Colonial

Annual results 2014

27 February 2015

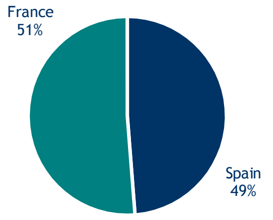
The Colonial Group obtained net attributable results of €492m, mainly due to the extraordinary positive impact of €701m, for the “deconsolidation” of Asentia.

- **The recurring EPRA net profit amounts to €16.7m + €13m vs. the previous year.**
- **Recurring EBITDA of the Group: €161m, +4% like-for-like vs. the previous year.**
- **Gross Asset Value Colonial Group: €5,757m, +9.6% like-for-like vs. the previous year.**
- **EPRA NAV: 47.7 cents of a €/share,+6.3% in 6 months.**

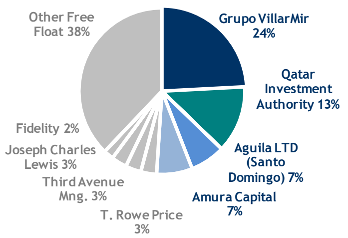
Capital Structure - 31/12/2014

GAV Holding (€m) (1)	2,523
Holding Net Debt (€m) (2)	970
LTV Holding (3)	38%
EPRA NAV(4) - €m	1,521
EPRA NAV(4) - cents. of €/share	47.7
Prem./Disc. NAV (23/02/15)	32%

Valuation - by market (Holding)



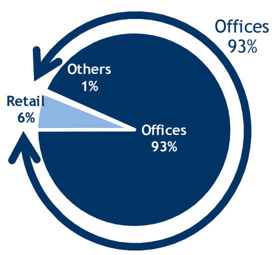
Shareholder structure Colonial



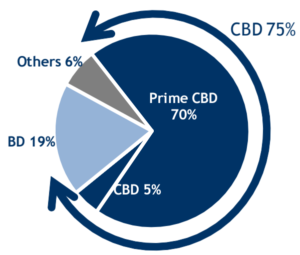
Portfolio - 31/12/2014

GAV Group (€m)	*5,757*
No. of assets Spain (5)	32
No. of assets France	19
Total no of assets	**51**
Lettable surface above ground	636,643
Developments underway - surf. above ground (6)	88,698
Surface above ground (sqm)	**725,341**

Valuation - by uses



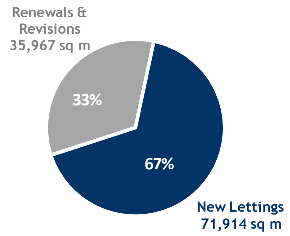
Valuation - by area



Key performance indicators - 31/12/2014

	Total	Barcelona	Madrid	Paris
New contracts	**71,914**	20,110	26,988	24,816
Renewals & revisions	**35,967**	12,554	17,020	6,393
Total commercial effort (sq m)	**107,881**	32,664	44,008	31,209
Office occupancy EPRA (7)	**85%**	78%	90%	86%
Rental revenues (€m)	**211**	28	32	152
% Like-for-like	*3.2%*	(4.6%)	*5.4%*	*4.3%*

Breakdown letting performance



Financial indicators - 31/12/2014 - €m

	2014	2013	Var.	Var. LFL
Rental revenues	211	213	(1%)	3%
EBITDA rents	191	192	(1%)	4%
EBITDA/rental revenues	90%	90%	-	-
EBITDA recurring business	161	165	(2%)	4%
Recurring EPRA net profit (8)	16.7	3.6	-	-
Net result attributable to the Group	492	(547)	-	-

(1) *GAV Holding: Value of assets directly-held + NAV of the 55% stake in the SPV with Torre Marenostrum + NAV of the 53.1% stake in SFL*
(2) *Net Debt Holding excluding committed cash*
(3) *Net debt Holding excluding committed cash/GAV Holding*
(4) *EPRA NAV according to the calculation recommended by EPRA*
(5) *Excluding small non-core retail assets*
(6) *Projects & refurbishments*
(7) *EPRA occupancy: Financial occupancy according to the calculation recommended by EPRA (occupied surfaces x the market prices/surfaces in operation at market prices)*
(8) *Recurring EPRA net profit - post company-specific adjustments*

Highlights

1 Annual results

The rental revenues of the Colonial Group increased by 3.2% like-for-like. The portfolio in Spain had positive growth of 0.5% like-for-like, thanks to the positive performance of the Madrid portfolio (+5.4%), which compensated for the 4.6% decrease in the Barcelona portfolio. In Paris, the rental revenues increased by 4.3% like-for-like.

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

The recurring EBITDA amounts to €161m, a figure 2% lower than the previous year. In like-for-like terms, this figure increased by 4.1%, mainly due to higher comparable rental revenues.

The recurring EPRA Net Profit(2) is positive and amounts to €16.7m, an increase of €13m, compared to the same period the previous year, due to lower recurring financial expenses(5).
The net results attributable to the Group were positive and amounted to €492m, mainly due to the positive extraordinary impact of the "deconsolidation" (6) of Asentia.

Results analysis - €m	2014	2013	Var.	Var. % (1)
Rental revenues	211	213	(2)	(1%)
Net operating expenses (4) & other income	(19)	(17)	(2)	(14%)
Overheads	(32)	(32)	0	(1%)
Recurring EBITDA	161	165	(4)	(2%)
Results associated to SIIC de Paris - recurring	4	11	(7)	(62%)
Recurring financial result	(102)	(124)	22	18%
Income tax expense & others - recurring result	(8)	(8)	(0)	(1%)
Minority interest - recurring result	(39)	(41)	2	4%
Recurring EPRA net profit - post company-specific adjustments (2)	16.7	3.6	13	-
EPRA net profit - pre company-specific adjustments (3)	435	(518)	953	-
Profit attributable to the Group	492	(547)	1039	-

(1) Sign according to the profit impact
(2) Recurring net profit = EPRA Earnings - post company-specific adjustments, in particular the adjustment of the discontinued operations (Asentia)
(3) EPRA net profit pre company-specific adjustments
(4) Invoiceable costs net of costs invoiced + non invoiceable operating costs

(5) *It is important to highlight that the impact of Colonial's restructuring and the new capital structure is effective as of May 2014.*
(6) *The deconsolidation of Asentia refers to the exit from the consolidation perimeter*

2 Highlights of the rental portfolio

I. New contracts – Commercial effort

During 2014, the Colonial Group signed rental contracts for 107,881 sq m, of which 67% (71,914 sq m) corresponded to new contracts. This figure almost tripled the volume of new contracts signed throughout the whole of 2013 (28,041 sq m).

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

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

The main actions of the Colonial Group are shown below:

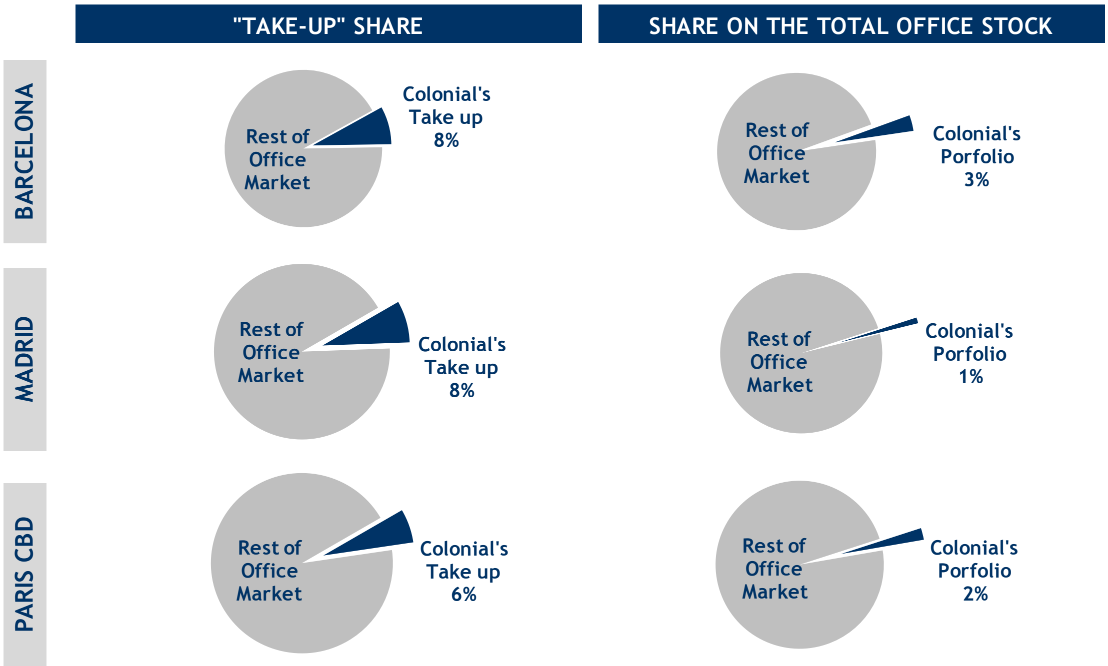
Main contracts signed in Spain

Building	Tenant	sq m
CAPITAN HAYA, 53	Loterías y Apuestas del Estado	12,375
MARTINEZ VILLERGAS, 49	Leading company in power generation	6,425
PASEO DE LOS TILOS, 2-6	Abertis Infraestructuras	5,143
ALFONSO XII, 62	Aecom Inocsa	5,130
TORRE BCN	Technology Company	4,800
ALFONSO XII, 62	Financial institutions	4,100
AV. DIAGONAL, 530	Financial institutions	2,555
LLACUNA 22@	Leading company in internet auctions	2,130
AV. DIAGONAL, 609-615	Oracle Ibérica	1,948

