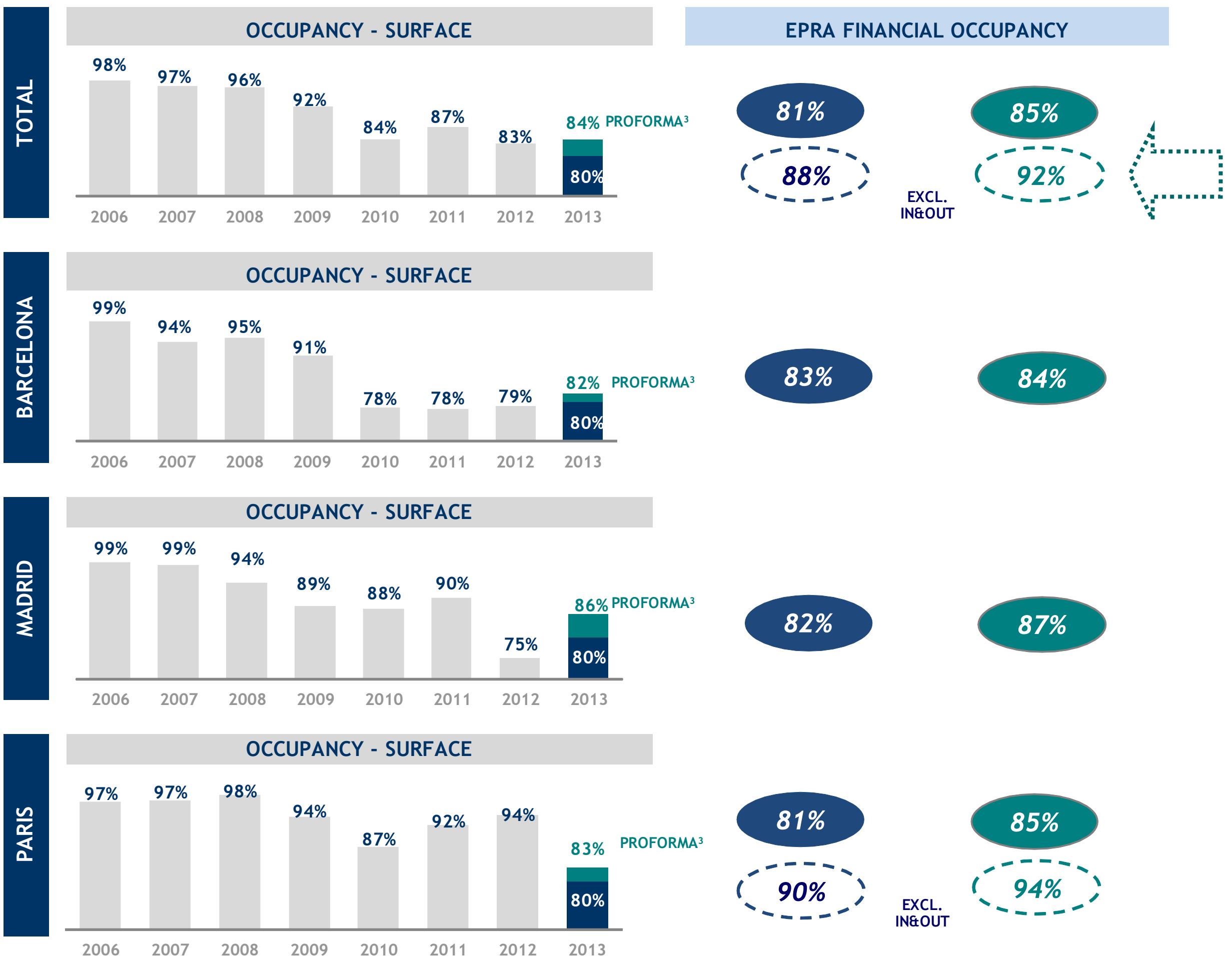
The office portfolio of the Colonial Group reached an EPRA[(1)] financial occupancy of 81%, a historically low figure and far below the portfolio ratios that Colonial had before the crisis.

In **Paris,** the office portfolio reached an EPRA financial occupancy of 81%, a figure slightly lower than that of the end of the previous year. This decrease is due to the entry into operation of the In/Out office complex, currently in commercialization phase. Excluding this impact, the office occupancy of the Paris portfolio is 90%.

The office portfolios of **Madrid** and **Barcelona** reached an EPRA[(1)] financial occupancy of 82% and 83%, respectively.

*Taking into account the large contracts signed additionally (with effective entry dates at the beginning of 2014), and excluding the impact of In/Out, the "pro forma"[3] EPRA occupancy of the office portfolio of the Group would be above 90%.*

*Office Occupancy [(1)] - Evolution of Colonial's Portfolio* | *Office Occupancy EPRA [(2)] 2013* | *Office Occupancy EPRA [(2)] Pro forma [(3)]*




(4) *Occupied surfaces/surfaces in operation*
(5) ***EPRA occupancy**: Financial occupancy according to the calculation recommended by EPRA (Occupied surfaces multiplied by the market prices/surfaces in operation at market prices).*
(6) ***Pro forma occupancy** = Occupancy at December 2013 + large contracts signed subsequently*

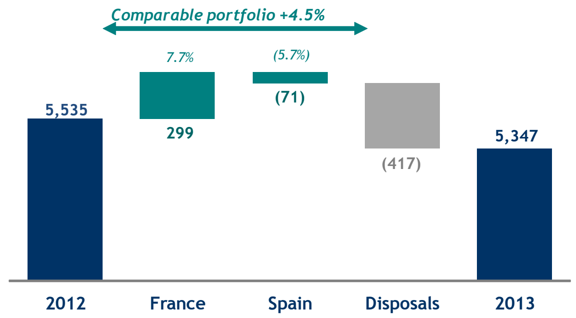
## 4 Gross Asset Value & Net Asset Value

### Gross Asset Value

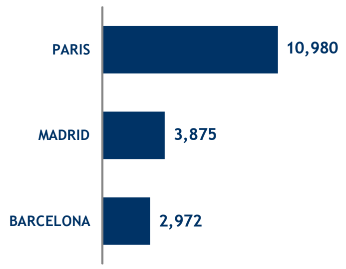
The value of the assets (GAV) of the Colonial Group at December 2013 amounted to €5,347m (€5,600m including transfer costs), which means an increase of +4.5% like-for-like vs. the previous year (+2.0% like-for-like in 6 months).

The diversification of the business has allowed the increases in the portfolio in France to compensate for the decreases suffered in the portfolio in Spain. The capital values are at attractive levels, particularly in Spain, where historical lows have been reached.

*Variance Analysis - Value*




*Capital values €/sq m*




During 2013, disposals of assets were carried out for €127m in Spain and €290m in France, without a negative impact on the Net Asset Value. It is important to highlight the premium of 15% over the last asset valuation achieved in the sale of the Mandarin Hotel in Paris.

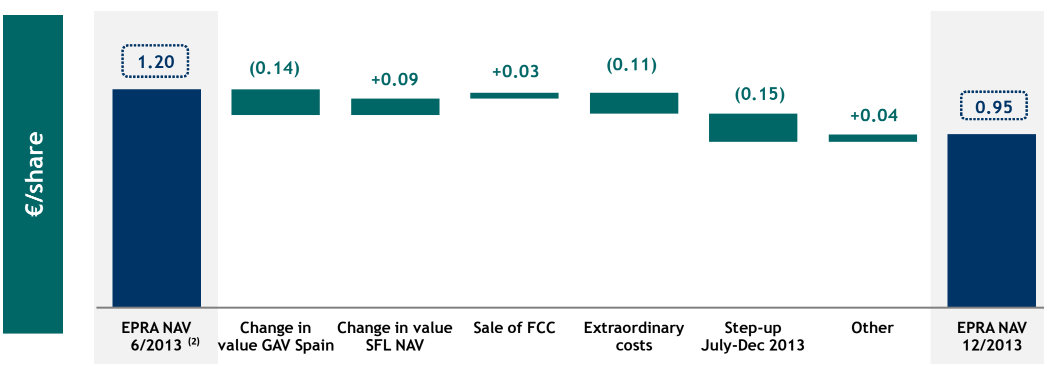
### EPRA - Net Asset Value

The Net Asset Value at December 2013 amounted to €0.95/share, a decrease of 25 cents with respect to the NAV at June 2013 (3 cents below the pro forma reported in September 2013).

The main impacts of this variance are the following:

1. Impact of the accrued capitalizable interests (Step-up)[1]
2. Extraordinary expenses, mainly related to the implementation of the current financial restructuring process of the Company

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




*(*) EPRA Net Asset Value post Company specific adjustments*

It is important to point out that, from January 2014 onwards, the current syndicate loan has a step-up interest of 686bp, which amounts to (€9.8m) per month, corresponding to €0.04/share.

*(1) Capitalizable interests over the principal of the syndicate loan (this impact is analyzed in detail in the chapter on Financial structure)*
*(2) EPRA NAV post-contigent liabililties already included in the NAV at December 2013*

## 5 Restructuring/ Recapitalization of Colonial

Colonial's Extraordinary General Shareholders' Meeting celebrated on January 21st, 2014, at second call, approved a transaction with 79.24% of the votes in favour, which has the following characteristics[(1)]:

| | |
|---|---|
| **Capital Increase** | ▪ Amount of €1,000m<br>▪ With preferential subscription rights<br>▪ Binding individual subscription commitments of €500m by the following third party investors who are not acting in concert:<br>✓ Grupo Villar Mir<br>✓ Grupo Santo Domingo<br>✓ Banca Mora |

**The binding commitments are subject to a number of conditions, among those which stand out are a maximum subscription price of €0.5/share and the execution of the following transactions:**

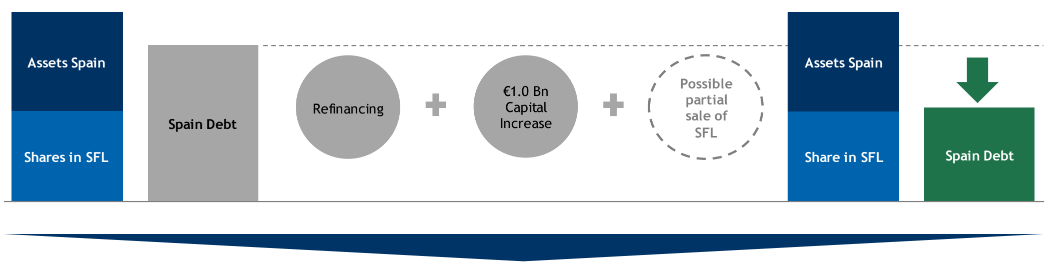
| | |
|---|---|
| 1 **Refinancing of Current Debt** | ▪ Long term refinancing of remaining syndicated loan with new or existing lenders at market conditions |
| 2 **Deconsolidation of Asentia**[2] | ▪ Exclusion from the consolidation[2] perimeter or consideration as an associated company (equity method)<br>▪ ➡ ***Transaction already executed as of the date of this report*** |
| Potential Partial Sale of SFL[3] | ▪ Colonial to maintain a controlling interest in SFL<br>▪ Possible partial sale (from 0% to 20%) |

Target LTV<50%

At the publishing date of this report, the effective deconsolidation[(2)] of the Asentia Group has been completed.

In addition, the Board of Directors is analyzing different alternatives regarding the Company's stake in SFL, including the possibility to maintain its stake in this company above 50% of the share capital. In the case the Board decides to maintain a controlling interest in SFL above 50%, alternative sources of funding would be considered to complete the restructuring and recapitalization process of Colonial, including the possibility to access the capital markets.

Illustrative Impact




The successful execution of this transaction will permit the following:

- The creation of a reference investor base with high prestige
- The refinancing of the debt in the long term at market conditions
- The positioning of Colonial as a unique platform to invest in prime offices in the markets in Barcelona, Madrid and Paris

*(1) The information included in this section is subject to and should be read together with all of the public information available, in all cases including the agreement proposals presented for approval at the General Shareholders' Meeting, as well as its corresponding reports from administrators, which are found on the Company's website www.inmocolonial.com.*

*(2) The deconsolidation of Asentia is understood as exiting the consolidation perimeter, or if applicable, consideration as an associated company (equity method)*

*(3) SFL = Société Foncière Lyonnaise*

# Contents

# 1. Financial statements

## Consolidated Profit & Loss Accounts

| December cumulative - €m | 2013 | 2012 | Var. | Var. % [1] |
|---|---|---|---|---|
| **Rental revenues** | **213** | **225** | **(12)** | **(5%)** |
| Net operating expenses [3] | (21) | (20) | (0) | 1% |
| **EBITDA rents** | **192** | **205** | **(12)** | **(6%)** |
| **Other income** | 4 | 5 | (1) | (16%) |
| **Overheads** | **(32)** | (35) | 3 | 9% |
| **EBITDA recurring business** | **165** | **175** | **(10)** | **(6%)** |
| ***Like-for-like EBITDA*** | ***125*** | ***119*** | ***6*** | ***5%*** |
| **Equity method results - SIIC de Paris** | **21** | **21** | **0** | **0%** |
| Rental asset disposals | 388 | 20 | 368 | - |
| Cost of sales | (397) | (24) | (373) | - |
| **EBITDA - asset sales** | **(9)** | **(4)** | **(5)** | **-** |
| **Exceptional items** | **(27)** | **0** | (27) | **-** |
| **Operating profit before revaluation, amortizations and provisions and interests** | **149** | **192** | **(43)** | **(22%)** |
| **Change in fair value of assets** | **37** | **19** | **18** | **96%** |
| **Amortizations & provisions** | **1** | **(87)** | **89** | **101%** |
| **Financial results** | **(213)** | **(170)** | **(43)** | **(25%)** |
| **Profit before tax** | **(25)** | **(46)** | **21** | **46%** |
| **Income tax** | **(35)** | **(529)** | **494** | **93%** |
| **Gain/ loss on discontinued operations** | **(405)** | **(419)** | **14** | **3%** |
| **Minority Interests** | **(82)** | **(135)** | **53** | **39%** |
| **Profit attributable to the Group** | **(547)** | **(1,129)** | **582** | **52%** |

| Results analysis - €m | 2013 | 2012 | Var. | Var. % [1] |
|---|---|---|---|---|
| Recurring EBITDA | 165 | 175 | (10) | (6%) |
| Equity method results - SIIC de Paris - recurring | 11 | 13 | (2) | (13%) |
| Recurring financial result (excl. equity method) | (124) | (133) | 10 | 7% |
| Income tax expense - recurring result | (8) | (5) | (3) | (72%) |
| Minority interest - recurring result | (41) | (40) | (0) | (1%) |
| **Recurring EPRA net profit [2]** | **3.6** | **9.5** | **(6)** | **(62%)** |
| EBITDA - asset sales | (9) | (4) | - | - |
| Equity method results - SIIC de Paris - non-recurring | 9 | 8 | 2 | 22% |
| Exceptional items | (27) | | - | - |
| Change in fair value of assets & amortizations & provisions | 39 | (68) | 107 | (157%) |
| Change in fair value of financial instruments | (19) | (16) | (2) | (15%) |
| Non-recurring finance costs | (71) | (21) | (50) | (244%) |
| Income tax expense - non-recurring result | (27) | (524) | 497 | 95% |
| Gain/ loss on discontinued operations | (405) | (419) | 14 | 3% |
| Minority interest - non-recurring result | (41) | (94) | 53 | 56% |
| **Non-recurring result** | **(551)** | **(1,138)** | **588** | **52%** |
| **Profit attributable to the Group** | **(547)** | **(1,129)** | **582** | **52%** |

[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 results

- At December 31st, 2013, the Group had reached a recurring EBITDA of €165m, 6% lower than the same period of the year before.
  **The recurring like-for-like EBITDA was €125m, 5% higher than the close of the previous year.**

- The operating result of the property portfolio **(EBITDA rents) increased by 2% in like-for-like terms.**

This increase is mainly due to an increase in rental revenues like-for-like in France which compensates for the decrease in rental revenues in Spain. This variance is analysed in detail in the 'Business Performance' section of this report.
Similarly, a reduction of 9% on the overhead expenses is highlighted, particularly in the business in Spain.