Main contracts signed in Paris

Building	Tenant	sq m
LOUVRE ST. HONORE	Fast Retailing France	7,495
90 AV.CH.ELYSÉES	Premier consulting firm	5,733
EDOUARD VII	Ashurst + Flusin	4,347
EDOUARD VII	Comgest	2,426
CEZANNE ST. HONORE	Apax Partners	1,940
CEZANNE ST. HONORE	Sumitumo Mitsui Banking	1,880
WASHINGTON PLAZA	SPB	1,415
WASHINGTON PLAZA	VTG France	1,100
176 Charles de Gaulle	Schoeller Allibert	652

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



II. Occupancy

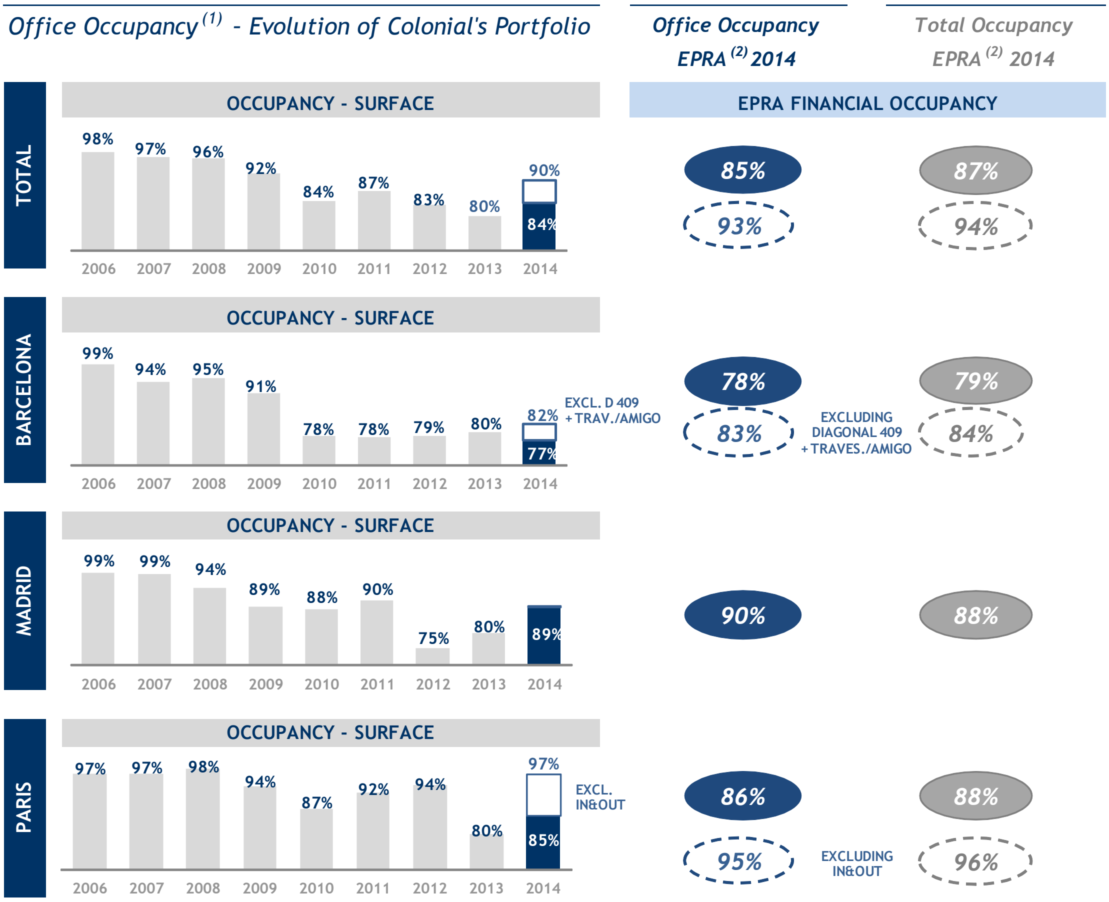
At the end of 2014, the occupancy of Colonial's office portfolio was at 84% **(85% according to EPRA financial occupancy)**, an increase compared to the occupancy reached at the end of the previous year, thanks to the improvement in occupancy in the Madrid and Paris portfolios.

In Madrid, it is important to point out the increase in the physical office occupancy of 9pp compared to 2013, reaching 89% occupancy (**90% according to EPRA financial occupancy),** thanks in particular to the successful commercialisation of the Alfonso XII property.

In Barcelona, the occupancy decreased due to the delivery of the Travessera de Gràcia/Amigó and Diagonal 409 projects. Excluding these effects, the physical occupancy increased by 5pp, reaching 82%. However, the occupancy rate of the Barcelona portfolio still continues to be at historic lows.

In France, the occupancy of the portfolio is affected by the delivery of the IN/OUT building at the end of 2013, a property currently in an advanced commercialisation phase. Excluding this property, the occupancy of the office portfolio in Paris stands at 97%.

EPRA financial occupancy is at 85% (87% including all uses) and reaches levels above 90% excluding the Travessera de Gràcia/Amigó, Diagonal 409 and IN/OUT assets.



(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).*

III. New investments & Asset Management of the portfolio

During 2014, the Colonial Group actively managed its portfolio, disposing of mature assets and carrying out new investments and acquisitions, in order to maximize value for the shareholders.

1. Asset Management of the portfolio - Disposal of SIIC de Paris

On 23 July 2014, Colonial's subsidiary, SFL, completed the sale of its minority stake in SIIC de Paris, at a price of €23.88/share (€304m) after deducting the dividend received in July 2014. The price obtained was in line with the NAV at December 2013 (including the dividends received in May and July 2014).

This transaction represented the disposal of an asset at maximum price levels, after capturing its full value creation potential. The sale price resulted in a premium of 29% above the acquisition price (€18.48/share) and, together with the dividends received, offered an attractive return for the Colonial Group.

2. Prime Factory investments - Optimization of the positioning of Colonial’s portfolio

During 2014, €135m were invested in refurbishments and projects of the Colonial Group to optimize the positioning of the property portfolio.

These investments have attracted and will continue to attract top tier rental demand, optimizing the cash flow profile and valuation of the assets.

In Spain, it is worth highlighting the properties of Travessera de Gràcia/Amigó, Diagonal 409, Paseo los Tilos and Alfonso XII.

The main characteristics are shown as follows:

Travessera/Amigó	Diagonal, 409	Paseo de los Tilos	Alfonso XII
			
✓ Office complex of 8,095 sq m	✓ Office complex of 4,531 sq m	✓ Office complex of 5,143 sq m	✓ Office building 13,135 sqm
✓ Leed Gold Certification in Barcelona CBD	✓ Leed Gold Certification in Barcelona CBD	✓ Leed Silver Certification in Barcelona CBD	✓ Breeam Certification in Madrid CBD
✓ Delivered on 9/2014 ✓ Commercialization underway	✓ Delivered in 2Q 2014 ✓ 64% occupied at reporting date	✓ 100% pre-let before the start of the project	✓ Delivered in 1Q 2014
✓ 365 sq m let to a fund manager	✓ Top tier tenants with prime retail on ground floor	✓ 10-year contract with top tier tenant -Abertis-	✓ 86% occupied at reporting date

In France, the 90 Champs Elysees, IN/OUT & Cloud projects are highlighted.