*Operating Results*

| December cumulative - €m | 2013 | 2012 | Var. % (1) |
|---|---|---|---|
| **EBITDA rents like-for-like** | **154** | **152** | **2%** |
| EBITDA - overheads | (32) | (35) | 9% |
| EBITDA - other like-for-like income | 2 | 3 | (9%) |
| **EBITDA - recurring like-for-like** | **125** | **119** | **5%** |
| Non-comparable EBITDA | 40 | 55 | (28%) |
| **EBITDA - recurring** | **165** | **175** | **(6%)** |

(1) Sign according to the profit impact

- In addition, the stake in SIIC de Paris contributed an attributable profit of €21m, reported in the results using the equity method. This figure is in line with that reached for the previous year.

(*) Adjusting for disposals carried out, variations in the project portfolio and other extraordinary effects

# Financial results

- The recurring financial expenses of the Group at December 31st, 2013, amounted to €124m, (€133m in 2012).

*Financial results*

| December cumulative | 2013 | 2012 | Var. % (1) |
|---|---|---|---|
| Recurring Financial Income | 3 | 3 | 0% |
| Recurring financial expenses - Spain | (74) | (79) | (6%) |
| Recurring financial expenses - France | (64) | (69) | (7%) |
| Capitalised interest expenses | 11.0 | 12.0 | 8% |
| **Recurring Financial Result (excluding equity method)** | **(124)** | **(133)** | **7%** |
| Non-recurring Financial Income | 5 | 0 | - |
| Non-recurring financial expenses | (76) | (21) | (262%) |
| Change in fair value of financial instruments | (18) | (16) | (13%) |
| **Financial Result (without equity method)** | **(213)** | **(170)** | **(25%)** |

(1) Sign according to the profit impact

- The average interest rate for 2013 was 3.43% (3.60% including the impact of accrued commissions associated with the financing), with an average financing spread of 182 bp. The average rate for the same period of 2012 was 3.78% (3.88% including the impact of accrued commissions related to the financing), with an average financing spread of 171 bp.

  The breakdown for the interest rate by country is the following:

| December cumulative | 2013 | 2012 | Var. % |
|---|---|---|---|
| Cost of debt - % Spain | 3.02% | 3.24% | *(0.22 pp)* |
| Cost of debt - % France | 4.05% | 4.61% | *(0.56 pp)* |
| **Cost of debt - % total** | **3.43%** | **3.78%** | ***(0.35 pp)*** |

- The capitalised interest expenses amounted to €11m, corresponding to the financing of one project in Spain and two in France.

- The non-recurring financial expenses mainly corresponded to the accounting record for the capitalizable interests of 450pb over the principal of the syndicate loan, retroactive to January 1st, 2013 (this effect is analysed in more detail in the section on "Financial Structure").

- During the month of September, the FCC shares were sold for a total net amount of €17.4m. The net impact registered in the line of "Non-recurring financial income", corresponding to the registry and sale of the stake in FCC, amounts to €5.2m in consolidated terms.

## Non-recurring operating results and discontinued operations

- In February 2013, the sale of the Mandarin Hotel in Paris was registered for €290m, a price 30% higher than the total cost of the renovation. In addition, the sale price implies a 15% premium on the valuation at June 2012 (a valuation made before the sale agreement). The impact of the increase in value due to the sale price of this transaction was already registered in December 2012 on the profit and loss account (the valuation of the Mandarin Hotel in December considered the price of the pre-agreement of the sale).

  In Spain, assets were sold for a total of €97.7m, corresponding to the Serrano Galvache building in Madrid, to the office complex in Sant Joan Despí, Barcelona and to car parks in the Centro Norte complex located in Madrid.

  The margin for asset sales is negative and amounts to (€9.1m), due to the costs related to the transactions.

- The extraordinary costs correspond to costs that were estimated and provisioned at December 31st, 2013, mainly related to the implementation of the restructuring of the Company.

- Regarding the rest of the non-recurring results, the Colonial Group registered a negative result before minority interests, due to the accounting impacts attributable to the consolidation of the non-strategic business (Asentia Group)[(1)].

  It is important to highlight, that at the issue date of this report, the Colonial Group had seen its stake in the capital of Asentia diluted to below 20%, losing control of the Board of Directors of the company that is now considered as an associated company. Consequently, the results generated by the Asentia Group from January 1st, 2014, onwards, will not have an impact on the consolidated accounts of the Colonial Group.

[(1)] *It is important to highlight that the negative results of the Asentia Group have no impact on the Net Asset Value (NAV) of the company, nor do they imply a cash outflow for Colonial.*

# 2. Office markets

## Macroeconomic context

In 2013, the capital markets began to recover strength and stability, thanks to the contribution of three important factors: the improvement in macroeconomic conditions, the reduction in multiple risks that have meant serious threats to the global financial stability in the recent past, and in third place, the ultra-lax monetary policies in the block of developing countries. Although with nuances, the main analysts expect the favourable conditions to continue in the next year, and support the continuity of good behaviour of the risky assets.

The Spanish economy finished 2013 with information that invites optimism. The indicators from the 4th quarter of the year confirm growth and suggest certain acceleration in the progress rate of the economic activity. The year 2013 ended with progress in the GDP of 0.3% in the fourth quarter of the year. The growth forecast for all of 2014 is between 0.8% and 1.0% annually, a rate not reached since 2008. The year 2014 is profiled as a key year to shore up the pillars that should support future growth in the Spanish economy.

In France, 2013 remained flat (+0.2% of GDP growth) and with expectations to get back on a positive track in 2014 (+0.9% of GDP growth), reaching a positive annual growth of 1.5% in 2015, according to the opinions of the main analysts.

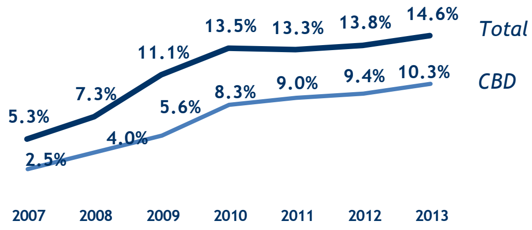
*(1) Sources: monthly report from "la Caixa"*

# Rental market situation - offices [(1)]

## *Barcelona*

**Prime CBD Prices (€/sq m/month)**


**Vacancy (%)**



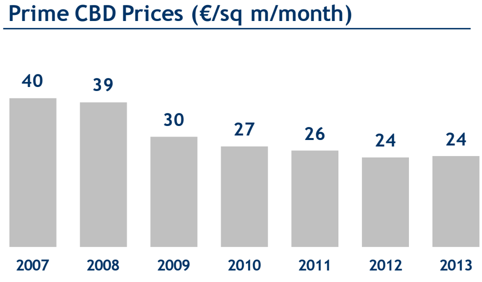

- In 2013, Barcelona registered the lowest office take up in the last 16 years. The take up in the last quarter of the year amounted to almost 64,000 sq m, which when added to the 122,000 sq m accumulated during the previous quarters, equals more than 180,000 sq m, the lowest annual take up since 1997. Despite these figures, according to the analysts, the good news is that in the last months, it seems the sector may be reactivating; the last quarter of 2013 was the most active of the year. In addition, at the end of 2013, new rentals were produced resulting from new businesses in Barcelona or growth in companies in the same building they are currently located, a trend which has not been seen for a long time.

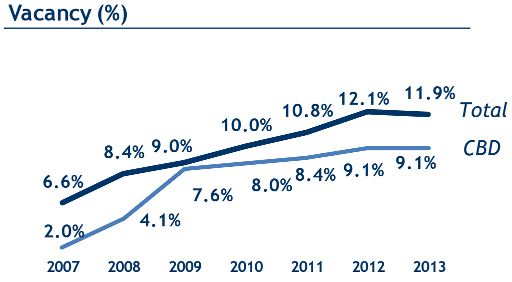
- The low volume of take up in 2013, and the delivery of the Cornerstone project in the 22@ district, a project currently empty, has resulted in a slight increase in the vacancy rate. At the end of 2013, this vacancy rate was at 14.6%.
  In the CBD area, the vacancy rate was at 10.3%.

- The prime rents in the office market in Barcelona seem to have reached bottom at €17.50/sqm/month. After five years of continuous decreases, the main brokers affirm that the adjustment that led to a decrease of more than 40% in the prime rents in the area of Paseo de Gracia/Diagonal has finished. The short to medium term trend will be the stabilisation of office rents. In addition, the lack of future offers of offices in Barcelona will help to maintain the prime rents stable.

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

## Madrid [1]




- The office and high-tech take-up this quarter reached 105,000 sq m, a figure much higher that than achieved in the previous quarter. The total take up for 2013 accumulated approximately 370,000 sq m, which clearly exceeds the numbers for 2012 (by more than 30%), and slightly exceeds the take up figures for 2011, although they do not reach those of 2010 which were above 400,000 sq m.

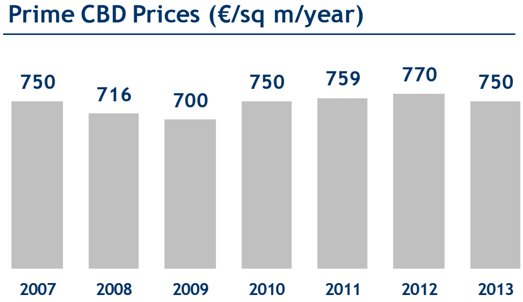
- The average vacancy rate in the Madrid market stands at 11.9% and in the CBD area it is at 9.1%. The offer available for offices and high-tech showed a slight increase of 17,000 sq m, due to vacancies of high-tech products in the periphery and satellite areas. However, this increase has not reached 1%, clearly below the percentages that were produced in previous years.
  The shortage in quality products with surfaces over 2,000 sq m in the CBD area is acting as a solid floor for the prices vis-a-vis a downward market trend, which in addition permits the vacancy in this submarket to remain stable at 9%.

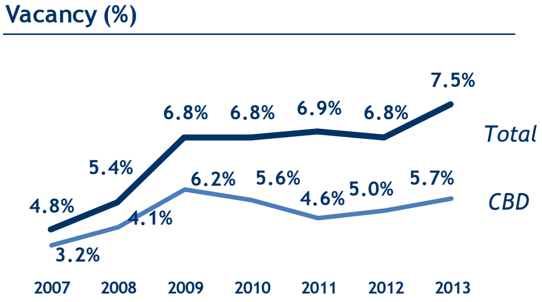
- The future supply is at a minimum, in part due to the absence of financing for new projects, and in part because the developers are waiting for a consolidation of more positive macroeconomic perspectives that should help to sufficiently reactivate the demand. In the last quarter of 2013, no new projects have been completed, and those almost finalized were set back to the first months of 2014.

- The prime rents in Madrid remained steady at €24.25/sq m/month for the fifth consecutive quarter, which according to the analysts seems to indicate that the end of the cycle is approaching for the best products in the market. According to the brokers, the market segment that remains stable corresponds to modern and/or refurbished buildings in the prime area, precisely due to the shortage of quality space in this area.

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

## Paris [(1)]




- The cumulative office take up in the Paris region in 2013 amounted to 1,844,497 sq m, which represents a decrease of 25% compared to the year before. A total of 53 transactions of more than 5,000 sq m were carried out, resulting in a 20% drop compared to 2012.
  However, in the CBD area, the cumulative take up was 322,174 sq m, a figure which has remained stable compared to that reached during the previous year.

- In the Paris market, the vacancy rate increased in 2013, reaching an immediate offer of 3,925,000 sq m, which represents a vacancy rate of 7.5% for the Paris region. On the other hand, in the CBD area, the vacancy rate stayed at low levels, and only increased by 0.7 pp to 5.7%.

- As various analysts indicated several months ago, the large transactions have decreased. Although the office assets continue dominating the rental sector with 86% of the total transactions, the retail sector is still dynamic, and represents 9% of the Paris region.

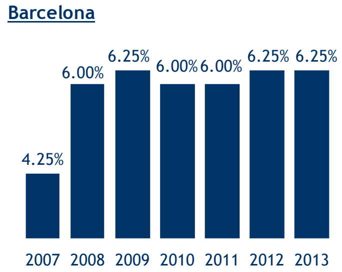
- The current economic uncertainty will continue to affect the office market, keeping the demand weak. However, high quality assets in prime areas could have a more defensive behavior in front of the lack of significant projects in the CBD area. The prime rental prices in the CBD area are at €750/sq m/year.

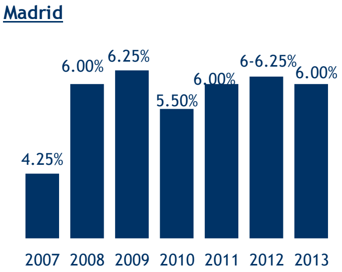
- The forecasts for 2014 are more favorable, since signs of global and national improvements are starting to be seen. The main analysts foresee that the rental activity will continue to recover gradually as of the second half of 2014.

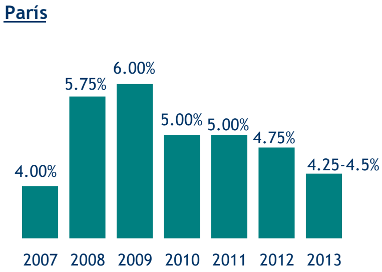
*(1) Sources: Reports by Jones Lang Lasalle, Cushman & Wakefield and CBRE*

# Investment market situation - offices

**Prime Yields** (1)




- **Barcelona**: The last quarter of the year confirms the growing interest by the investors in the property market in Barcelona. The return of international investors in 2013, carrying out important transactions, is the best sign that a possible change of the cycle is about to begin. The cumulative investment volume for 2013 amounted to €290m, which translates to 8% more than in 2012. The yields begin to adjust slightly downwards for Paseo de Gracia/Diagonal, and it is expected that this trend continue in 2014 for the centre of Barcelona. The prime yields are around 6.25%.

- **Madrid:** The improvement in the macroeconomic perspectives has meant a strong increase in buying pressure in the Madrid office market. An urgency can be seen in the investors to not let the most interesting opportunities pass them by, generated by the discounts in price and expectations for increases in value. For prime products, there is a lot of interest by private investors, where slight increases in rental prices at the end of this new year are expected. During the quarter, new investors have appeared in the market, and with all types of investment profiles, specifically of Swiss nationality. The yields in the prime area are around 6.00%, and could reach lower levels for unique assets.

- **Paris**: Investment in the last quarter of 2013 reached €2,900m, which means a cumulative investment volume of €11,000m for 2013, resulting in a decrease of 9% compared to the year before, but with forecasts of over €12,000m for 2014. The yields in the prime area are around 4.5%, and could reach 4.25% for unique assets.

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

*(1) The consultants in the Spanish market report gross yields and in France they report net yields (see definitions in the glossary in appendix 6.10)*

# 3. Business performance

## Rental revenues and EBITDA of the portfolio

- Rental revenues amounted to €213m, 5.4% below the total revenues from the previous year. **Rental revenues for the Group increased by 1.0% like-for-like**, adjusting for disposals, and for changes in the projects and refurbishments portfolio.

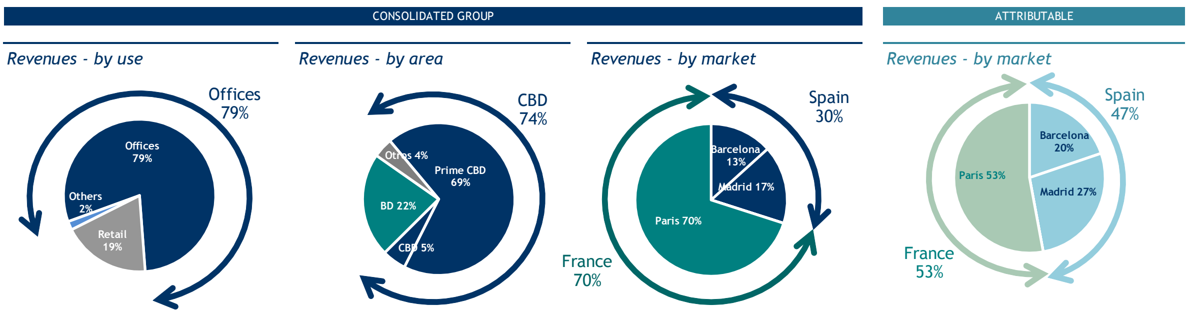
  **In Paris, rental revenues increased 3.9% like-for-like. In Spain, like-for-like rental revenues decreased by 5.3%.**

| Rents (2013 vs. 2012) €m | Barcelona | Madrid | Paris | Total |
|---|---|---|---|---|
| Rental Income 2012 | 31 | 44 | 150 | 225 |
| *Like-for-like* | *(1.2)* | *(1.7)* | *4.6* | *1.8* |
| *Projects & refurbishments* | *(0.9)* | *(4.0)* | *(8.5)* | *(13.4)* |
| *Disposals* | *(0.6)* | *(3.0)* | *(10.0)* | *(13.6)* |
| *Indemnities & others* | *(0.0)* | *0.0* | *0.0* | *(0.0)* |
| *Changes in scope of consolidation* | *0.0* | *0.0* | *13.0* | *13.0* |
| Rental Income 2013 | 28 | 35 | 149 | 213 |
| *Total variance (%)* | *(8.5%)* | *(19.6%)* | *(0.6%)* | *(5.4%)* |
| *Like-for-like variance (%)* | *(4.1%)* | *(6.7%)* | *3.9%* | *1.0%* |

- **Breakdown - Rental revenues:** The majority of the Group's revenue (79%) comes from office buildings.