90 Champs Elysées	In & Out	#Cloud
		
✓ Office complex of 9,700 sq m	✓ Office complex of 37,700 sq m, an outstanding urban complex	✓ Office complex of 33,200 sq m
✓ Breeam Certification in Paris CBD	✓ HQE, Breeam & Leed Platinum Certifications in París	✓ Breeam & HQE Certification in Paris CBD
✓ To be released in 2015	✓ Released in 4Q 2013	✓ To be released in 2H 2015
✓ Pre-let in February 2014 to top tier consulting firm	✓ Asset in marketing and commercialization process	✓ A unique three-building complex, situated in CBD Opera

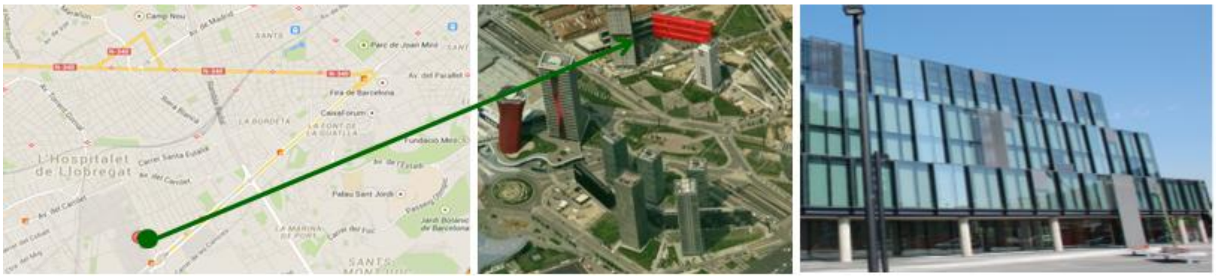
Surface area corresponds to sq m above ground.

3. New acquisitions

During the second half of 2014, Colonial carried out two acquisitions for a total volume of €234m (price excluding acquisition costs).

In **Barcelona**, Colonial has acquired an office building located in Plaza Europa for €10.4m[1]. This property is located in a business district in expansion with excellent transportation links to the city centre and the airport. The building has a surface area above ground of almost 5,000 sq m of office space, and 68 parking spaces. It is currently 100% occupied by Gallina Blanca with a 10-year contract, housing the headquarters of this Spanish multinational company in the food industry.

This acquisition has enabled Colonial to strengthen its portfolio with a top tier client, in a business district with significant growth potential.



In **Paris**, Colonial has acquired, through its subsidiary Société Foncière Lyonnaise (SFL), an office building of more than 23,000 sq m above ground, located in Rue Condorcet in district 9 in Paris, for €224m[1]. This asset is currently 100% rented by the company GrDF (Gaz Réseau Distribution France), a tenant with a long term contract maturing in 2024. The property has the best quality facilities, thanks to a recent refurbishment.

This investment permits the Colonial Group to position itself, through a prime asset with an AAA client, in district 9 in the centre of Paris, an area with significant growth potential.

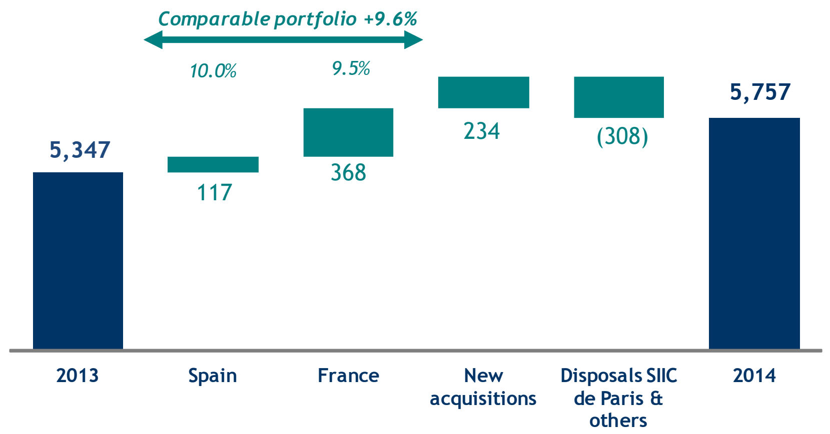
(1) Price excluding acquisition costs

3 Capital Structure

I. Gross Asset Value

The Gross Asset Value (GAV) of the Colonial Group was €5,757m (€6,033m including transfer costs) at the close of 2014, which means a +9.6% increase in like-for-like terms versus the previous year (+4.5% vs. June 2014).

Variance Analysis - Value - €m



The asset portfolio in Spain increased by 10% in like-for-like terms in the last 12 months (6.2% in 6 months).

The Barcelona portfolio increased by 6.3% like-for-like (4.0% in 6 months) and the Madrid portfolio increased by 13.3% (8.1% in 6 months). This increase is mainly due to a yield compression given the growing interest by investors for prime assets in Madrid and Barcelona, as well as the positive effects of the repositioning of assets.

The asset value in Paris increased by 9.5% in like-for-like terms in the last 12 months (3.9% in 6 months). This increase in value is a consequence of the progressive repositioning of the property portfolio with positive impacts on rents and yields, in the context of an investment market with high interest in prime offices in Paris.

Together with the net impact of new acquisitions and the disposal of SIIC of Paris, the asset value of the Colonial Group at December 2014 amounted to €5,757m.

II. Financial Structure

1. Financial indebtedness and liquidity

The Holding net debt at December 2014 amounted to €936m (€970m excluding committed cash) and the Group net debt amounted to €2,545m (€2,581m excluding committed cash). The Loan to Value (LTV) debt ratios are 38.4% for the Holding LTV(1) and 44.8% for the Group(2). When considering the asset value, before deducting acquisition costs (value including transfer costs), the LTV ratios were 36.3% and 42.8%, respectively, as shown in the table below:

Main leverage ratios

December cumulative - €m	Holding	Group
GAV incl. transfer costs	2,670	6,033
GAV excl. transfer costs	2,523	5,757
Net debt - excluding committed cash	970	2,581
LTV incl. transfer costs	36.3%	42.8%
LTV excl. transfer costs	38.4%	44.8%

At 31 December available cash together with undrawn balances of the Group amounted to €690m.

2. Active management of the balance sheet - Liability Management

During November, SFL, the Colonial Group's subsidiary in Paris, successfully implemented two transactions within the framework of the policy of actively managing the balance sheet. Specifically, the following two liability management transactions were carried out in France:

1. The bond issue of an amount of €500m, with a maturity of 7 years (11/2021) and a fixed coupon of 1.875%
2. The partial repurchase of existing bonds for an amount of €300m

Taking advantage of a window of opportunity in the capital markets, these transactions have improved the average maturity of the Group's debt reducing its average financial cost at the same time.

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

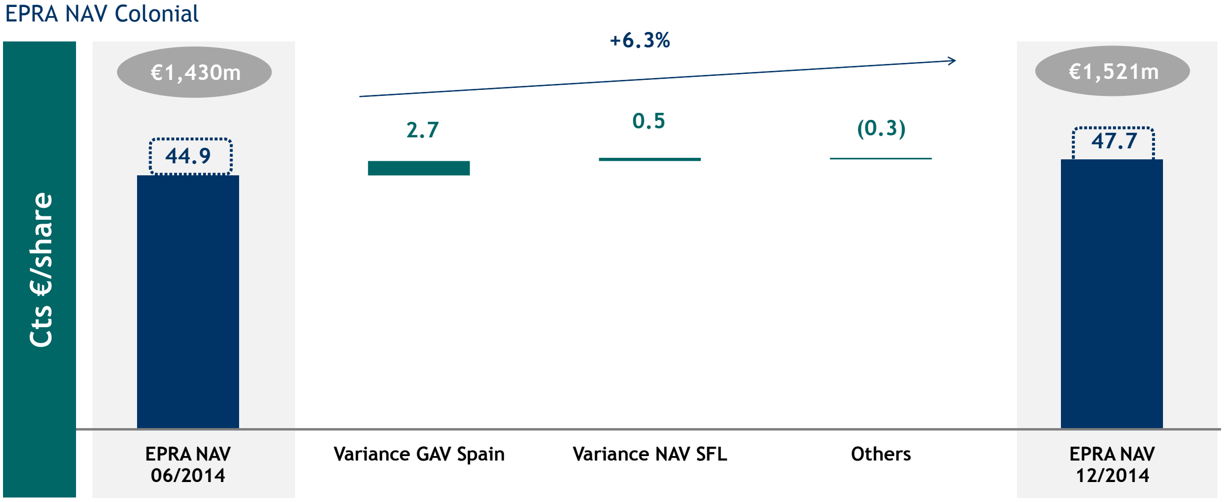
III. Equity: EPRA Net Asset Value and share price

The EPRA NAV of the Colonial Group amounted to €1,521m at 31 December 2014, equivalent to 47.7 cents of a €/share, an increase of +6.3% in 6 months.