  The Group also continues to have a high exposure to CBD markets (74%). 70% in consolidated terms of the rental revenues (€149m) come from the subsidiary in Paris and 30% from properties in Spain.

  In attributable terms, approximately 53% of the rents are generated in France and the rest in Spain.



- **The rental EBITDA reached €192m, an increase of 2% like-for-like**, with an EBITDA margin on gross rents of 90%.

  It is important to take into account that the majority of the difference between the gross rental income and the EBITDA rents is due to the costs not invoiced given the current low levels of occupancy. Since the Colonial Group invoices the majority of the building expenses to its tenants, progressive improvements in the occupancy of the assets will have an important positive impact on the EBITDA rents, reaching high rates of EBITDA/revenue, as it was in the years before the crisis (see appendix 6.5).

***Property business***

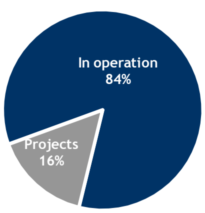
| December cumulative - €m | 2013 | 2012 | Var. % | Like-for-like % |
|---|---|---|---|---|
| Rental revenues - Barcelona | 28 | 31 | (9%) | (4%) |
| Rental revenues - Madrid | 35 | 44 | (20%) | (7%) |
| Rental revenues - Paris | 149 | 150 | (1%) | 4% |
| **Rental revenues** | **213** | **225** | **(5%)** | **1%** |
| EBITDA rents Barcelona | 25 | 27 | (8%) | (3%) |
| EBITDA rents Madrid | 30 | 40 | 23% | (10%) |
| EBITDA rents Paris | 137 | 138 | 1% | 5% |
| **EBITDA rents** | **192** | **205** | **(6%)** | **2%** |
| *EBITDA/ Rental revenues - Barcelona* | *89%* | *89%* | *0.5 pp* | |
| *EBITDA/ Rental revenues - Madrid* | *86%* | *90%* | *(4.3 pp)* | |
| *EBITDA/ Rental revenues - Paris* | *92%* | *92%* | *(0.0 pp)* | |
| ***EBITDA/ Rental revenues*** | ***90%*** | ***91%*** | *(0.6 pp)* | |

Pp: percentage points

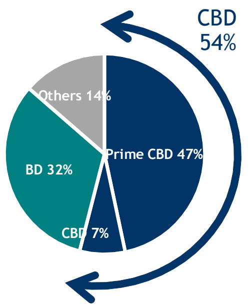
## Portfolio letting performance

- <u>**Breakdown of the current portfolio by surface:**</u> At the close of 2013, the Colonial Group's portfolio totalled 980,898 sq m (696,347 sq m above ground), most of which was office space.
  At December 31st, 2013, 84% of the portfolio was in operation, and the remaining 16% corresponds to an attractive portfolio of projects and refurbishments, which is explained in more detail in the section on projects.

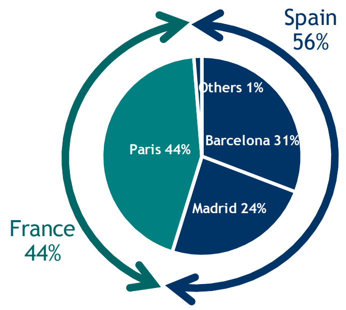
*Surface - by condition*




*Surface - by area*




*Surface - by market*



- **Signed contracts:** During 2013, the Group signed a total of 108,469 sq m of **new rentals** (64% in Spain and 36% in France). The new rentals set in these agreements were 10% below previous rents.

***Letting Performance***

| December cumulative - sq m | 2013 | % New rents vs. previous | Average maturity |
|---|---|---|---|
| Renewals & revisions - Barcelona | 29,785 | *(28%)* | 3 |
| Renewals & revisions - Madrid | 15,200 | *(21%)* | 4 |
| Renewals & revisions - Paris | 35,443 | *(3%)* | 6 |
| **Total renewals & revisions** | **80,428** | ***(10%)*** | **5** |
| New lettings Barcelona | 7,340 | | 3 |
| New lettings Madrid | 16,716 | | 6 |
| New lettings Paris | 3,985 | | 7 |
| **New lettings** | **28,041** | **n/a** | **6** |
| **Total commercial effort** | **108,469** | **n/a** | **5** |

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

***Main actions***

| | Building | Tenants | Surface (sq m) |
|---|---|---|---|
| BARCELONA | Sant Cugat Nord | Accenture, Anuntis Segundamano, Europastry & others | 12,550 |
| | BCN Glories Diagonal-Llacuna | Ajuntament de Barcelona | 11,672 |
| | Av. Diagonal, 609-615 (DAU) | SILK & others | 4,275 |
| | ILlacuna 22@ | Konecta BTO, Schindler & GJ Ecomm Factory | 3,917 |
| MADRID | Martínez Villergas, 49 | Iberia, Líneas Aéreas de España | 15,935 |
| | Alcala, 30-32 | Comunidad de Madrid | 9,088 |
| PARIS | Rives de Seine | Natixis Immo Explotation | 22,030 |
| | Edouard VII | Klepierre Management & others | 8,204 |
| | Louvre des Antiquaires CALL·LDA | Hugo Boss, Ariba & others | 4,813 |
| | Hanovre | Pretty Simple | 3,325 |

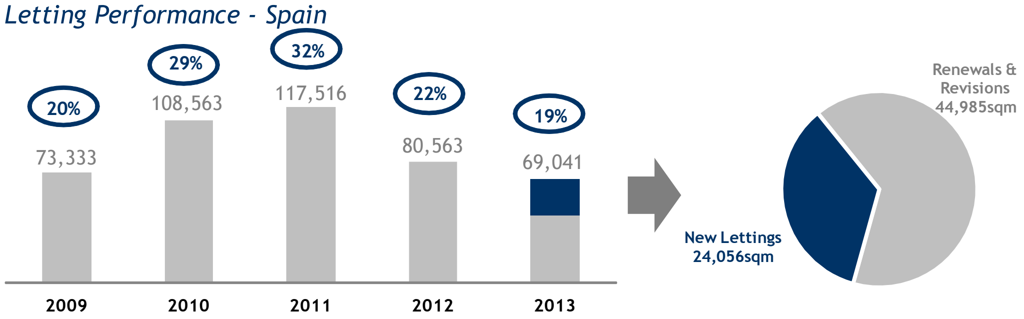
From this commercial effort, in **Madrid** we highlight the contract signed on the Martínez Villergas building with Iberia, and in **Barcelona**, the highlights include the contract signed with Konecta BTO on the Illacuna 22@ office complex.

In **Paris**, it is important to mention the contract signed with Natixis on the Rives de Seine building with full occupancy, and the contract with Pretty Simple in Hanovre, an asset recently refurbished, and for which the Company has achieved 100% occupancy as well.

- **Analysis of new leased surfaces**

The volume of contracts signed in 2013 in Spain is equivalent to 19% of the total surface above ground of the portfolio. Of the 69,041 sq m of the commercial effort in Spain, more than 24,000 sq m correspond to new rentals of empty surfaces.

*Letting Performance - Spain*




It is important to highlight that in 2013, the Colonial Group was one of the main actors in capturing demand in the office markets in Barcelona and Madrid, due to the good positioning of its buildings which offer high quality services and maximum energy efficiency in attractive locations.

In Barcelona, the Colonial Group captured 4% of the demand, and 5% in Madrid (8% if we only consider the market segments in Madrid where the Group is present).


*At the publication date of this document, 20,046 sq m were signed corresponding to large contracts that are not included in the occupancy at December 2013. We particularly highlight 6,996 sq m on the Edouard VII building, 6,790 sq m on the Martínez Villergas building and 4,800 sq m on the Torre BCN building, reaching occupancies of 99%, 94% and 86%, respectively.*

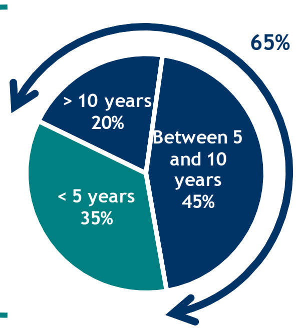
## Portfolio rental renewals and revisions

Regarding the number of rental renewals in the contract portfolio, 44,985 sq m of renewals were signed in Spain, and 35,443 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 for more than 5 years.

*Ranking of the most important tenants (44% of rental income)*

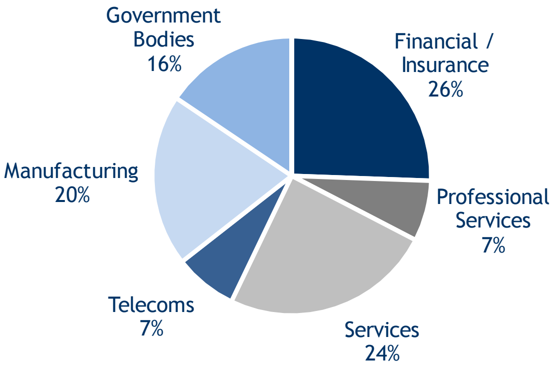
| RK | Tenant | City | % total income | % cumul. | Age - Years |
|---|---|---|---|---|---|
| 1 | NATIXIS IMMO EXPLOITATION | Paris | 6% | 6% | 10 |
| 2 | FRESHFIELDS BRUCKHAUS DERINGER | Paris | 4% | 10% | 10 |
| 3 | GAS NATURAL SDG, S.A | Barcelona | 3% | 13% | 8 |
| 4 | ZARA FRANCE | Paris | 3% | 16% | 1 |
| 5 | TV5 MONDE SA | Paris | 3% | 19% | 8 |
| 6 | KLEPIERRE MANAGEMENT | Paris | 2% | 21% | - |
| 7 | LA MONDIALE GROUPE | Paris | 2% | 24% | 6 |
| 8 | GRUPO CAIXA | Barcelona | 2% | 26% | 21 |
| 9 | COMUNIDAD DE MADRID | Madrid | 2% | 28% | 18 |
| 10 | SOCIEDAD ESTATAL LOTERIAS Y AP. EST. | Madrid | 2% | 30% | 9 |
| 11 | HENNES & MAURITZ / H & M | Paris | 2% | 32% | 4 |
| 12 | ESMA | Paris | 2% | 34% | 3 |
| 13 | CITIBANK INTERNATIONAL PLC | Paris | 2% | 35% | 9 |
| 14 | ASHURST LLP | Paris | 2% | 37% | 8 |
| 15 | AYUNTAMIENTO DE MADRID | Madrid | 1% | 38% | 10 |
| 16 | IBERIA, LINEAS AEREAS DE ESPAÑA, S.A. | Madrid | 1% | 40% | 1 |
| 17 | SIMOSA - SERV. INTEGRALES MANT. | Madrid | 1% | 41% | 1 |
| 18 | CASINO DE JUEGO GRAN MADRID, S.A. | Madrid | 1% | 42% | 1 |
| 19 | AJUNTAMENT DE BARCELONA | Barcelona | 1% | 43% | 17 |
| 20 | SOL MELIA S.A. | Madrid | 1% | 44% | 11 |
| | | | | | 8 |




It is important to point out that Colonial counts on a solvent and diversified client base.

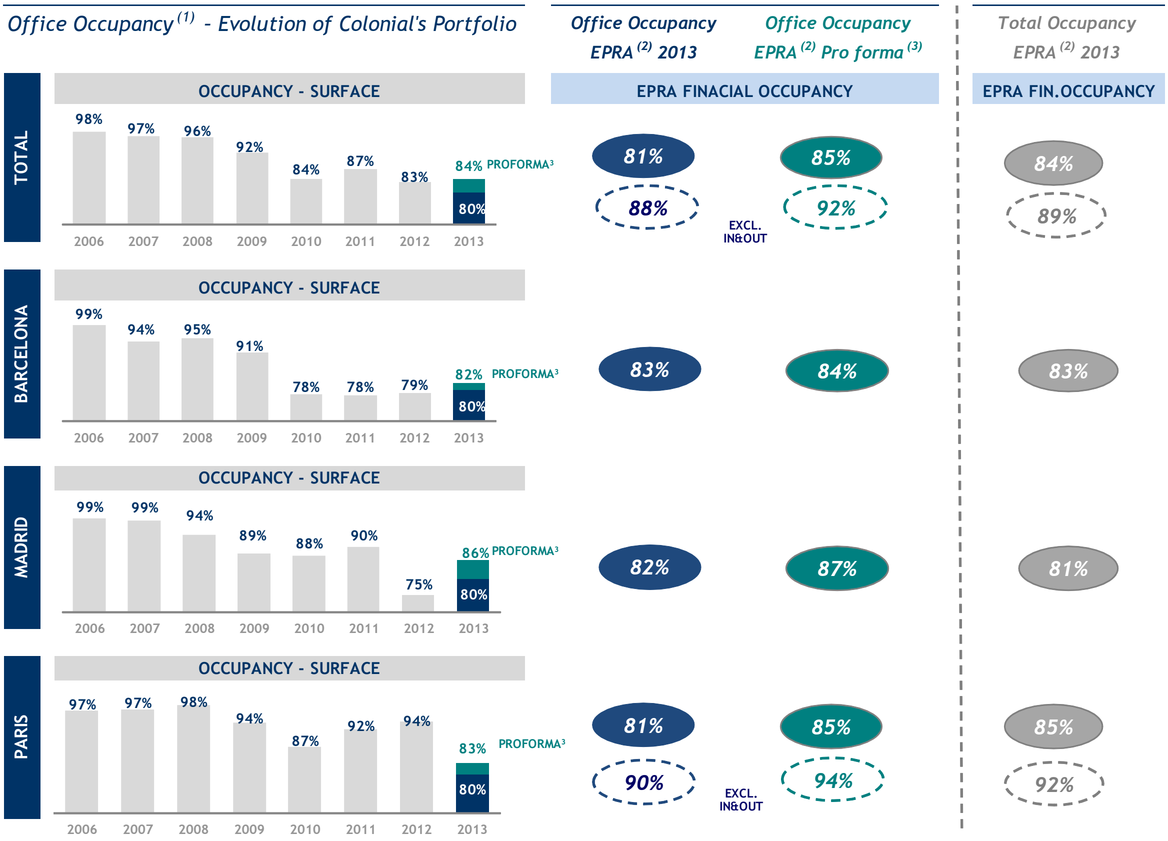
The activity sectors that stand out are those which, because of their type of business, require quality offices located in central business areas.

*Top Tenants - Breakdown by economic sector*



# Portfolio occupancy

- The Colonial Group's office EPRA financial occupancy as of December 2013 was 81% (including other uses, the EPRA occupancy reached 84%).




(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) *Pro forma occupancy = Occupancy at December 2013 + large contracts*

The office portfolios in **Barcelona** and **Madrid** reached an EPRA(2) financial occupancy of 83% and 82%, respectively.

In **Paris**, the office portfolio reached an EPRA financial occupancy of 81%, a figure lower than that at the end of the previous year. This decrease is due to the entrance into operation of the In/Out office complex, currently in the commercialization phase. Excluding this effect, the occupancy of the Paris portfolio would be 90%, and that of the Colonial Group would reach levels close to 90%.

An analysis of the vacant surfaces by city is broken down below.

Approximately 56% of the vacancy corresponds to projects that have recently entered into operation or to recent refurbishments.

***Vacancy offices surface***

| | Enters into operation (1) | BD Area and others | CBD Area | December 2013 | Large contracts not included (2) | Vacancy surface Proforma(3) | Proforma EPRA Occupancy (%) (3) |
|---|---|---|---|---|---|---|---|
| Barcelona | 14,659 | 16,176 | 1,439 | 32,274 | (4,800) | 27,474 | 84% |
| Madrid | 8,200 | 4,797 | 12,683 | 25,680 | (7,590) | 18,090 | 87% |
| París | 35,446 | 660 | 9,166 | 45,272 | (7,656) | 37,616 | 85% |
| TOTAL | 58,305 | 21,633 | 23,288 | 103,226 | (20,046) | 83,180 | 85% |

*(1) Projects and refurbishments that have recently entered into operation*

*(2) Contracts signed, not considered in December occupancy*

*(3) Occupancy proforma = Occupancy December 2013 + large contracts signed later*

***In Spain**, it is important to point out that during the first weeks of 2014, 4,800 sq m were signed on the Torre BCN property in Barcelona corresponding to one new rental contract and 7,590 sq m in Madrid, mainly the 6,790 sq m on the Martínez Villergas building, consolidating the upward trend from the end of 2013. As a consequence, an EPRA office occupancy of 84% would be reached in Barcelona and 87% in Madrid.*

**In Paris**, the vacancy at December is explained mainly by the entering into operation of the In/Out office complex. The rest of the portfolio reached occupancy close to 100%. Excluding the effect of In/Out, the occupancy of the Paris portfolio is at 90%.

*Regarding the surfaces already signed at the issue date of this document, not included in the occupancy at December, 2013, we highlight the 6,996 sq m signed on the Edouard VII building, which results in the increase in EPRA office occupancy to 85% (94% excluding the impact of In/Out).*

*Taking into account the large additional contracts signed, the pro-forma EPRA occupancy(3) of the office portfolio of the Group would be 85% (over 90% excluding the impact of In/Out).*

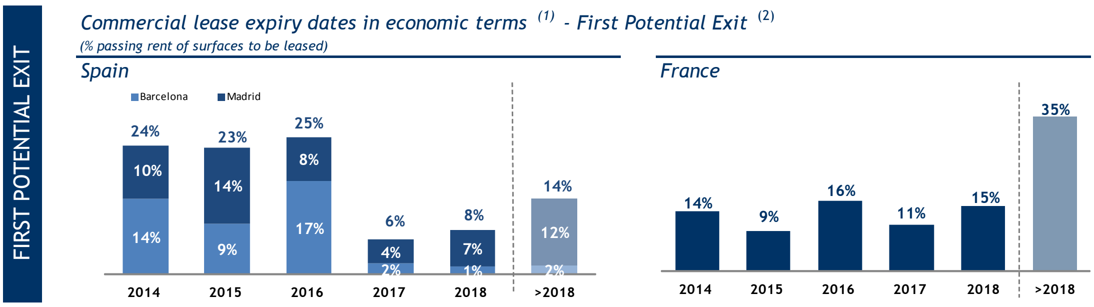
# Commercial lease expiry and reversionary potential

- **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).

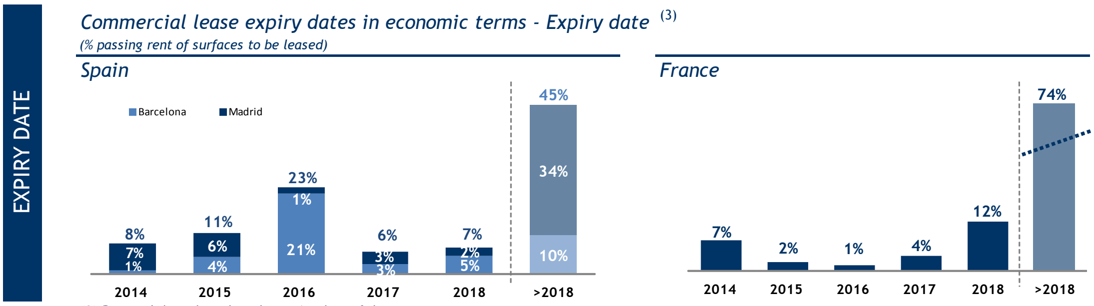
  In such cases in the Spanish portfolio, contract renewals of around 25% per year could take place in the next three years, which could benefit from potential rent increases in case of a recovery of the cycle.

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




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

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



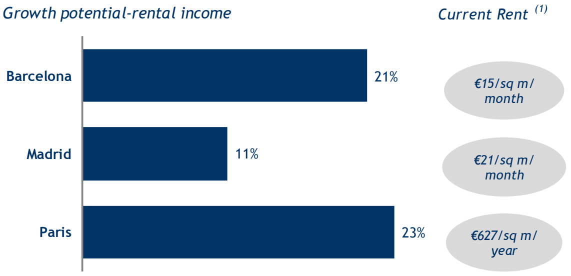

(3) Renewal dates based on the expiry date of the current contracts

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

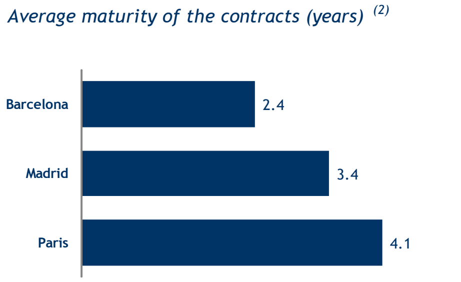
This growth potential is the result of comparing the rental revenues of the current contracts (contracts with current occupancy and current rents) with the rental revenues that would result from letting the total surface at the market prices estimated by the independent appraisers at December 2013 (excluding the potential rents from the substantial projects and refurbishments underway, which are analysed in the section on Projects).

The organic growth potential of the Group's rental portfolio at the close of 2013 was at +21% in Barcelona, +11% in Madrid and +23% in Paris.

*Figures at December 2013*



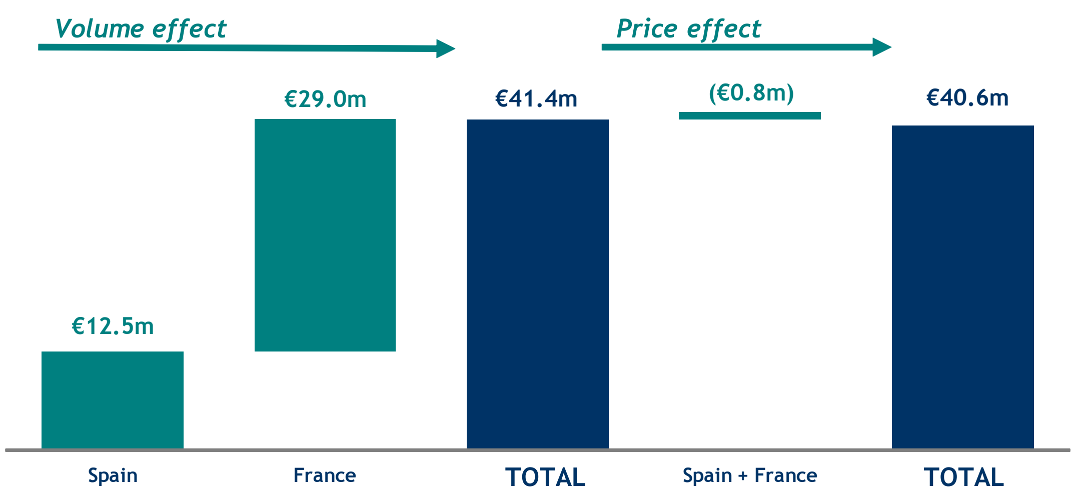

(1) Current office rent of occupied surfaces




(2) Average maturity until first potential exit

Specifically, the growth potential in the current portfolio would result in approximately €41m in additional annual rental revenues.

*Growth potential-rental income*



# Project portfolio and refurbishments

- Currently the Company has a project portfolio of more than 69,000 sq m above ground, which will enter into operation between 2014-2018. The Colonial Group's project portfolio in the 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 |
| Alfonso XII | 1H 2014 | 100% | Madrid | Offices | 13,135 |
| Parc Central 22@ A.1.6 - A.1.7 - A.1.2 | >2016 | 100% | Barcelona | Offices | 14,737 |
| **Spain** | | | | | **36,074** |
| #Cloud (rue Richelieu) | 2H 2015 | 100% | Paris | Offices | 33,200 |
| **France** | | | | | **33,200** |
| **Total** | | | | | **69,274** |
| **Yield on cost[2]** | | | | | **6.8%** |

*(1) Floor 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**, it is important to highlight the Alfonso XII property in Madrid, a building that will obtain the "Breeam" certification (sustainable building) and will enter into operation in the first months of 2014. At the date of publication of this report, this asset was already pre-let at 28%. In Barcelona, we highlight the Travessera de Gràcia / Amigó project, an office complex located in the prime area, with top quality finishings and energetically efficient, which has resulted in the awarding of the LEED Gold certification ("green building").

In **France**, at the end of 2013, refurbishments began on the asset #CLOUD (Rue de Richelieu) in Paris. This office complex will undergo a full refurbishment project, which will involve the creation of 33,200 sq m of unique offices for top tier clients in central Paris, and it will hold the "Breeam" energy certification.

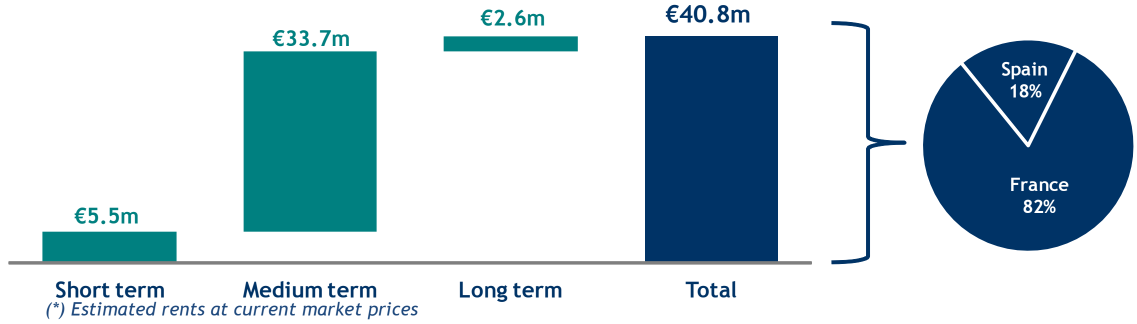
In addition to the projects in the pipeline, the Colonial Group is carrying out substantial refurbishments in specific buildings in order to optimize the positioning of these assets in the market.

It is especially important to highlight the more than 10,000 sq m property of Louvre des Antiquaires, and refurbishments on the 90 Champs Elysées property. In Barcelona, the Diagonal 409 building is currently under refurbishment, and will achieve the LEED Silver certification.

More details on these and other projects can be found in Appendix 6.4.

- **Rental potential of the project portfolio.** The project portfolio of the Colonial Group will generate additional rental revenues of €41m(*) in the next years, which are broken down in the following graph:

*Additional rental income projects and significant refurbishments*




*(*) Estimated rents at current market prices*

## Disposals / portfolio rotation

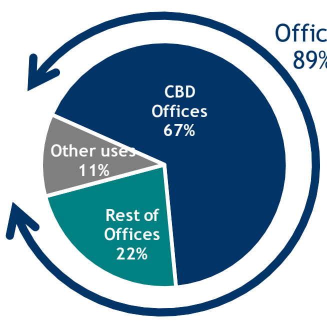
- In 2013, disposals were made for a total of €388m. The Mandarin Hotel is highlighted, with a premium of 15% over the last valuation previous to the sale. In Spain, the sales were carried out without a negative impact on the Net Asset Value. The breakdown of the properties sold during 2013 is the following:

| Disposals 2013- €m | Use | Market | Date | Price |
|---|---|---|---|---|
| Office complex Sant Joan Despí | Offices | Barcelona | 2Q 2013 | 17.7 |
| Serrano Galvache, 26 | Offices | Madrid | 4Q 2013 | 73.0 |
| Centro Norte (parking) | Parking | Madrid | 4Q 2013 | 7.2 |
| 247 Saint Honoré | Hotel | Paris | 1Q 2013 | 290.0 |
| Others | Parking | Paris | 1Q 2013 | 0.4 |
| **Total** | | | | **388.2** |

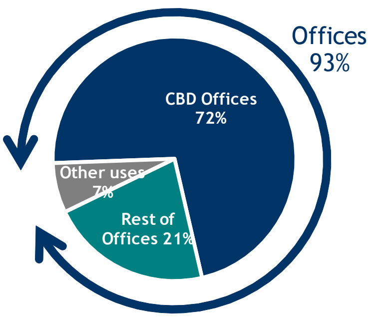
The disposals carried out have allowed:

1. To enhance the focus of the portfolio on prime offices
2. To reduce the financial debt in Spain and increase in liquidity capacity of the Colonial Group, especially in France.

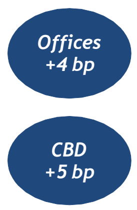
*GAV 2012*




*GAV 2013*




*2013 vs 2012*



## Valuation of the property business

- At the close of 2013, the rental business of the Colonial Group was valued at €5,347m (€5,600m including transfer costs), by Jones Lang LaSalle, CB Richard Ellis, and BNP Paribas Real Estate. The valuation figures are updated half-yearly, following the best market practices.

**Property Business**

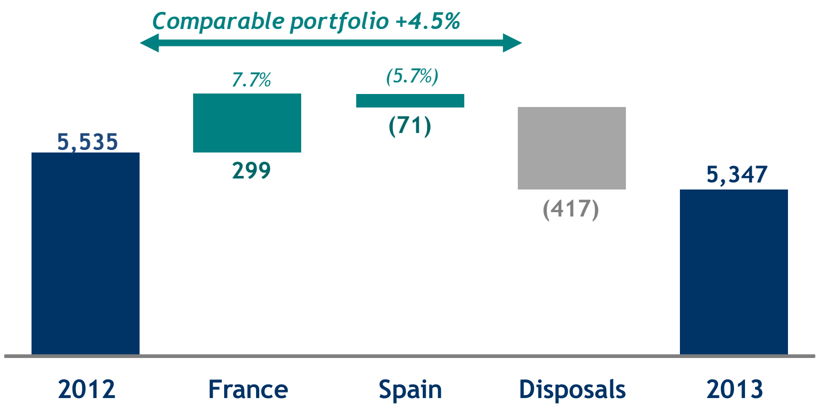
| Asset valuation (€m) | 31-Dec-13 | 30-Jun-13 | 31-Dec-12 | Dec 13 vs Jun 13 | | Dec 13 vs Dec 12 | |
|---|---|---|---|---|---|---|---|
| | | | | Total | Like-for-like (1) | Total | Like-for-like (1) |
| Barcelona | 518 | 538 | 579 | (3.7%) | (3.6%) | (10.6%) | (7.7%) |
| Madrid | 565 | 681 | 705 | (17.1%) | (2.5%) | (19.9%) | (4.2%) |
| París | 3,640 | 3,288 | 3,240 | 10.7% | 2.5% | 12.3% | 5.6% |
| Portfolio in operation (2) | 4,723 | 4,508 | 4,525 | 4.8% | 1.1% | 4.4% | 2.5% |
| Projects | 304 | 528 | 708 | (42.4%) | 8.6% | (57.0%) | 11.5% |
| Others | 12 | 11 | 11 | 1.9% | (0.9%) | 3.9% | 1.0% |
| Property business | 5,039 | 5,047 | 5,244 | (0.2%) | 1.9% | (3.9%) | 4.4% |
| SIIC de Paris | 308 | 296 | 292 | 3.9% | 3.9% | 5.5% | 5.5% |
| Colonial group | 5,347 | 5,343 | 5,535 | 0.1% | 2.0% | (3.4%) | 4.5% |
| Spain | 1,165 | 1,302 | 1,362 | (10.6%) | (3.0%) | (14.5%) | (5.7%) |
| France | 4,182 | 4,041 | 4,173 | 3.5% | 3.5% | 0.2% | 7.7% |

*(1) Portfolio in comparable terms*

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

- The valuation of the Colonial Group's assets at December 2013 rose by +4.5% like-for-like compared to December 2012 (+2.0% vs. June 2013)

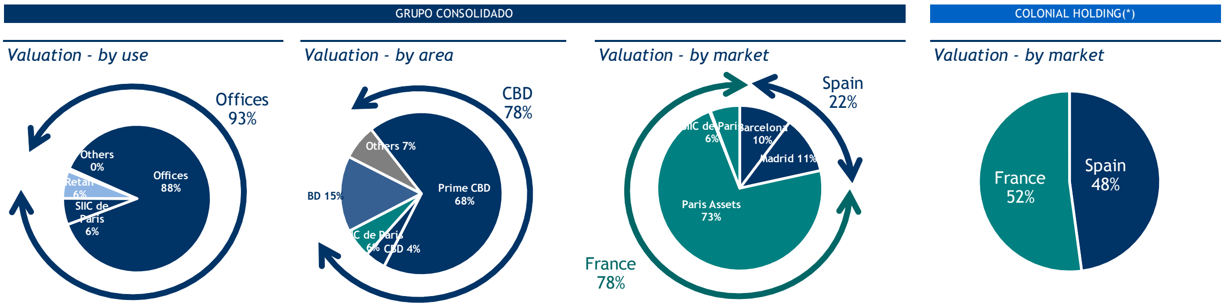
*Variance Analysis - Value*




The value of the French portfolio rose in the last 12 months by +7.7% like-for-like (+3.5% vs. June 2013) which compensated for the decrease in the value of the portfolio in Spain (-5.7% in 12 months and -3.0% in 6 months).