The increase in the asset value has resulted in an increase of 3.2 cents of a € of the EPRA NAV (2.7 cents correspond to Spain and 0.5 cents to France). On the other hand, provisions and other effects have resulted in a negative impact of 0.3 cents of a € on the EPRA NAV.

The graph below shows the main variances of the EPRA NAV at 31 December 2014 compared to the NAV at 30 June 2014.

EPRA NAV Colonial



The share price at 23 of February 2015 was 63 cents of a €/share and the target price of the analyst consensus was also 61 cents of a €/share.

Contents

1. Financial statements

Analytical Consolidated Profit and Loss Account

December cumulative - €m	2014	2013	Var.	Var. % [(1)]
Rental revenues	**211**	**213**	**(2)**	**(1%)**
Net operating expenses [(4)]	(21)	(21)	(0)	(1%)
EBITDA rents	**191**	**192**	**(2)**	**(1%)**
Other income	**2**	4	(2)	(50%)
Overheads	**(32)**	(32)	0	1%
EBITDA recurring business	**161**	**165**	**(4)**	**(2%)**
Like-for-like EBITDA	***149***	***143***	***6***	***4%***
Results associated to SIIC de Paris	**6**	**21**	**(15)**	**(70%)**
Rental asset disposals	0	388	(388)	-
Cost of sales	(0)	(397)	397	-
EBITDA - asset sales	**(0)**	**(9)**	**9**	**-**
Exceptional items	**(7)**	**(27)**	(34)	-
Operating profit before revaluation, amortizations and provisions and interests (incl. Results associated to SIIC de Paris)	**161**	**149**	**12**	**8%**
Change in fair value of assets	**332**	**37**	**295**	**-**
Amortizations & provisions	**(164)**	**1**	**(165)**	**-**
Financial results	**(225)**	**(213)**	**(12)**	**(6%)**
Profit before tax	**103**	**(25)**	**128**	**513%**
Income tax	**(176)**	**(35)**	**(141)**	**(405%)**
Gain/ loss on discontinued operations	**701**	**(405)**	**1106**	**-**
Minority Interests	**(136)**	**(82)**	**(54)**	**(66%)**
Profit attributable to the Group	**492**	**(547)**	**1039**	**-**

Results analysis - €m	2014	2013	Var.	Var. % [(1)]
Recurring EBITDA	161	165	(4)	(2%)
Results associated to SIIC de Paris - recurring	4	11	(7)	(62%)
Recurring financial result	(102)	(124)	22	18%
Income tax expense & others - recurring result	(8)	(8)	(0)	(1%)
Minority interest - recurring result	(39)	(41)	2	4%
Recurring EPRA net profit - post company-specific adjustments [(2)]	**16.7**	**3.6**	**13**	**-**
EPRA net profit - pre company-specific adjustments [(3)]	**435**	**(518)**	**953**	**-**
Profit attributable to the Group	**492**	**(547)**	**1039**	**-**

[(1)] Sign according to the profit impact

[(2)] Recurring net profit = EPRA Earnings - post company-specific adjustments, in particular the adjustment of the discontinued operations (Asentia)

[(3)] EPRA net profit pre company-specific adjustments

[(4)] Invoiceable costs net of costs invoiced + non invoiceable operating costs

Recurring operating result

- At the end of 2014, the Group reached a recurring EBITDA of €161m, 2% lower than the same period the previous year.

  Like-for-like[1] recurring EBITDA was at €149m, a figure 4% higher than the previous year.

- The operating result of the property portfolio **(EBITDA rents) increased by 4% in like-for-like terms.**

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

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

Operating Results

December cumulative - €m	2014	2013	Var. % (*)
EBITDA rents like-for-like	**180**	**173**	**4%**
EBITDA - overheads	(32)	(32)	1%
EBITDA - other like-for-like income	1	3	(54%)
EBITDA - recurring like-for-like	**149**	**143**	**4%**
Non-comparable EBITDA	12	21	(44%)
EBITDA - recurring	**161**	**165**	**(2%)**

(1) Sign according to the profit impact

Non-recurring operating profit

The extraordinary results were mainly due to the positive impact of the "deconsolidation"[2] of Asentia with a positive impact of €701m. Additionally, due to the tax reform on the use of negative taxable bases, the company has fully reverted the capitalized tax credit on the balance sheet.

More details in relation to the 2014 extraordinary results are explained in Appendix 6.7.

(1) Like-for-like EBITDA, adjusting for disposals, variances in the project portfolio and other extraordinary effects

(2) The deconsolidation of Asentia refers to the exit from the consolidation perimeter

Financial results

- On 4 April 2014, Colonial signed a new syndicate loan for €1,040m which, together with the capital increase of €1,263m, allowed for the total repayment of the syndicated debt on 6 May 2014, as well as practically all of its bilateral loans, positioning its Holding LTV at close to 40% (38.4% at 31 December).

- On 20 November 2014, SFL issued bonds for an amount of €500m with a maturity of 7 years and a fixed coupon of 1.875%. Subsequently, on 27 November 2014, SFL carried out a partial repurchase of existing bonds maturing in 2016 and 2017, for the amounts of €200m and €100m. With this transaction, the Colonial Group has extended the maturity dates of its debts and reduced its financial expenses.

- The total financial results of the Group up to 31 December amounted to €(225)m, of which €(102)m corresponded to recurring financial result and €(123)m to non-recurring financial expenses.

- The recurring financial expenses of the Group amounted to €(109)m, 21% less than the previous year, due to the reduced volume of debt following the recapitalization.

Financial results

December cumulative - €m	SP	FR	2014	2013	Var. % (1)
Recurring financial income	1	0	1	3	(74%)
Recurring financial expenses - Spain	(47)	0	(47)	(74)	(36%)
Recurring financial expenses - France	0	(62)	(62)	(64)	(3%)
Capitalized interest expenses	0	7	7	11	(36%)
Recurring Financial Result (excluding equity method)	**(46)**	**(55)**	**(102)**	**(124)**	**(18%)**
Non-recurring financial income	0	0	0	5	(100%)
Non-recurring financial expenses	(90)	(24)	(114)	(76)	50%
Change in fair value of financial instruments	(1)	(8)	(9)	(18)	(50%)
Financial Result (excluding equity method)	**(137)**	**(87)**	**(225)**	**(213)**	**5%**

(1) Sign according to the profit impact

- The capitalized borrowing expenses during the year amounted to €7m, and correspond to the financing of a project in France.

- 80% of the non-recurring financial expenses are concentrated in Spain and mainly correspond to the accounting record for the capitalizable interests of 686 bp over the principal of Colonial's previous syndicate loan (€41m), to the cancellation of accrued hedging instruments and expenses associated with this loan (€13.5m), and to the expenses associated with the completion of Colonial's new financing (€31.8m).

- In France, the non-recurring financial expenses correspond to the transaction cost of the repurchasing of bonds described above (€22.3m). The variances in value of the financial instruments mainly correspond to the impact of the anticipated cancellation by SFL of non-IAS-compliant hedging transactions.

- The Group's financial cost of debt is broken down in the chart below. It is important to keep in mind that the change in Colonial's financial structure is effective as from 6 May 2014.

December cumulative - €m	SP	FR	2014	2013	Var. %
Average cost of debt	3.53%	3.54%	3.54%	3.23%	*31pb*
Drawdown fees	0.00%	0.44%	0.22%	0.20%	*2pb*
Arrangement fees	0.00%	0.43%	0.22%	0.17%	*5pb*
Cost of debt - % total	**3.53%**	**4.41%**	**3.98%**	**3.60%**	**38pb**
Average spread (without comissions)	**290pb**	**205pb**	**247pb**	**182pb**	**65pb**

- The average credit spread of the Group for 2014 is 247 basis points over the Euribor (290 basis points in Spain and 205 basis points in France). Including the commissions, the average credit spread is 291 basis points (290 basis points in Spain and 292 basis points in France).

2. Office markets

Macroeconomic context[1]

In 2014, the global economy closed with a general trend of accelerated growth. However, against this backdrop of positive evolution, it is important to point out that some downside risks emerged. After positive signs during the first half of 2014, the year closed with certain volatility. In December, the international markets suffered the impacts of new setbacks. The drop in oil prices, the crisis of the ruble and the instability in Greece have broken the calm felt in previous months. Despite this, 2014 closed with a global growth of 3.2%. 2015 commenced gaining ranks in the global recovery, according to the latest data available, 2015 is expected to see some clearer signs of expansion, which will place global growth at 3.5% for the year.

The eurozone continues to recover, albeit slowly, with differences between countries. To correctly diagnose the deep pulse of the eurozone situation is an exercise plagued with nuances. On the one hand, a growing economic activity can be observed. A shift away from the stagnation in summer and the factors that have boosted this reactivation seem to show a future continuity; private consumption is recovering and the effects of the euro depreciation and the decrease in oil prices will have a significant impact in 2015. However, the remaining outlook is less reassuring: political risks (instability in Greece), economic risks (the recovery rates are too slow and disperse between countries), as well as extraordinary risks deriving from the current situation of low inflation.

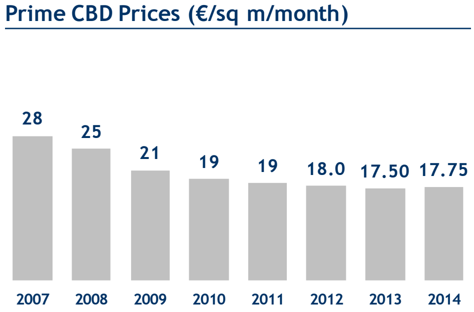
The Spanish economy continues with its positive growth. Although the main European economies have reported results which were lower than expected and in some cases even worrying, the Spanish economy shows signs of recovery which are gradually gaining strength. The latest data confirm that, as a result of improved confidence on growth perspectives, domestic demand increased at the end of 2014. In the short term, this factor provides certain autonomy to the Spanish cycle against that which is more contained in the eurozone. On the other hand, regarding inflation, Spain continues to be in the area of falling prices (although this striking fact is greatly the result of the decrease in oil prices). However, according to top analysts, the forecasts foresee that the core inflation will leave this area of zero growth during the first half of 2015. According to analysts, the GDP growth in Spain for 2014 was 1.4% and a growth of 2.3% is expected for 2015, positioning it above the average growth for the eurozone (1.3% in 2015).

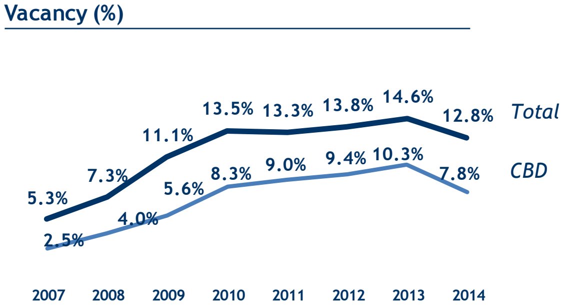
In France, growth has been weak. The main indicators confirm the weak recovery, although an improvement is expected in 2015. Analysts confirm a GDP growth of 0.4% in 2014 and 0.8% in 2015.

(1) Source: Monthly report by “la Caixa”

Rental market situation - offices [(1)]

Barcelona





- According to the main brokers, the office take up in Barcelona in 2014 amounted to 258,137 sq m (up 40% compared to 2013), confirming the gradual improvement in the sector. The last quarter of 2014 was the most active with an office take-up of 103,316 sq m, an increase of almost 100% on the previous quarter. The new business districts have attracted most office take-up, accounting for 25% of the take-up in the quarter.

- The vacancy rate in the fourth quarter of the year was below 13%, representing a fall in the year of more than one percentage point, equal to more than 100,000 sq m. The main brokers affirm that this decrease in surface area of office stock is largely due to the conversion of the use of the buildings, the majority to hotels. This, together with the lack of future supply, has a direct impact on the vacancy rate.

- The trend for 2015 will be a continued decline in the vacancy rate, mainly due to the lack of new office supply to meet the considerable demand in Barcelona, as well as an expected improvement in take-up levels, bearing in mind that pre-crisis levels were reached in 2014.
  The CBD vacancy rate has decreased and is at 7.8%.

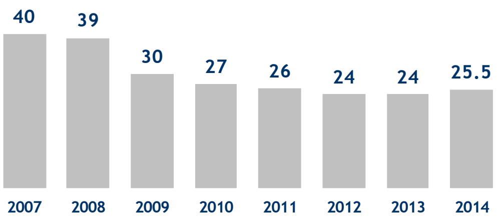
- Maximum rental levels in the Paseo de Gracia/Diagonal area rose slightly to €17.75 sq m/month in the last quarter of 2014, as opposed to the €17.50 sq m/month registered in previous quarters. Office rental levels in Barcelona have started to register a slight increase following a seven-year downward trend. These first signs of an upturn, for the moment, are only seen for the highest quality cutting-edge buildings in the best locations.

  In addition, this upward trend on rental levels is only being observed for "trophy" buildings located in the city centre and new business districts, such as 22@, where the scarcity of quality offices to meet the considerable demand is already a reality.

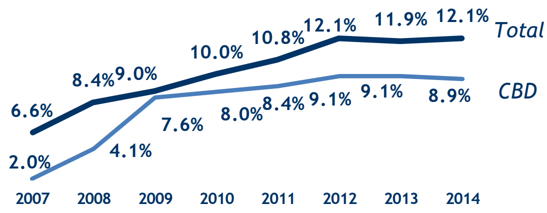
(1) Sources: Reports by Jones Lang Lasalle, Cushman & Wakefield and CBRE

Madrid [1]

Prime CBD Prices (€/sq m/month)



Vacancy (%)



- During the last quarter of 2014, the take up of office space amounted to over 97,000 sq m, the best figure registered for a fourth quarter since 2009. However, the total take-up rate for 2014 is similar to the previous year's figure, reaching 328,967 sq m.

- By area, the majority of take up in the fourth quarter of the year corresponded to buildings located in the CBD area (which includes Paseo de la Castellana and adjacent streets). By building type, 65% of the total take up in the quarter corresponds to high-quality buildings. The majority of transactions were relocations or consolidations of space while a small part corresponded to newly created companies and increases in letted space.

- All transactions of over 10,000 sq m signed in 2014 (66,000 sq m in total) were for assets that will be refurbished and therefore were not immediately available. These pre-lets and acquisitions for subsequent renovation are a clear sign of the scarcity of high quality products, especially in the CBD area, but also in secondary areas.

- The vacancy rate of offices was 12.1%. The volume of available office space has remained practically flat. In the CBD area, the vacancy rate remained unchanged at 8.9%. In the secondary and peripheral areas, the vacancy rate increased due to the considerable supply of office space available compared to the demand from tenants.

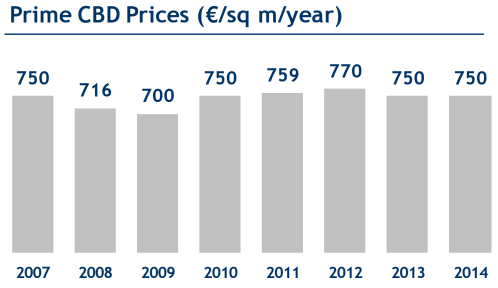
- The future supply is very limited, with only three projects in progress, and two of them for own use. In 2015, completion of the head office of BBVA is expected to be completed in Las Tablas (70,000 sq m) and for 2017 the head office of Banco Popular is expected to be delivered in the area of Avenida de América (38,500 sq m).

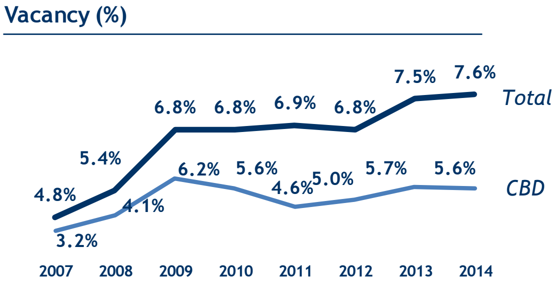
- Regarding rental prices, an increase in the maximum rental prices has been seen in the CBD area compared to the contracts signed in the last quarter, reaching €25.50 sq m, their highest level in the last three years, driven up by the lack of quality products.

  For the best CBD locations rent-free incentives have started to decline. In the rest of the market, both the maximum and mininum rental levels remained at low levels, awaiting signs from the market during the first months of 2015.

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

Paris [(1)]





- The take up in the Paris region at the end of 2014 reached more than 2,100,000 sq m, an increase of 13% compared to the same period of the previous year.

- The solid take up results are mainly due to the good level of large transactions which make up 40% of the total with 62 transactions, amounting to around 825,000 sq m. The segment of small and medium surfaces (less than 1,000 sq m) obtained very good results, while the segment of intermediary surfaces (1,000 sq m to 5,000 sq m) decreased.

  Due to the absence of a strong economic recovery, the abundance of supply in the entire Paris market continues. The available office space at the end of 2014 was 4 million sq m, which represents a vacancy rate of 7.6% for the Paris region. However, in the CBD area, supply is scarce and the vacancy rate remained stable at levels around 5.6%.