The disposals correspond to the sale of the 247 Saint Honoré property (Mandarin Hotel) in France, to the sale of the office complex in Sant Joan Despí in Barcelona, to the Serrano Galvache building in Madrid, and to some car parks sold in the Centro Norte property, also in Madrid.

- Out of the total valuation of the property business, €5,039m corresponds to the asset portfolio directly owned by the Colonial Group and €308m is the value which corresponds to the stake of SFL in SIIC de Paris (attributable NAV at December 31st, 2013), a property company listed on the Paris market with a portfolio of offices worth more than €1,500m.




SIIC de Paris: value of the stake of SFL in SIIC de Paris
(1) 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:

  It is important to highlight that the capital values in Spain are at historical lows.

***Capital values €/sq m (1)***

| Portfolio in operation | €m | sq m above ground | €/sq m |
|---|---|---|---|
| Barcelona | 518 | 174,333 | 2,972 |
| Madrid | 565 | 145,716 | 3,875 |
| Paris | 3,640 | 331,521 | 10,980 |

***Yields (2)***

| Portfolio in operation | Yield occupancy 100% | Valuation Yield |
|---|---|---|
| Barcelona | 6.6% | 6.6% |
| Madrid | 6.8% | 6.5% |
| Paris | 5.0% | 5.1% |

(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 Travesera de Grácia, Amigó and Parc Central.*
*In Madrid, the sq m correspond to the surface above ground of all the assets excluding the project Alfonso XII and 227 sq m of other surface that cannot be leased*
*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 (37,260 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

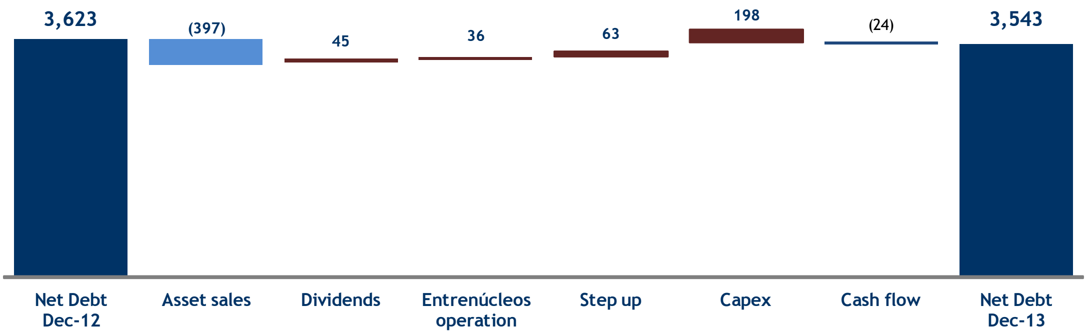
Group financial net debt stood at €3,543m at December 31st, 2013, 2.2% lower than the net debt at December 31st, 2012 (€3,623m). Both figures exclude the debt of the subgroup Asentia, which is classified as Discontinued Operations[(1)].

The breakdown of the debt at December 31st, 2013, is the following:

| Breakdown of the consolidated net financial debt | December 2013 | | | December 2012 | | | Var. |
|---|---|---|---|---|---|---|---|
| | SP | FR | Total | SP | FR | Total | Total |
| Syndicate loan | 1,759 | 50 | 1,809 | 1,714 | 45 | 1,759 | 50 |
| Mortgage debt/leases | 299 | 237 | 536 | 357 | 295 | 652 | (116) |
| Subordinated debt | 42 | 0 | 42 | 41 | 0 | 41 | 1 |
| Unsecured debt and others | 11 | 199 | 210 | 8 | 232 | 240 | (30) |
| **Total gross debt with credit institutions** | **2,111** | **486** | **2,597** | **2,120** | **572** | **2,692** | **(95)** |
| Bonds | 0 | 1,000 | 1,000 | 0 | 1,000 | 1,000 | 0 |
| **Total gross debt** | **2,111** | **1,486** | **3,597** | **2,120** | **1,572** | **3,692** | **(95)** |
| Cash & cash equivalents | **(25)** | **(29)** | **(54)** | **(44)** | **(25)** | **(69)** | **15** |
| Group Net Debt | 2,086 | 1,457 | **3,543** | 2,076 | 1,547 | **3,623** | **(80)** |
| **Average maturity drawn debt (years)** | **1.3** | **2.8** | **2.7** | **2.2** | **3.4** | **2.6** | **0.1** |
| **Average maturity available debt (years)** | **1.9** | **3.3** | **3.1** | **2.2** | **3.0** | **2.9** | **0.2** |
| **Cost of debt %** | **3.02%** | **4.05%** | **3.43%** | **3.24%** | **4.61%** | **3.78%** | **0.35 pp** |

The evolution of debt in 2013 was the following:

*Evolution of the net debt (€m)*




The debt reduction of the Group mainly corresponds to the subsidiary SFL which has reduced its net debt by 5.8% thanks to the sale of the Mandarin Hotel in Paris for €290m.

The debt of Colonial Spain (excluding SFL) has remained relatively stable (+0.7%); the syndicate loan increased by 2.6% due to the application of the PIK Penalty in October 2013 for €62.5m, while the bilateral debt decreased by 15% mainly as a consequence of the cancellation of the Colonial Group's debt with Nova Caixa Galicia (€8.3m) and the sale of the Torres Ágora building, which allowed for the cancellation of debt of the Colonial Group with SAREB.

*(1) At the date of the issue of this report, Asentia is considered as an associated company. Consequently, from January 1st, 2014, onwards, the results generated by the Asentia Group do not have an impact on the consolidated accounts of the Colonial Group.*

The main characteristics of the debt are as follows.

- A gross debt of €3,597m that mainly includes:

1. A syndicate loan in Colonial of €1,759m refinanced on February 19th, 2010, and subscribed by a group of financial institutions led by Calyon Sucursal in Spain, Eurohypo AG Sucursal in Spain, Coral Partners, and The Royal Bank of Scotland. The debt matures on December 31st, 2014, and the applicable spread for 2013 was 175 bp.

   On September 19th, 2013, the FCC shares were sold for the net amount of €17.4m, which was used to repay a part of the syndicate debt as these shares were pledged in favor of the syndicate loan. The syndicate loan considers incentives for the company to reach an LTV of 50%. Therefore, it foresees partial amortizations of the loan. If this does not take place, after June 30th, 2013, it would generate additional capitalised interests of 450 bp on the principal of the loan, backdating to January 1st, 2013, and of 686 bp as from January 1st, 2014.

   Given that the aforementioned LTV level was not reached, at October 30th, the accrued interests registered under "Non-recurring financial costs", and amounted to €62.5m were capitalised as an increase in financial debt. The additional interests registered from October 31st to December 31st, 2013, amounted to €13.6m registered in the line "Debt with credit institutions".

   The loan has mortgages on certain property assets in Spain, a pledge on the SFL shares owned by Colonial, and on the shares of the subsidiary Torre Marenostrum, S.L.

2. SFL currently has two syndicate loans:

   a) A syndicate loan for a nominal amount of €400m, with an undrawn amount of €350m at December 31st, which was signed with the bank agent "BNP PARIBAS" on October 8th, 2009, and refinanced with the lending institution on July 4th, 2013, maturing in July 2018. The applicable spread is between 180 bp and 230 bp and subject to the LTV level.
   b) At December 17th, 2010, a new syndicate loan was signed for a nominal amount of €350m, with the bank agent "Natixis Banques Populaires", maturing in December 2015. The applicable spread is 215 bp. This loan at December 31st, 2013 was totally undrawn.

3. SFL's bonds for €1,000m, €500m issued on May 17th, 2011, and €500m on November 28th, 2012, with an annual fixed coupon of 4.625% and 3.50%, maturing on May 25th, 2016 and November 28th, 2017, respectively. These bonds are unsubordinated and non-preferential, and have been accepted for listing on the regulated market of Euronext Paris.

   The current rating of SFL by Standard & Poors is BBB-/A-3 with "Stable outlook"

4. Bilateral loans with mortgage security:

   a) The Colonial Group holds a total of €299m in bilateral loans with various credit institutions, with mortgage securities on property assets. The average maturity of these loans is 3.4 years and the average financing spread is 161 bp. In December 2013 Colonial cancelled the mortgage loan with SAREB for €70m through the sale of the "Torres Ágora" asset.
   b) SFL has a total of €237m in bilateral loans with various credit institutions, with mortgage securities on property assets. The average maturity of these loans is 3.4 years and the average financing spread is 187 bp.

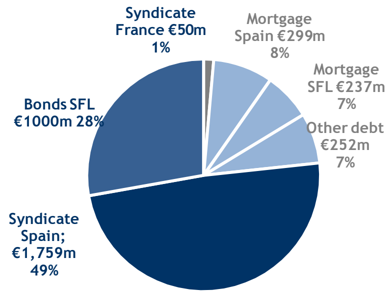
5. Bilateral loans without mortgage security:

   a) Colonial has a total of €11m in a single loan without mortgage security with an average maturity of 0.9 years and an average financing spread of 175 bp
   b) SFL has various loans for a total of €199m, with an average maturity of 0.3 years and an average financing spread of 57 bp.

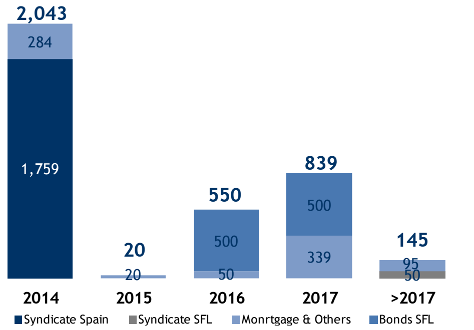
6. Through its subsidiaries, the Colonial Group has a subordinate loan for the amount of €42m with an average life of 3.1 years and an average financing spread of 400 bp, totally capitalizable. This loan is convertible into a participative loan if the equity of said subsidiary is found in a mercantile situation of dissolution. Additionally, the loan counts on a third mortgage on an asset of said subsidiary.

- The debt breakdown by type, company and maturity is the following:

*Breakdown of drawn debt*

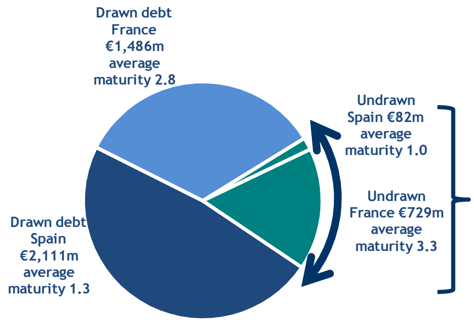



*Maturity of drawn debt (€m)*




| | 2014 | 2015 | 2016 | 2017 | >2017 |
|---|---|---|---|---|---|
| Property Business Spain | 1,840 | 14 | 20 | 142 | 95 |
| Property Business SFL | 203 | 6 | 530 | 697 | 50 |

*Breakdown of drawn debt (€m), undrawn (€m) and average maturity (years)*




The liquidity of the Colonial Group at December 2013 amounted to €811m (current account and deposits of €54m and undrawn debt of €757m) of which €82m correspond to Spain and €729m to France.

## Hedging portfolio

The breakdown of the hedging portfolio at December 31st, 2013, is the following:

| December 31st , 2013 Financial instrument - €m | Description | Spain | France | Total | % | MTM (Ex-coupon) |
|---|---|---|---|---|---|---|
| SWAP | From floating to fixed rate | 154 | 185 | 339 | 20% | (11) |
| CAP | Floating rate with a maximum | 1,354 | 0 | 1,354 | 80% | 0 |
| **Total hedging portfolio (Variable - fixed)** | | **1,508** | **185** | **1,693** | **100%** | **(11)** |
| **Maturity (years)** | | **1.4** | **3.7** | **1.7** | | |

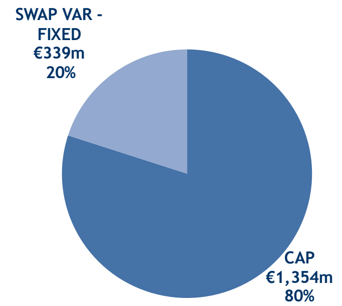
- The effective hedging ratio at December 31st, 2013 (hedges/debt at floating rates) stood at 65% (72% in Spain and 38% in France) versus 85% at December 2012 (86% in Spain and 83% in France). Regarding Spain, the reduction of this ratio resulted from the maturity of a €400m swap at December 2013. While in France, the hedged amount had been reduced by €250m, due to the cancellation of the hedging instruments, as a consequence of the bond issue at a fixed rate, and the resulting reduction in debt at a variable rate. The amount was also reduced by €41m due to the maturity of two swaps in October 2013.

- At December 31st, 2013, the percentage of total hedged debt or total fixed rate debt stood at 75%, due to the effect of the SFL bond issue at a fixed rate.

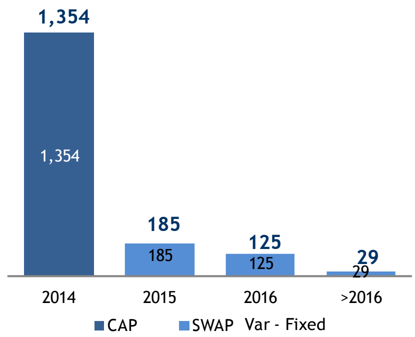
- The policy of the Group is to contract instruments that comply with the requirements established under the IFRS 39, allowing the variance in the market value (MtM) to be registered directly as net equity. At December 31st, 2013, 93% of the nominal value of the hedging portfolio met the requirements established under the above-mentioned normative.

- The current structure of the hedging portfolio and its breakdown per product and country are as follows:

*Breakdown of derivatives portfolio*



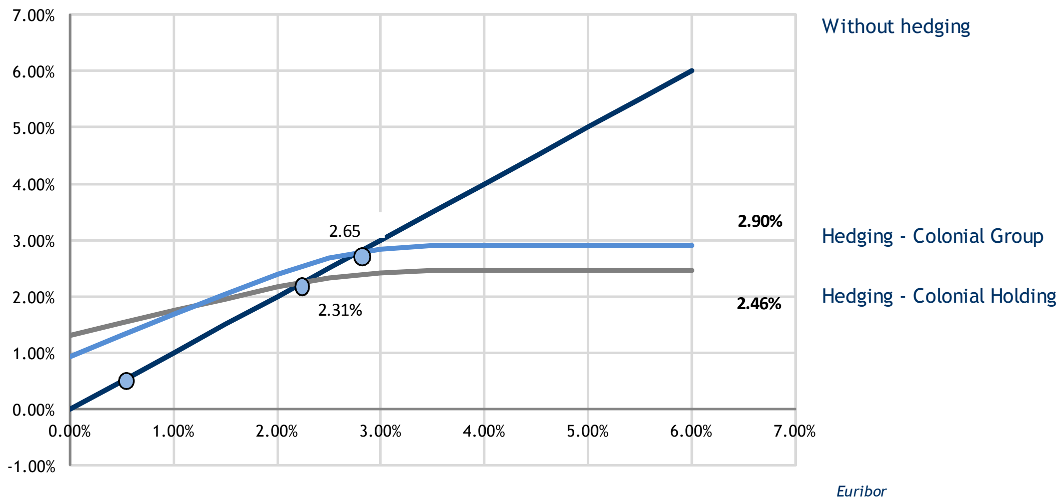

*Maturity of derivatives portfolio*




| | | | | |
|---|---|---|---|---|
| Spain | 1,354 | 0 | 125 | 29 |
| France | 0 | 185 | 0 | 0 |

- The chart below shows the sensitivity of the hedging portfolio to changes in the Euribor in 2013. The break-even levels are 2.65% for Colonial and 2.31% for the Group. This break-even is the point as of which the financial cost of the hedged debt is lower than the financial cost of the same debt at floating rates.

*Interest rates resulting hedging portfolio*



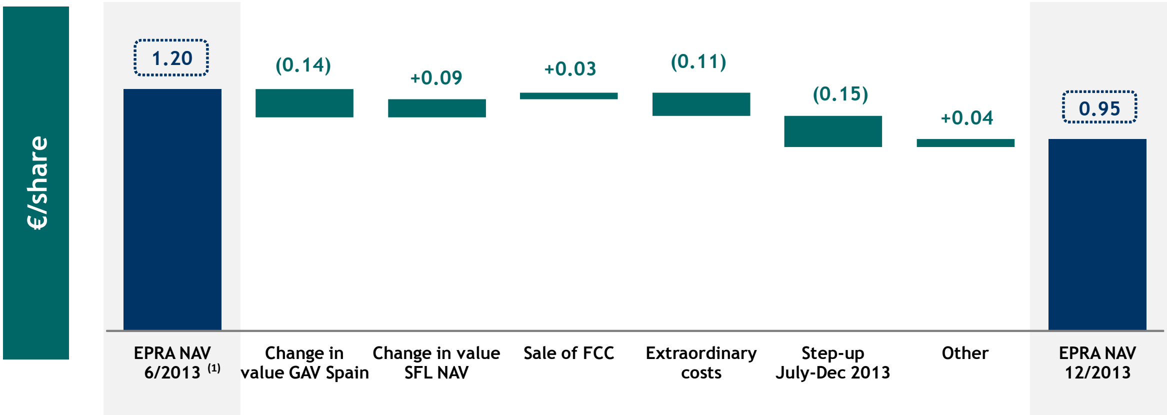
# 5. EPRA NAV and stock market performance

## EPRA Net Asset Value (NAV)

The EPRA NAV of the Colonial Group stood at €238m at December 31st, 2013, which is equivalent to **€0.95/share, considering the number of fully-diluted shares and post-execution of the warrants.**

The main variations of the NAV at December 31st, 2013, vs. June 2013 are shown in the graph below:

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




*EPRA Net Asset Value post Company specific adjustments*

*(1) EPRA NAV post contingent liabilities already included in the NAV as of December 2013*

*The syndicate loan includes incentives to reach a Loan to Value (LTV) of 50%. Therefore, partial amortizations are expected, which in the case they are not produced after June 30th, 2013, additional interests of 450bp will be generated, capitalizable over the principal of the loan, which between July and December amount to €38.6m (€76.1m for the full year 2013), registered under Non-recurring financial cost.*

The main impacts of these variations are the following:

1. Impact of the accrued capitalizable interests (step-up)
2. Extraordinary expenses, mainly related to the implementation of the restructuring

It is important to point out that as of January 2014, the current syndicate loan has a step-up interest of 686bp, which amounts to (€9.8m) per month, corresponding to (€0.04)/share.

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

| EPRA Net Asset value[1] | 12/2013 | 6/2013 (2) |
|---|---|---|
| **Consolidated financial statements (3)** | **(343)** | **(109)** |
| Adjustment of consolidation impacts from discontinued activities and from other activities without recourse to Colonial - company specific adjustments | 752 | 583 |
| **Adjusted NAV, after the impact of discontinued activities** | **409** | **474** |
| **Include:** | | |
| (i.a) Revaluation of investment properties (if IAS 40 cost option is used) | 4 | 4 |
| (i.b) Revaluation of other non-current investments | 13 | 12 |
| **Exclude:** | | |
| (ii) Fair value of financial instruments | 10 | 14 |
| (iii.a) Deferred tax | 63 | 71 |
| (iii.b) Tax credits on balance | (143) | (158) |
| (iii.c) Goodwill | (120) | (120) |
| **Include/exclude:** | | |
| Adjustments (i) to (iii) above in respect of joint ventures interests | 3 | 3 |
| **EPRA NAV** | **238** | **300** |
| **EPRA NAV (€/share) - fully diluted post warrant** | **0.95** | **1.20** |
| *Nº of shares (m) - Fully diluted (post-execution of warrants)* | *251* | *251* |

*(1) EPRA Net Asset Value post Company specific adjustments*
*(2) NAV June 2013 post contingencies*
*(3) Parent Company's equity at December 31st, 2013, is positive and amounts to €329m (see breakdown in appendix 6.1). However, due to the negative impacts attributable to the consolidation of the Asentia Group, the Group reports negative consolidated equity of (€343m).*

**Calculation of the EPRA NAV:** starting from the consolidated equity of (€343m), the following adjustments were carried out:

1. Adjustment of the consolidation impacts on the discontinued activities and other subsidiaries without recourse to Colonial: Colonial did a write down for 100% of its stake in Asentia. However, as Asentia is still included in the consolidation perimeter of the Colonial Group, losses at the Asentia level have an accounting impact on group accounts[(4)]. This consolidation impact has been adjusted in order to calculate the NAV, as well as the impacts related to other subsidiaries without recourse to Colonial.
2. 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.
3. Revaluation of other non-recurring investments: this corresponds to latent capital gains (not accounted for on the balance sheet) of specific non-recurring investments, mainly the treasury stock of Spain and France, and amounts to €13m.
4. 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 EPRA recommendations.
5. Adjustment of deferred taxes: adjustment of the amount of deferred taxes associated with the revaluation of the property assets (+€63m), registered on the balance sheet, in accordance with the International Financial Reporting Standards (IFRS), and following the recommendations of the EPRA.

*(4) At the date of the issue of this report, Asentia is considered as an associated company. Consequently, from January 1st, 2014, onwards, the results generated by the Asentia Group do not have an impact on the consolidated accounts of the Colonial Group*

6. Adjustment of the tax credit on balance and the Goodwill: in order to calculate the EPRA NAV, the values attached to the tax credit on-balance (€143m) and to the Goodwill (€120m) have been adjusted.

**EPRA NNNAV** amounted to €277m, which corresponds to **€1.10/share, considering the number of fully-diluted shares and post-execution of the warrants.**

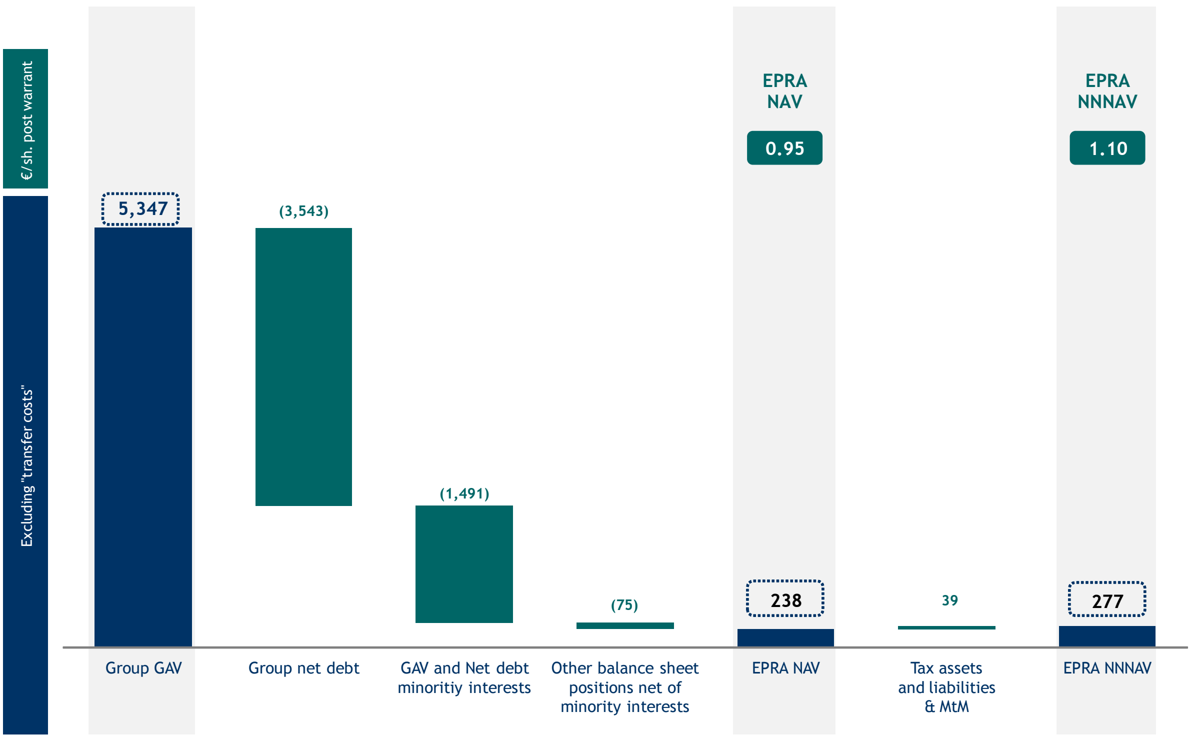
| EPRA Triple Net Asset value (NNNAV) | 12/2013 | 6/2013 (2) |
|---|---|---|
| EPRA NAV | 238 | 300 |
| Include: | | |
| (i) Fair value of financial instruments | (10) | (14) |
| (ii) Fair value of debt | (34) | (44) |
| (iii) Deferred tax | (61) | (63) |
| (iv) Tax credits on balance | 143 | 158 |
| EPRA NNNAV | 277 | 337 |
| EPRA NNNAV (€/share) - fully diluted post warrant | 1.10 | 1.34 |
| *Nº of shares (m) - Fully diluted (post-execution of warrants)* | *251* | *251* |

*(1) EPRA Net Asset Value post Company specific adjustments*
*(2) NAV June 2013 post contingencies*

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 (-€34m), the taxes that would be accrued with the sales of the assets at their market value (-€61m), applying tax benefits for reinvestments and the tax credit on balance (+€143m), considering a going concern assumption.

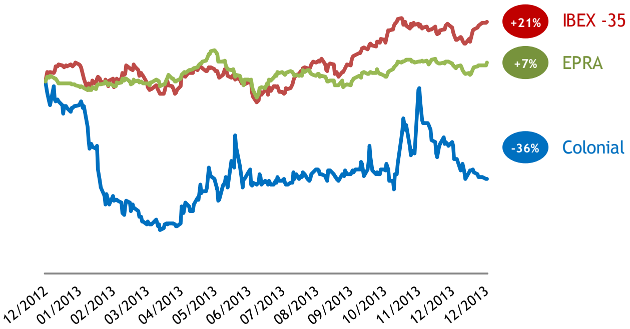
The breakdown of the NAV from the perspective of the main balance sheet items is shown below:

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



## Share price evolution

The recent months, especially after the summer of 2013, have been characterized by a growing interest by international investors in the Spanish capital market. This fact has been accompanied by a decrease in the country's prime risk.

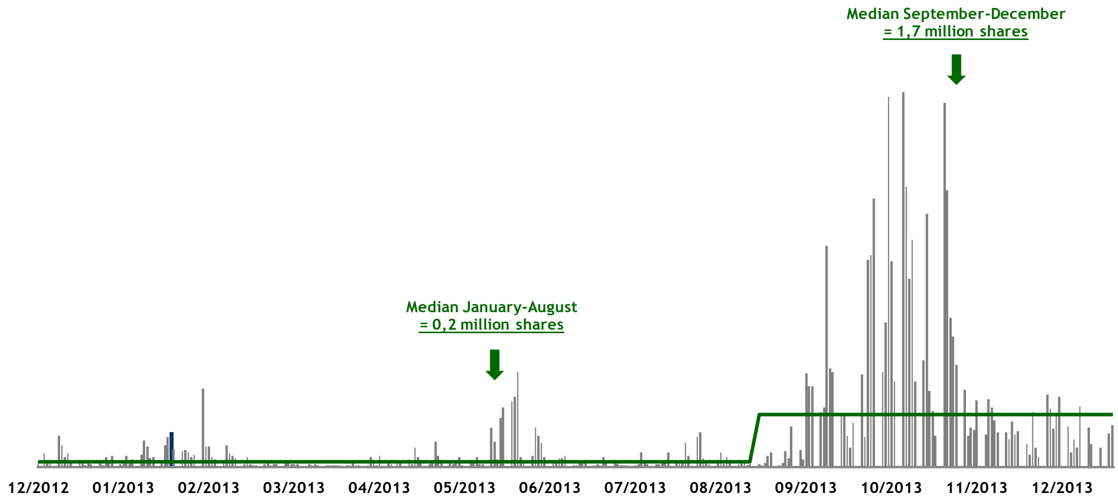



***Share price performance***

| Colonial shares | Dec-13 | Dec-12 |
|---|---|---|
| Market capitalisation at closing date (€m) | 237 | 368 |
| Closing price (€/share) | 1.05 | 1.63 |
| Number of shares (mn) | 225.9 | 225.9 |

In this market context, and as an additional consequence of the increase in the free float of the Company, the daily volume of shares traded has increased significantly.

***Daily traded volume (shares)***

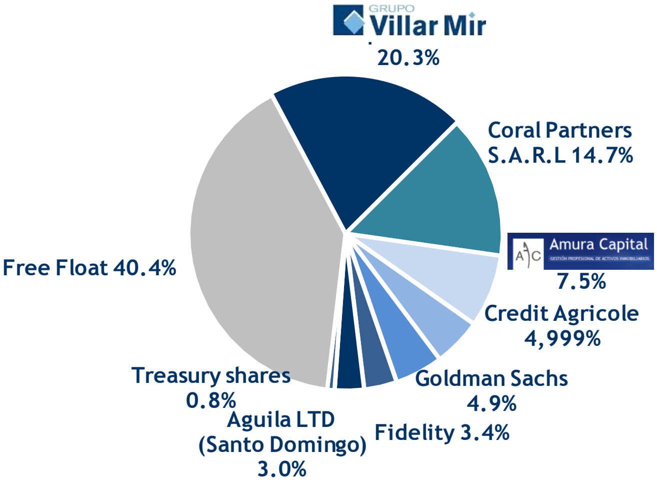



Colonial is member of the Investment Property Databank index (IPD), a property profitability index with global reference.

# Company shareholder structure

During the first months of 2014, the Colonial Group's shareholder structure has changed, successively incorporating investors with long-term strategies.

***Shareholder structure at February 26th, 2014 (CNMV)***




***Board of Directors***

| Name of Director | | Executive Committee | Nominations & Remunerations Committee | Audit & Control Committee |
|---|---|---|---|---|
| Juan José Brugera Clavero | Chairman | Chairman | | |
| Pedro Viñolas Serra | Chief Executive Officer | Member | | |
| HDA Conseil S.A.R.L. represented by Henri d'Ambrières | Director | Member | Member | Member |
| Xavier Faus Santasusana | Other Director | Member | Member | |
| Luis Maluquer Trepat | Other Director | | | |
| Javier Iglesias de Ussel | Independent Director | | Member | Chairman |
| Carlos Fernández-Lerga Garralda | Independent Director | Member | Chairman | Member |
| Francisco Palá Laguna | Secretary - Non-Director | Secretary | Secretary | Secretary |
| Nuria Oferil Coll | Vice-secretary - Non-Director | | | |

*Corporate Governance as of December 31st , 2013*

# 6. Appendices

# 6.1 Consolidated balance sheet & Parent Company's Equity

*Consolidated balance sheet*

| €m | 31/12/2013 | 31/12/2012 |
|---|---|---|
| ASSETS | | |
| Consolidated goodwill | 120 | 120 |
| *Investment property - In operation* | *4,602* | *4,391* |
| *Investment property - Work in progress, advances and provisions* | *314* | *391* |
| Property investments | 4,916 | 4,782 |
| Equity method | 302 | 287 |
| Other non-current assets | 216 | 291 |
| **Non-current assets** | **5,554** | **5,480** |
| Debtors and other receivables | 66 | 65 |
| Other current assets | 57 | 85 |
| Assets available for sale | 843 | 1,624 |
| **Current assets** | **966** | **1,773** |
| TOTAL ASSETS | 6,520 | 7,253 |
| LIABILITIES | | |
| *Share capital* | *226* | *226* |
| *Other reserves* | *36* | *1,135* |
| *Profit (loss) for the period* | *(547)* | *(1,129)* |
| *Other instruments for equity* | *2* | *2* |
| *Exchange differences* | *(1)* | *(1)* |
| *Treasury shares* | *(60)* | *(60)* |
| Equity | (344) | 172 |
| Minority interests | 1,273 | 1,220 |
| **Net equity** | **929** | **1,392** |
| Bond issues and other non-current issues | 996 | 994 |
| Non-current financial debt | 547 | 2,499 |
| Deferred tax | 169 | 226 |
| Other non-current liabilities | 121 | 124 |
| **Non-current liabilities** | **1,833** | **3,843** |
| Bond issues and other current issues | 14 | 14 |
| Current financial debt | 2,057 | 189 |
| Creditors and other payables | 88 | 91 |
| Other current liabilities | 62 | 69 |
| Liabilities associated to assets available for sale | 1,538 | 1,656 |
| **Current liabilities** | **3,758** | **2,018** |
| TOTAL EQUITY & LIABILITIES | 6,520 | 7,253 |

| MARKET VALUE RECONCILIATION | €m |
|---|---|
| Tangible fixed assets - own use [1] | 30 |
| Real estate investment (w/o advances on fixed assets) [2] | 4,909 |
| Non-current assets held for sale - Investment properties [3] | 54 |
| **Value accounted on balance** | **4,994** |
| Unrealised capital gains - own use | 8 |
| Not appraised | 1 |
| Rent free periods | 36 |
| **Adjustments** | **45** |
| **Appraisal value according to external appraisers [4]** | **5,039** |