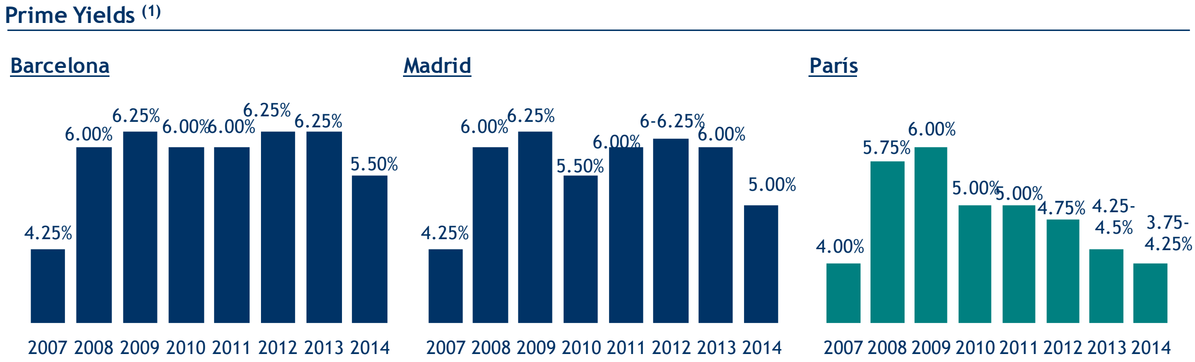
- The rental prices in the CBD area remained at levels similar to recent quarters, reaching maximum levels of €750 sq m/year in some exceptional transactions. The average price for "Grade A" properties in the CBD area was €645 sq m/year.

- After three difficult years, the main brokers point to a slightly positive growth in the French market. The obstacles for a strong recovery of the French market are purely domestic, with a weak business climate, high tax pressure and business margins that need strengthening. 2015 will be a year of recovery necessary for the French economy before a consolidation in 2016.

- For prime properties in the CBD area, the main consultants forecast a consolidation of the positive trend which commenced at the end of 2014.

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

Investment market situation - offices



(1) Market consultants report in Spain gross yields and in France net yields (see definition in glossary in Appendix 6.11)

- **Barcelona**: The SOCIMIs have had a leading role in the Barcelona investment market, together with international institutional investors. Throughout 2014, investment transactions were carried out across all market areas, with secondary and peripheral areas standing out. This reflects the lack of prime supply in the investment market. The cumulative investment volume in 2014 reached €940m. This figure triples the €306m registered in 2013, which clearly indicates a change of cycle in the commercial property market. 2014 closed with prime yields in the Paseo de Gracia/Diagonal area of 5.5%, and even lower levels may be obtained if the asset fully meets the parameters sought by core investors.

- **Madrid**: In the last quarter of the year, office investment transactions signed in Madrid amounted to €423m, exceeding €1,100m over the whole of 2014. It's necessary to go back to pre-crisis levels in order to find investment volumes comparable to the current year. However, the majority of transactions have been carried out in secondary and peripheral areas. Due to the high interest in prime offices, investors are beginning to climb up the risk curve in terms of location entering Satellite areas for the search of investment targets. Prime yields in the CBD area stood at 5.00%, which consolidates the trend of yield compression, reaching a new minimum level since the beginning of the crisis.

- **Paris**: Investment volumes during the fourth quarter of 2014 amounted to €5,500m, which represents a cumulative total for 2014 of €14,000m, an increase of more than 30% vs. the previous year. It can be confirmed that 2014 has been the best year registered since 2007, showing that the investment market is out of sync with the rental market and the local economy. In 2014, 44 transactions were signed for more than €100m. This figure represents a total of €11,500m, an increase of 47% compared to 2013.
  Prime yields continued to decrease reaching the range of 3.75-4.25%.

Sources: Reports by Jones Lang Lasalle, Cushman & Wakefield, CBRE and BNP Paribas

3. Business performance

Rental revenues and EBITDA of the portfolio

- The rental revenues reached €211m, 1% lower than the rents of the previous year. This decrease is mainly due to assets divested during 2013, in particular Torres Agora in Madrid and the Mandarin Hotel in Paris.

  In **like-for-like terms**, adjusting for investments, disposals and variations in the project and refurbishment portfolio and other exceptionals, **the rental revenues of the Group increased by 3.2% like-for-like.**

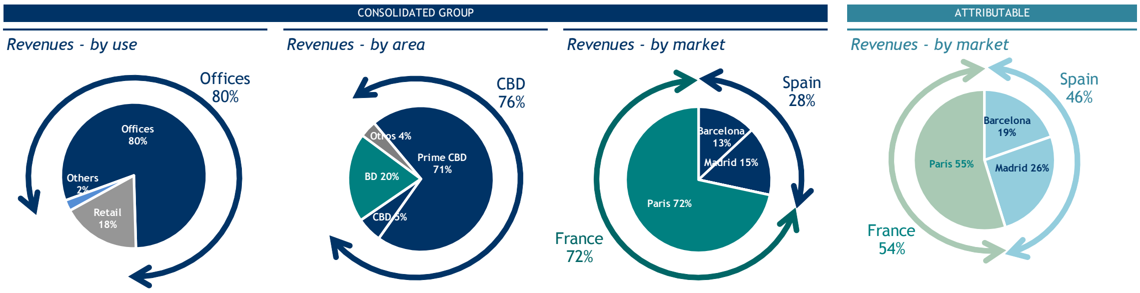
  In Paris, the rental revenues increased by 4.3% like-for-like. In Spain, the rental revenues rose by 0.5% like-for-like, mainly due to the Madrid portfolio, which went up by 5.4%.

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

Variance in rents (2014 vs. 2013) €m	Barcelona	Madrid	Paris	Total
Rental revenues 2013	28	35	149	213
Like-for-like	*(1.2)*	*1.5*	*5.8*	*6.1*
Projects & refurbishments	*(1.7)*	*0.7*	*(4.5)*	*(5.6)*
Acquisitions & Disposals	*(0.4)*	*(5.4)*	*(0.5)*	*(6.3)*
Indemnities & others	*2.5*	*0.2*	*1.5*	*4.2*
Rental revenues 2014	28	32	152	211
Total variance (%)	*(2.9%)*	*(8.4%)*	*1.5%*	*(0.8%)*
Like-for-like variance (%)	*(4.6%)*	*5.4%*	*4.3%*	*3.2%*

- **Breakdown – Rental revenues:** The majority of the Group's revenues (80%) are from office buildings. Likewise, the Group maintains its high exposure to CBD markets (76%).

  In consolidated terms, 72% of the rental revenues (€152m) came from the subsidiary in Paris and 28% were generated by buildings in Spain. In attributable terms, 54% of the rents were generated in France and the rest were in Spain.



- **Rental EBITDA reached €191m, a 4% increase in like-for-like terms**, with an EBITDA margin of 90%.

Property portfolio

December cumulative - €m	2014	2013	Var. %	Like-for-like %
Rental revenues - Barcelona	28	28	(3%)	(5%)
Rental revenues - Madrid	32	35	(8%)	5%
Rental revenues - Paris	152	149	1%	4%
Rental revenues	**211**	**213**	**(1%)**	**3%**
EBITDA rents Barcelona	23	25	(8%)	(8%)
EBITDA rents Madrid	28	30	(9%)	7%
EBITDA rents Paris	139	137	2%	6%
EBITDA rents	**191**	**192**	**(1%)**	**4%**
EBITDA/Rental revenues - Barcelona	*85%*	*89%*	*(4.2 pp)*	
EBITDA/Rental revenues - Madrid	*85%*	*86%*	*(0.4 pp)*	
EBITDA/Rental revenues - Paris	*92%*	*92%*	*0.5 pp*	
EBITDA/Rental revenues	***90%***	***90%***	*(0.2 pp)*	

Pp: percentage points

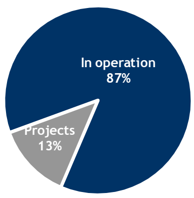
It is important to take into account that a large part of the difference between the rental revenues and the EBITDA rents relates to the costs not invoiced due to the currently low occupancy levels. Taking into account that the Colonial Group invoices the majority of its property costs to its tenants, gradual improvements in the occupancy of the assets will have a significant positive impact on the rental EBITDA, obtaining high levels of EBITDA/revenue, as was the case in years prior to the crisis (see Appendix 6.6).

Portfolio letting performance

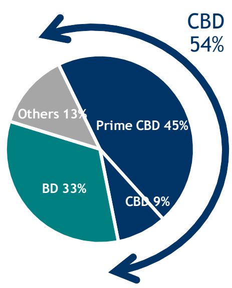
- <u>Breakdown of the current portfolio by surface area:</u> At the end of 2014, the Colonial Group's portfolio totalled 1,026,598 sq m (725,341 sq m above ground), focused mainly on office assets.