[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

*Parent company's equity*

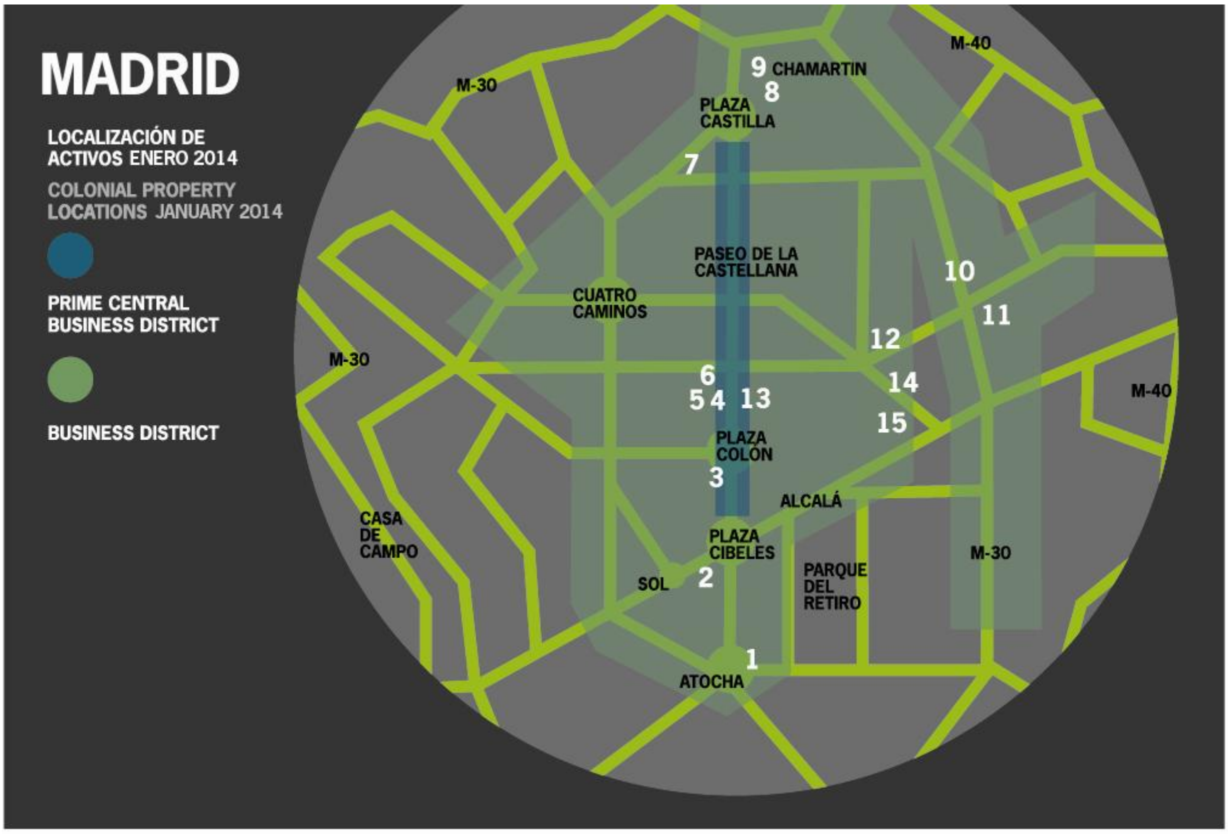
| €m | 31/12/2013 | 31/12/2012 |
|---|---|---|
| Capital | 226 | 226 |
| Reserves | 246 | 1,084 |
| Treasury shares | (38) | (38) |
| Profit (loss) for the period | (107) | (837) |
| *Other instruments for equity* | 2 | 4 |
| **Equity** | **329** | **438** |
| Changes in value adjustments | (5) | (16) |
| **Net equity** | **323** | **422** |
| Adjustment according RDL | 362 | 332 |
| **Mercantile net equity** | **685** | **755** |

## 6.2 Asset portfolio - locations

### *Barcelona*


## 6.2 Asset portfolio - locations (cont.)

### *Madrid*




## 6.2 Asset portfolio - locations (cont.)

### *Paris*

The entire Paris portfolio has energy certifications.

breeam NF HQE LEED


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 Asset portfolio - details

## *Spain*

| RENTAL PORTFOLIO SPAIN | Floor space above ground | | | | | Floor space above ground | Floor space under ground | Total surface | Parking units |
|---|---|---|---|---|---|---|---|---|---|
| | Offices | Retail | Resid. | Logistic | Hotel | | | | |
| AV. DIAGONAL, 409 | 851 | | | | | 851 | 0 | 851 | |
| AV. DIAGONAL, 530 | 11,781 | | | | | 11,781 | 1,688 | 13,469 | 99 |
| AV. DIAGONAL, 609-615 (DAU) | 19,428 | | | | | 19,428 | 18,989 | 38,417 | 438 |
| AV. DIAGONAL, 682 | 8,622 | | | | | 8,622 | 600 | 9,222 | 43 |
| PEDRALBES CENTRE | 0 | 5,562 | | | | 5,562 | 1,325 | 6,887 | |
| AUSIAS MARC / LEPANT | 6,430 | | | | | 6,430 | 1,521 | 7,951 | 64 |
| BERLIN, 38-48/NUMANCIA, 46 | 12,446 | | | | | 12,446 | 1,704 | 14,150 | 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 | 0 | 4,838 | |
| TORRE BCN | 7,435 | | | | | 7,435 | 3,398 | 10,833 | 88 |
| TORRE DEL GAS | 22,750 | | | | | 22,750 | 19,370 | 42,120 | 609 |
| SANT CUGAT NORD | 27,904 | | | | | 27,904 | 21,061 | 48,965 | 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 | 3,049 | 9,349 | 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 |
| 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) | 6,402 | 1,216 | | | 8,073 | 15,691 | 13,646 | 29,336 | 158 |
| MARTINEZ VILLERGAS, 49 | 24,135 | | | | | 24,135 | 14,581 | 38,716 | 375 |
| RAMIREZ DE ARELLANO, 37 | 5,988 | | | | | 5,988 | 4,923 | 10,911 | 160 |
| RENTAL PORTFOLIO | 291,384 | 6,778 | | | 8,073 | 306,234 | 159,589 | 465,824 | 4,686 |
| ORENSE 46-48 | | 5,010 | | | | 5,010 | 1,387 | 6,397 | 51 |
| OTHER COMMERCIAL PREMISES | | 1,029 | | | | 1,029 | 350 | 1,379 | |
| RENTAL FLOOR SPACE SPAIN | 291,384 | 12,817 | | | 8,073 | 312,273 | 161,327 | 473,600 | 4,737 |
| 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 |
| BERLIN, 38-48/NUMANCIA, 46 | 371 | | | | | 371 | 0 | 371 | |
| AV. DIAGONAL, 609-615 (DAU) | 2,568 | | | | | 2,568 | 0 | 2,568 | |
| TORRE BCN | 2,400 | | | | | 2,400 | 0 | 2,400 | |
| ALFONSO XII, 62 | 13,135 | | | | | 13,135 | 2,287 | 15,422 | 77 |
| HOTEL MARINA DE LA TORRE | 0 | | | | 11,519 | 11,519 | 0 | 11,519 | |
| JOSE ABASCAL, 56 | 12 | | | | | 12 | 0 | 12 | |
| AV. DIAGONAL, 409 | 3,680 | | | | | 3,680 | 0 | 3,680 | |
| PROJECTS UNDERWAY SPAIN | 45,106 | | | | 11,519 | 56,625 | 19,945 | 76,570 | 347 |
| TOTAL SPAIN | 336,490 | 12,817 | | | 19,592 | 368,898 | 181,272 | 550,170 | 5,084 |
| *BARCELONA* | *191,710* | *5,562* | | | | *197,272* | *104,552* | *301,824* | *2,999* |
| *MADRID* | *144,780* | *6,226* | | | *8,073* | *159,078* | *76,370* | *235,448* | *2,085* |
| *OTHERS* | | *1,029* | | | *11,519* | *12,548* | *350* | *12,898* | |

(1) Centro Norte complex has been reclassified in two assets (Agustín de Foxá, 29 & Hotel Tryp Chamartín)

# 6.3 Asset portfolio - details (cont.)

## *France*

| RENTAL PORTFOLIO PARIS | Floor space above ground | | | | | Floor space above ground | Floor space under ground | Total surface | Parking units |
|---|---|---|---|---|---|---|---|---|---|
| | Offices | Retail | Resid. | Logistic | Hotel | | | | |
| CALL-LDA | 23,613 | 1,413 | | | 2,134 | 27,161 | 5,730 | 32,891 | 236 |
| EDOUARD 7 | 27,430 | 15,997 | 4,509 | | 4,502 | 52,438 | 10,145 | 62,583 | 523 |
| HANOVRE LB | 3,325 | | 0 | | | 3,325 | 1,282 | 4,608 | |
| C. ELYSEES 8288 | 0 | 4,539 | | | | 4,539 | 3,849 | 8,387 | 125 |
| C. ELYSEES 90 | 2,333 | 981 | | | | 3,314 | 0 | 3,314 | |
| C. ELYSEES 92 | 4,110 | 3,089 | | | | 7,199 | 0 | 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 | 37,329 | 224 | | | 2,241 | 39,795 | 13,271 | 53,066 | 662 |
| HAUSS. 104-110 | 11,683 | 791 | | | | 12,474 | 2,650 | 15,124 | 104 |
| NEUILLY | 3,804 | 389 | | | | 4,193 | 2,739 | 6,931 | 145 |
| QUAI LE GALLO | 28,924 | | | | | 28,924 | 18,173 | 47,097 | 586 |
| 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 | | | | 16,486 | 1,872 | 18,357 | 100 |
| SAINT DENIS | 0 | | 60 | | | 60 | 16 | 76 | 1 |
| **RENTAL FLOOR SPACE** | **226,468** | **30,421** | **4,569** | | **12,138** | **273,596** | **80,350** | **353,947** | **3,517** |
| WASHINGTON PLAZA | 1,876 | 236 | | | | 2,112 | 2,678 | 4,789 | |
| CALL-LDA | 4,890 | 5,268 | | | | 10,158 | 8,462 | 18,620 | |
| 108-112 WAGRAM | | | | | | 0 | 562 | 562 | |
| GRENELLE | | | | | | 0 | 2,996 | 2,996 | |
| C. ELYSEES 8288 | | | | | | 0 | 2,304 | 2,304 | |
| C. ELYSEES 92 | | | | | | 0 | 493 | 493 | |
| CEZANNE SAINT HONORE | 812 | | 231 | | | 1,043 | 1,504 | 2,546 | |
| C. ELYSEES 90 | 5,372 | | | | | 5,372 | 0 | 5,372 | |
| ILOT RICHELIEU | 33,187 | | | | | 33,187 | 1,609 | 34,796 | 99 |
| NEULLY | 1,945 | | | | | 1,945 | 861 | 2,806 | |
| PRONY-WAGRAM | | | | | | 0 | 532 | 532 | |
| IENA | | | | | | 0 | 930 | 930 | |
| EDOUARD 7 | | 35 | | | | 35 | 0 | 35 | |
| **PROJECTS UNDERWAY** | **48,082** | **5,539** | **231** | | **0** | **53,852** | **22,929** | **76,781** | **99** |
| **TOTAL FRANCE** | **274,549** | **35,961** | **4,800** | | **12,138** | **327,448** | **103,280** | **430,728** | **3,616** |
| **TOTAL PROPERTY COLONIAL** | **611,039** | **48,778** | **4,800** | | **31,730** | **696,347** | **284,551** | **980,898** | **8,700** |

## 6.4 Project portfolio

### Travessera de Gràcia / Amigó


A new project of two office buildings with a total of 8,202 sq m above ground, located in Travessera de Gracia, where it meets Calle Amigó, no more than a few metres from Avenida Diagonal, in a busy and well-connected shopping area. A project with individually designed state-of-the-art façades. 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 apply for the LEEDs GOLD certification ("green building").

### Alfonso XII


An office project with more than 13,000 sq m, distributed in 8 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 Paseo del Prado, and the hub of the Castellana. It has excellent transportation communication, 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" certification (Sustainable Building).

# 6.4 Project portfolio (cont.)

## 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)

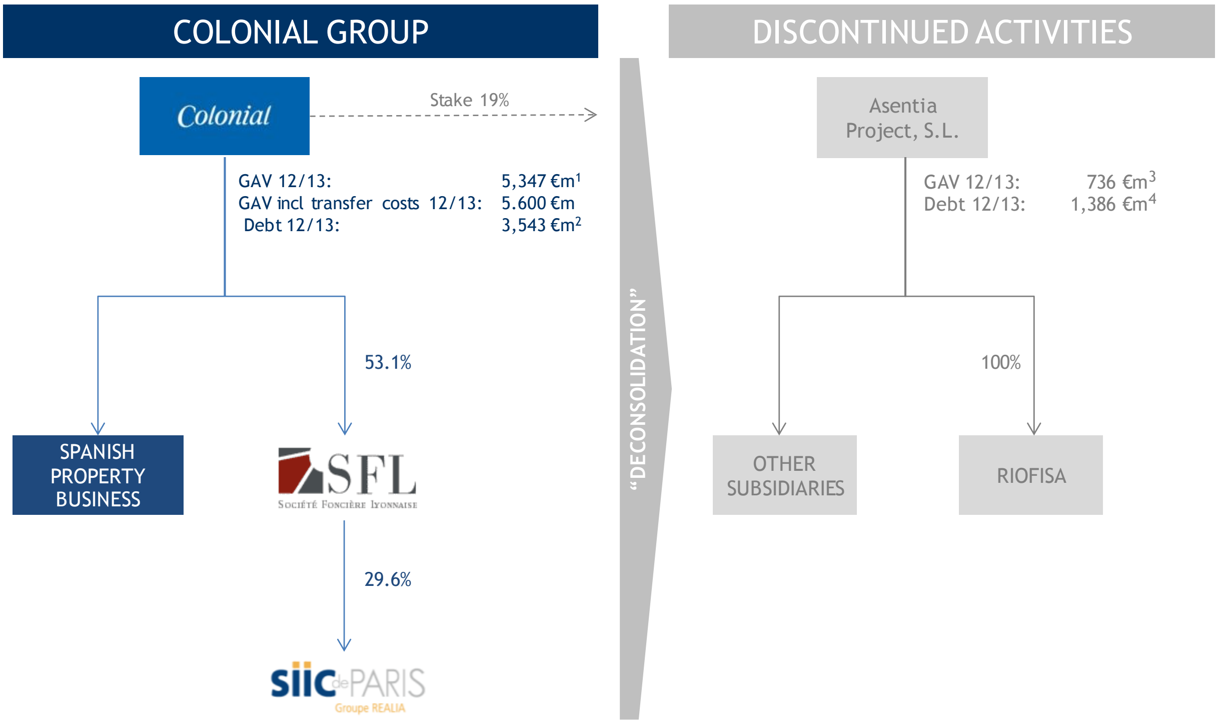


Acquired by SFL in April 2004, Ilot Richelieu is located just a few paces from the Palais Brongniart in the “Cité Financière” (Financial District) and was let by a large French Bank. During the third quarter of 2012, renovations began on the property. This office complex will undergo an integral refurbishment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

## 6.5 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 Legal structure




Notes:
(1) GAV of assets owned directly + GAV other subsidiaries Spain + 100% GAV SFL + % NAV SIIC de Paris
(2) Debt of Holding + debt of other subsidiaries Spain + 100% SFL debt
(3) GAV of assets owned directly + GAV of other subsidiaries + Riofisa GAV
(4) Debt of Asentia Holding + debt of other subsidiaries + Riofisa debt