  At 31 December 2014, 87% of the portfolio was in operation and 13% corresponded to an attractive portfolio of projects and refurbishments, which is explained in more detail in the projects section.

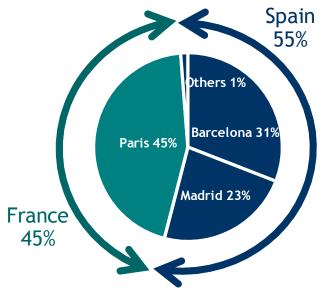
Surface - by condition



Surface - by area



Surface - by market



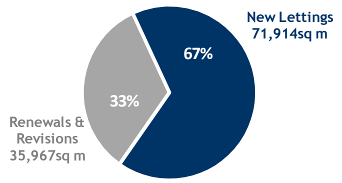
- **Signed contracts:** Throughout 2014, the Group signed a total of 107,881 sq m of **contracts** (71% in Spain and 29% in France).

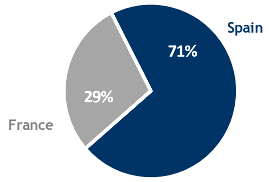
  New contracts: Out of the total commercial effort, 67% (71,914 sq m) related to surfaces of new contracts. This figure almost tripled the volume of new contracts signed throughout the whole of 2013 (28,041 sq m).

  Renewals: Contract renewals were carried out for 35,967 sq m. The new rental prices relating to these contracts resulted in a decrease of 8% with respect to previous rents.
  However, the prices signed on the new contracts in the portfolio, both in Spain and in France, have an average in line with the market prices estimated by independent appraisers as at December 2014.

Letting Performance

December cumulative - sq m	2014	% New rents vs. previous	Average maturity
Renewals & revisions - Barcelona	12,554	*(17%)*	6
Renewals & revisions - Madrid	17,020	*(9%)*	2
Renewals & revisions - Paris	6,393	*(3%)*	6
Total renewals & revisions	**35,967**	***(8%)***	**4**
New lettings Barcelona	20,110		6
New lettings Madrid	26,988		4
New lettings Paris	24,816		5
New lettings	**71,914**	n/a	**5**
Total commercial effort	**107,881**	n/a	**5**





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

Main actions

	Building	Tenants	Surface (sq m)
BARCELONA	Torre BCN	Technology Company & others	7,434
	Paseo de los Tilos	Abertis Infraestructuras	5,143
	Berlín - Numancia	Infojobs, Alcatel & Audi Retail	4,387
	Av. Diagonal, 609-615 (DAU)	Oracle Ibérica & others	2,933
MADRID	Capitan Haya, 53	Loterias y Apuestas del Estado & others	12,970
	Alfonso XII	Aecom Inocsa and Financial institutions	10,847
	Martínez Villergas, 49	Leading company in power generation	6,425
	Miguel Ángel, 11	Adveo Group International, Hill International & others	2,837
PARIS	Edouard VII	Comgest, Ashurst+Flusin & others	8,331
	Louvre Saint Honoré	Fast Retailing France & others	7,520
	90 Av. Champs Elysées	Premier consulting firm & others	6,019
	Cezanne Saint Honoré	Apax Partners, Sumitumo Mitsui Banking & others	3,899
	Washington Plaza	SPB, VTG France & others	3,162

From this commercial effort, in **Madrid** it is worth highlighting the contracts signed for the Capitán Haya building with Loterías y Apuestas del Estado and with Aecom España for the Alfonso XII building.

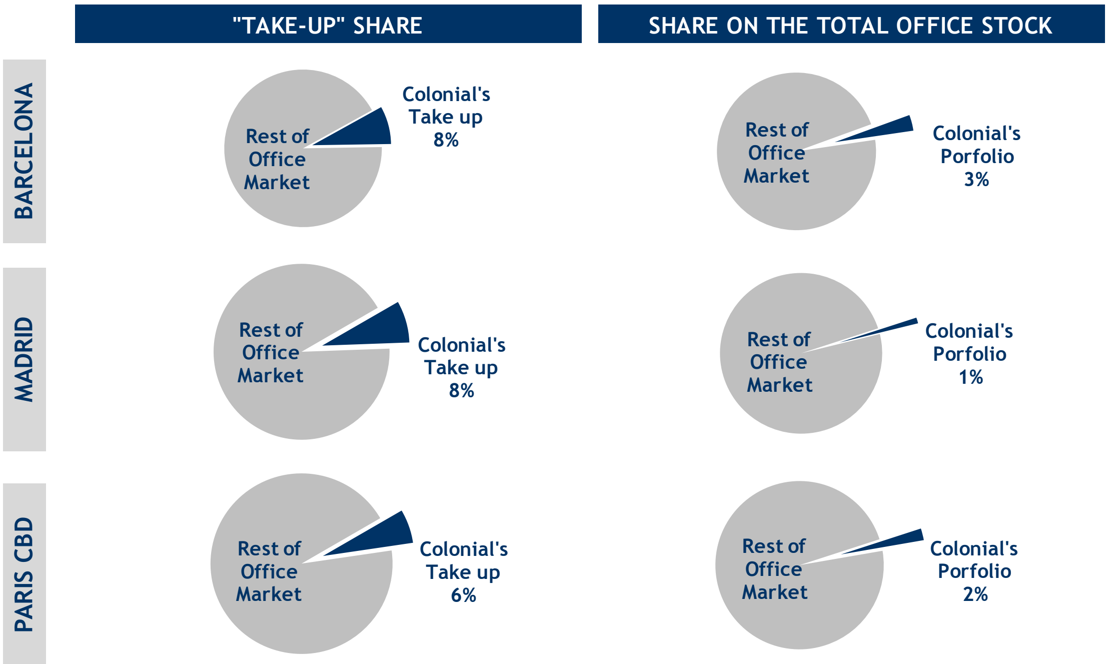
In **Barcelona**, it is worth mentioning the contracts signed with Abertis for the property in Paseo de los Tilos and with Tecnocom España Solutions for the Torre BCN building.

In **Paris**, the take up volume was concentrated on CBD prime buildings with rental prices, in the majority of cases, above €700/sq m/year, clearly positioned at the top end of the range regarding market prices for this area. It is important to mention the contract signed with Fast Retailing France for the Louvre Saint Honoré building and the contract signed with a top tier consulting firm for the 90 Av. Champs Elysées building, which is currently being refurbished.

- **Analysis of new leased surfaces**: Colonial has captured a take-up share higher than its share on the total office stock in Barcelona, Madrid and the Paris CBD.

  In Barcelona and Madrid the Colonial Group captured 8% of the demand (in Madrid 11% if only taking into account the market sectors in Madrid where the Group is present) and 6% in the Paris CBD.

  As in previous quarters, this demonstrates the high capacity of Colonial's portfolio to attract demand, due to its well-positioned buildings that offer high quality facilities and maximum energy-efficiency in attractive locations.



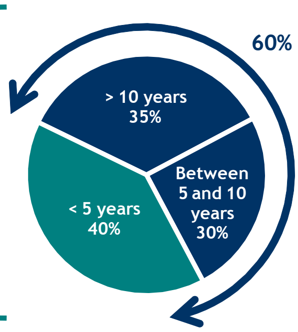
▪ Analysis of tenant portfolio

Regarding the number of rental renewals in the contract portfolio, 29,574 sq m of renewals were signed in Spain, and 6,393 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 60% of the main tenants have been clients of the Group for more than 5 years.