## Stakes in assets

### Assets with stakes under 100%

| | | |
|---|---|---|
| Colonial | 55% → | Torre Marenostrum |
| SFL | 66% → | Washington Plaza |
| | 50% → | Galeries Champs Elysées |
| | 50% → | 90 Champs Elysées |
| | 50% → | Haussmann 104 |

*(*) It is important to point out that at the publishing date of this report, the Colonial Group has diluted its stake in the capital of Asentia to below 20%, losing control of the Board of Directors of the company that is considered as an associated company. Consequently, as of January 1, 2014, consolidates the results that the Asentia Group generates do not have an impact on the Colonial Group.*

## 6.7 Subsidiaries - details

### ▪ Main subsidiary figures

*Key performance indicators*

| | SFL | | |
|---|---|---|---|
| | Dec-13 | Dec-12 | Var. % |
| GAV [1] | 3,874 | 3,882 | (0%) |
| No. of Assets | 18 | 19 | (5%) |
| Office occupancy | 80% | 94% | *(13.7 pp)* |
| Total occupancy | 83% | 95% | *(12.1 pp)* |
| Rental revenues | 149 | 150 | (1%) |
| EBITDA rents | 137 | 138 | (1%) |
| ***EBITDA / rental revenues*** | 92% | 92% | *(0.0 pp)* |
| EBITDA recurring property business | 119.4 | 123 | (3%) |
| EBITDA asset sales | (0.2) | (0) | - |
| **EBITDA Total** | **119.3** | **123** | (3%) |
| Profit attributable to Group | 147 | 283 | (48%) |
| Net Debt | 1,457 | 1,547 | - |
| LTV (2) | 33% | 36% | - |
| NAV EPRA (excluding transfer costs) | 2,309 | 2,246 | 3% |
| Nº of shares (mn) | 46.5 | 46.5 | (0%) |
| NAV EPRA (excluding transfer costs) (€/share) | 49.6 | 48.3 | 3% |
| NAV EPRA (including transfer costs) (€/share) | 53.3 | 51.8 | 3% |

*Calculated considering the consolidation criteria*

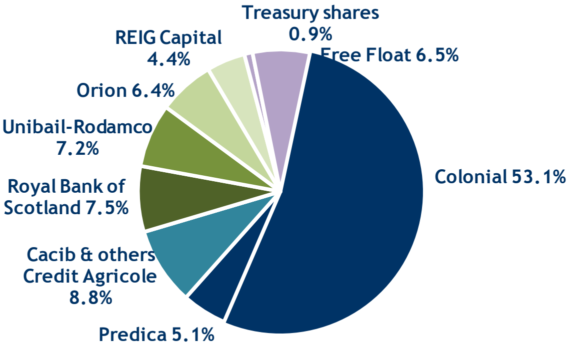
*(1) GAV following consolidation criteria excluding transfer costs (not including SIIC de Paris)*

*(2) LTV: Net debt / (attributable GAV including transfer costs + stake in SIIC de Paris)*

# 6.7 Subsidiaries - details (cont.)

## ▪ Shareholder structure and Board of Directors of SFL

***SFL** - Shareholder structure at December 31st , 2013*



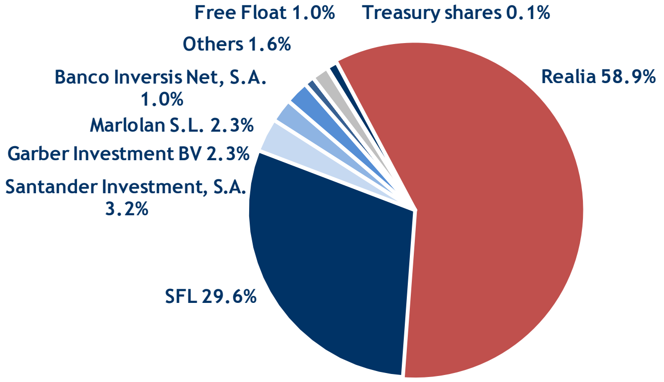

***Board of Directors SFL***

| Name of Director | | | Executive Committee | Nominations & Remunerations Committee | Audit & Control Committee |
|---|---|---|---|---|---|
| Juan José Brugera Clavero | Chairman | Colonial | Chairman | Member | |
| Anne-Marie de Chalambert | Director | Colonial | | | |
| Carlos Fernández-Lerga Garralda | Director | Colonial | | | Chairman |
| Carmina Ganyet Cirera | Director | Colonial | Member | | |
| Bertrand Letamendia | Director | Colonial | | | |
| Carlos Losada Marrodan | Director | Colonial | | | |
| Luis Maluquer Trepat | Director | Colonial | | | |
| Pere Viñolas Serra | Director | Colonial | Member | Chairman | |
| Jean-Jacques Duchamp | Director | CRÉDIT AGRICOLE ASSURANCES PREDICA • Assurances de personnes | Member | | Member |
| Aref H. Lahham | Director | ORION | Member | | |
| Reig Capital Group Luxembourg SARL (Alejandro Hernandez-Puertolas) | Director | REIG CAPITAL GROUP | | | |
| Jean Arvis | Independent Director | | | Member | Member |
| Jacques Calvet | Independent Director | | | | Member |
| Tony Wyand | Independent Director | | | Member | |

# 6.7 Subsidiaries - details (cont.)

## ▪ Shareholder structure and Board of Directors of SIIC de Paris

***SIIC de Paris** - Shareholder structure at December 31st , 2013*




***Board of Directors SIIC de Paris***

| Name of Director | | | Nominations & Remunerations Committee | Audit & Control Committee |
|---|---|---|---|---|
| Ignacio Bayón Mariné | Chairman | REALIA | | |
| Agustín González Sánchez | Director | REALIA | Member | |
| Jaime Lloréns Coello | Director | REALIA | | Member |
| Iñigo Aldaz Barrera | Director | REALIA | Member | |
| Juan Antonio Franco Díez | Director | REALIA | | Member |
| Carmina Ganyet i Cirera | Director | SFL | | |
| Pere Viñolas Serra | Director | SFL | Member | |
| Bertrand Julien-Laferrière | Director | SFL | | Member |
| Jean-Marie Soubrier | Independent Director | | Chairman | Chairman |
| Garber Investments BV (Carlos Cercadillo) | Independent Director | | | |

# 6.8 Additional information

## Epra Net Profit

| EPRA Earnings - December cumulative - €m | 12/2013 | 12/2012 |
|---|---|---|
| **Earnings per IFRS Income statement** | **(546)** | **(1,129)** |
| **Adjustments to calculate EPRA earnings, exclude:** | | |
| (i) Changes in value of investment properties, development properties held for investment and other interests | (39) | 68 |
| (ii) Profits or losses on disposal of investment, development properties held for investment and other interests | 9 | 4 |
| (iii) Exceptional items | 27 | - |
| (iv) Tax credits impairment | 27 | 524 |
| (v) Changes in fair value of financial instruments and associated close-out costs | 89 | 37 |
| (vi) Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation) | (9) | (8) |
| (vii) Minority interests in respect of the above | 41 | 94 |
| **EPRA net profit - pre-company specific adjustments** | **(401)** | **(410)** |
| (vii) Company specific adjustments - discontinued operations | 404 | 419 |
| **EPRA net profit - post-company specific adjustments** | **3.6** | **9.5** |

## 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 31/12/2013***

| Portfolio in operation | Valuation Yield | |
|---|---|---|
| | Gross | Net |
| Barcelona | **6.6%** | **6.4%** |
| Madrid | **6.5%** | **6.2%** |

## 6.9 Discontinued operations – Asentia Group

At the publishing date of this report, Asentia is considered as an associate company. Colonial's stake in Asentia at the date of this report is 19%. Consequently, from January 1, 2014, onwards, the results that the Asentia Group generates no longer have an impact on the consolidated accounts of the Colonial Group.

## Business Highlights

- The Colonial Group carries out its land residential business, as well as the sale of residential units through the subgroup Asentia, whose parent company is Asentia Project, with Riofisa as its main subsidiary.
- At the close of the 2013, the land bank stood at 1.5 million sq m, with 48% located in Andalucia and the remaining 52% between Madrid and the eastern part of Spain Catalonia/Levante/Mallorca).

*Discontinued operations - Key performance indicators*

| December cumulative - €m | 2013 | 2012 | Var. % |
|---|---|---|---|
| Operating indicators | | | |
| Land bank surface | 1,545,780 | 1,685,062 | (8%) |
| Riofisa surface [(1)] | 1,470,354 | 1,544,989 | (5%) |
| # of finished units | 35 | 94 | (63%) |
| Financial results | | | |
| Residential sales - Commercial sales (units) | 63 | 108 | (42%) |
| Residential sales - Booked sales (units) | 59 | 110 | (46%) |
| Revenues from homebuilding sales | 15.8 | 23.6 | (33%) |
| Revenues from land bank sales | 7.6 | 0.2 | 3797% |
| Other income | - | 0.4 | - |
| Revenues from Riofisa | 21.7 | 14.1 | 53% |

*(1) Includes residential land bank*

- During 2013, the sales of housing units amounted to €15.8m, a figure 33% lower than the sales from the same period of the year before.
- In the residential housing portfolio, the Group continues with a strategy of reducing its exposure, and its stock of residential units decreased 63% compared to the same period of the previous year. The current stock of finished housing amounts to 35 units (vs. 94 units at the end of the previous year).
- The residential and commercial business of the Asentia Group was valued by Jones Lang LaSalle at €736m at the close of 2013.

  There was a 36.5% decrease in the value of the portfolio compared to the previous year (20.9% compared to June 2013).

| Asset Valuation (€m) | 31-Dec-13 | 30-Jun-13 | 31-Dec-12 | Dec 13 vs Jun 13 | | Dec 13 vs Dec 12 | |
|---|---|---|---|---|---|---|---|
| | | | | Total | Like-for-like | Total | Like-for-like |
| Residential Business | 13 | 17 | 35 | (25.9%) | - | (63.4%) | - |
| Land Bank | 385 | 504 | 606 | (23.6%) | (19.2%) | (36.4%) | (32.4%) |
| Commercial | 338 | 408 | 518 | (17.3%) | (17.3%) | (34.8%) | (33.0%) |
| **Residential Business & Others** | **736** | **930** | **1,159** | **(20.9%)** | **(20.8%)** | **(36.5%)** | **(34.9%)** |

# 6.9 Discontinued operations – Asentia Group (cont.)

## Financial structure of discontinued activities

The debt of the Asentia Group amounted to €1,386m at December 31st, 2013 (€1,443m at December 31st, 2012). The breakdown of the Asentia Group's financial debt at December 31st, 2013, is as follows:

***Structure of the financial debt***

| December 31st , 2013 - €m | Asentia Project S.L | Riofisa Group | Other subsidiaries | Total | % |
|---|---|---|---|---|---|
| Syndicate loan | 678 | 0 | 0 | 678 | 48% |
| Syndicate loan (participative tranche) | 262 | 0 | 0 | 262 | 19% |
| Mortgage debt | 0 | 317 | 93 | 410 | 29% |
| Non-mortgage debt | 0 | 65 | 0 | 65 | 5% |
| **Total gross debt** | **940** | **382** | **93** | **1,415** | **100%** |
| Cash & cash equivalents | (16) | (6) | (7) | (29) | |
| **Total net debt** | **924** | **376** | **86** | **1,386** | |
| **Average maturity (years)** | **0.9** | **0.9** | **3.1** | **1.1** | |
| **Financial cost (excl. Commissions)** | 4.66% | 3.76% | 3.08% | **4.31%** | |
| **Financial cost** | **(2)** | **(7)** | **(6)** | **(15)** | |

- The net financial cost of the entities classified as discontinued operations, at December 31st, 2013, amounted to (€15m), of which (€2m) corresponded to the capitalized financial expenses of Asentia, which have been entirely capitalised. The financial result of Riofsa amounts to (€7m). This net financial cost incorporates €53m, (€43m from Asentia and €10m from Riofisa) corresponding to the cancellation of specific financial debt. Additionally, (€6m) corresponded to the financial results of other subsidiaries mainly as a consequence of the cancelation of an interest rate swap.

- Asentia's syndicate loan was originated in the restructuring of Colonial's syndicate loan formalized on February 19th, 2010. The applicable spread of this loan is 400 bp, generated as cumulative PIK interest, and payable at maturity on December 31st, 2014. At December 31st, the amount of capitalized interest amounted to €13m.

  This loan has a €275m tranche guaranteed with a warrant, convertible under certain circumstances into Colonial shares, at a minimum conversion price of €12/share. This implies a maximum dilution of Colonial's equity below 10%.

The syndicate loan provides a mechanism through which, should the Company find itself in a mercantile situation of dissolution, the capitalized interests and the convertible tranche will be converted into a participative loan (PPL) for the amount necessary to restore the Company's equity. At December 31st, 2013, the PPL already converted amounted to €262m, with a fixed applicable rate of 650bp, which is entirely capitalizable.

In addition, the syndicate loan facility foresees that as of a certain gearing ratio (LTV), this participative loan can be converted into new shares of the company, at the election of Asentia's lenders. At the issue date of this report, three entities have requested the conversion of part of their debt in company shares, resulting in a dilution of Colonial's stake in Asentia to below 20%.

- The Riofisa Group has a mortgage debt with various financial institutions for a total of €382m, of which €317m have a mortgage guarantee. The average financing spread of the Group amounted to 223 bp.

  Based on the refinancing agreement reached in 2011, 75% of the total financial debt matures between December 2014 and January 2015 and is extendable for 24 additional months, subject to the compliance of specific conditions.

  During 2013, the Company began negotiations with the financial institutions in which the following was requested:

  I. The commitment to convert the necessary amount of debt into shares to restore the equity balance of the Company, in case the Real Decreto Ley 3/2013, February 22, is not extended
  II. To understand the totality of the conditions as complied with, which are included in the Refinancing Framework Agreement, in order to extend the financing until December 31st, 2016
  III. To allow for additional indebtedness, initially not permitted by the Refinancing Framework Agreement
  IV. To give the necessary and reasonable guarantees to obtain new additional indebtedness

At the date of publication of this report, the negotiations with the financial institutions continue to be in process.

- The mortgage debt of €93m included under the heading "Other subsidiaries" corresponds to a loan facility to finance an urban development project on a plot of land in Seville.

  During the month of June 2013, a refinancing agreement was signed on this debt (for a total of €154m previous to the refinancing), as well as for other liabilities totalling €12m, consistent in its partial cancelation for €74m, through the delivery of specific assets and the subrogation of specific liabilities by Colonial and Asentia.

  The formalization of the agreement has made it possible for:

  I. The total cancelation of the recourse to Colonial, estimated at €166m
  II. An agreement on a new business plan in accordance with the current market situation and to the new urban development agreement with the local city council
  III. Financing by the financial institution for the works necessary to meet the newly acquired commitments

- At the date of this results release, the extension of the RDL 10/2008 had not been approved. In front of the possibility of non-extension of said RDL 10/2008, the Riofisa Group has started conversations with its lenders in order to renegotiate the conditions of its debt.

## 6.10 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 of the consolidation perimeter of the Colonial Group or consideration as an associated company |
| **EBITDA** | Operative results before net revaluations, amortisations, 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: value of the assets portfolio after deducting transfer costs |
| **GAV incl. Transfer costs** | Gross Asset Value: value of the assets portfolio before deducting transfer costs |
| **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, compensations in case of tenants' anticipated leave |
| **Like-for-like valuation** | Data that can be compared between one period and another (investments and disposals are excluded) |

## 6.10 Glossary (cont.)

| | |
|---|---|
| **LTV** | Loan to Value (Net financial debt / GAV of the business) |
| **EPRA NAV** | The EPRA Net Asset Value (EPRA NAV) is calculated based on the company's equity and adjusting some items following the recommendations of the EPRA |
| **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 Lyonnaise |
| **Valuation Yield** | Capitalization rate applied by the independent appraisers in the valuation |
| **Yield on cost** | Market rent 100% occupied / Market value at start of project net of impairment of value + invested capital expenditure |
| **100% occupancy yield** | Passing rents + empty spaces rented at market prices/market value |
| **Gross yield** | Gross rents/ market value excl. transfer costs |
| **Net yield** | Net rents/ market value incl. transfer costs |
| **€m** | In millions of Euros |

# 6.11 Contact details

### Investor Relations

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

### Shareholder's Office

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

### Colonial Website

www.inmocolonial.com

### Capital Market registry data - Stock Market

Bloomberg: COL.SM
ISIN code: ES0139140042
Indexes: IPD

## 6.12 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.