Ranking of the most important tenants (47% of rental income)

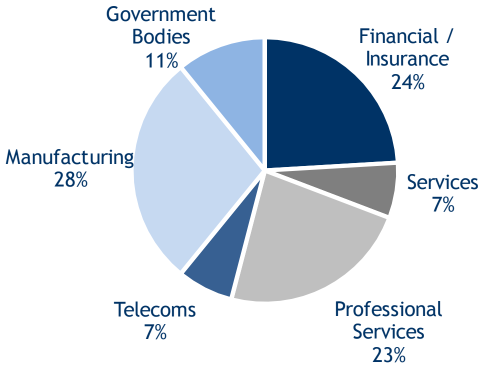
RK	Tenant	City	% total income	% cumul.	Age - Years
1	NATIXIS IMMO EXPLOITATION	París	6%	6%	11
2	GAZ RÉSEAU DISTRIBUTION FR.	París	5%	10%	0
3	FRESHFIELDS BRUCKHAUS DERINGER	París	4%	14%	11
4	ZARA FRANCE	París	3%	18%	2
5	GAS NATURAL SDG	Barcelona	3%	21%	9
6	TV5 MONDE SA	París	3%	24%	9
7	KLEPIERRE MANAGEMENT	París	3%	26%	1
8	LA MONDIALE GROUPE	París	2%	29%	7
9	GRUPO CAIXA	Barcelona	2%	31%	22
10	GRUPO COMUNIDAD DE MADRID	Madrid	2%	33%	19
11	HENNES & MAURITZ / H & M	París	2%	35%	5
12	ESMA	París	2%	37%	4
13	SOCIEDAD ESTATAL LOTERIAS Y APUESTAS DEL ESTADO	Madrid	2%	39%	10
14	CITIBANK INTERNATIONAL LTD	París	2%	40%	10
15	AYUNTAMIENTO DE MADRID	Madrid	1%	42%	11
16	IBERIA, LINEAS AEREAS DE ESPAÑA	Madrid	1%	43%	2
17	SIMOSA -SERV. INTEGRALES MANTENIMIENTO	Madrid	1%	44%	2
18	CASINO DE JUEGO GRAN MADRID	Madrid	1%	45%	2
19	AJUNTAMENT DE BARCELONA	Barcelona	1%	46%	18
20	MELIA HOTELS INTERNATIONAL	Madrid	1%	47%	12
					8



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

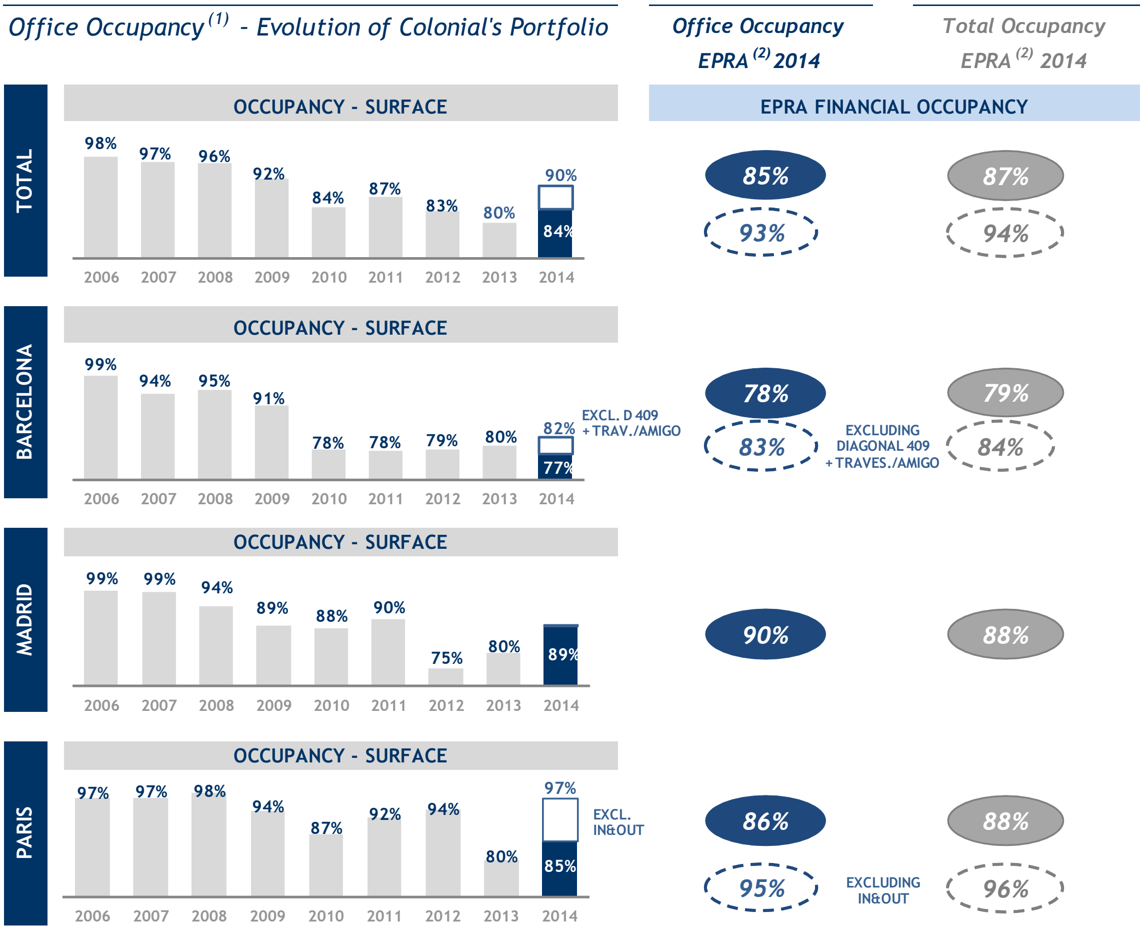
The sectors that stand out are those which, due to their type of business, require quality offices located in central business areas.

Top Tenants - Breakdown by economic sector



Portfolio occupancy

- **The Colonial Group's EPRA financial occupancy for the office portfolio reached 85% at the end of 2014. Including other uses, EPRA occupancy reached 87%.**



The office portfolios in Madrid and Barcelona reached an EPRA[(2)] financial occupancy of 90% and 78%, respectively.

In **Madrid**, the office occupancy increased mainly due to the new contracts signed in various assets, as is the case with Martínez Villergas, Alfonso XII, Miguel Ángel, López de Hoyos and Recoletos (asset at 100% occupancy).

In **Barcelona**, the office occupancy decreased mainly due to the entry into operation of the Travessera de Gràcia/Amigó building, an energy-efficient office complex located in the heart of the prime area, with the highest quality finishings and LEED Gold certification, as well as the Diagonal 409 building with LEED Silver certification. If we exclude these properties, EPRA financial occupancy of the Barcelona office portfolio reaches 83%.

[(1)] Occupied surfaces/Surfaces in operation

*[(2)] **EPRA occupancy**: financial occupancy according to the calculation recommended by EPRA (occupied surfaces multiplied by the market prices/surfaces in operation at market prices).*

It should be mentioned that at the end of the year, the commercialisation of these new assets was progressing satisfactorily, given the positive response to the new deliveries in the rental market, in particular the Diagonal 409 building, which is at 64% occupancy as at the date of this report.

In Paris, the office portfolio reached an EPRA financial occupancy of 86%, a higher figure than that at the end of 2013. This increase was mainly due to new rentals for the Edouard VII and Washington Plaza properties. The office portfolio occupancy in Paris is affected by the entry into operation of the IN/OUT office complex, currently in an advanced commercialisation phase. Excluding this effect, EPRA financial occupancy of the Paris office portfolio is at 95%.

The table below shows an analysis of the vacant office surfaces by city.
Approximately 56% of the vacant surfaces correspond to projects and refurbishments that have come into operation.

Vacancy surface of offices

Surface above ground (sq m)	Entries into operation (1)	BD area and others	CBD area	December 2014	Office Vacancy EPRA
Barcelona	18,826	11,285	10,059	40,170	22%
Madrid	3,655	4,333	8,579	16,567	10%
París	28,873	647	6,256	35,776	14%
TOTAL	51,354	16,265	24,894	92,513	15%

(1) Projects and refurbishments that have entered into operation

Regarding the recent entries into operation, in particular the following properties in Spain are highlighted (more details in Appendix 6.5).

BARCELONA

Travessera/Amigó

Diagonal 409

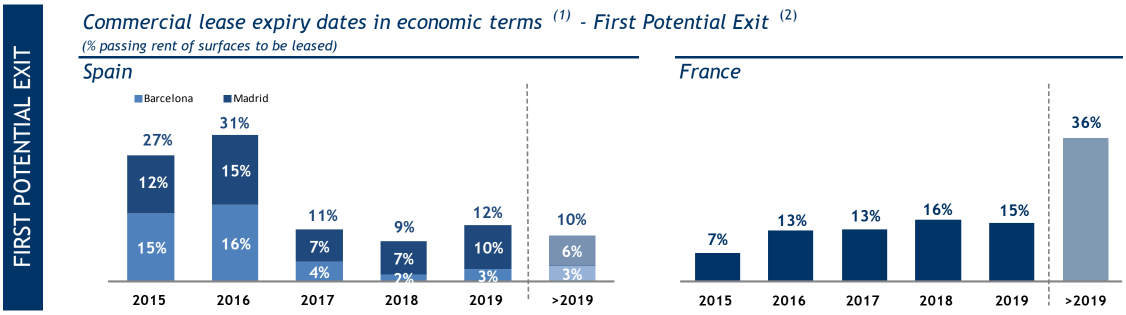
MADRID

Alfonso XII

Commercial lease expiry and reversionary potential

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

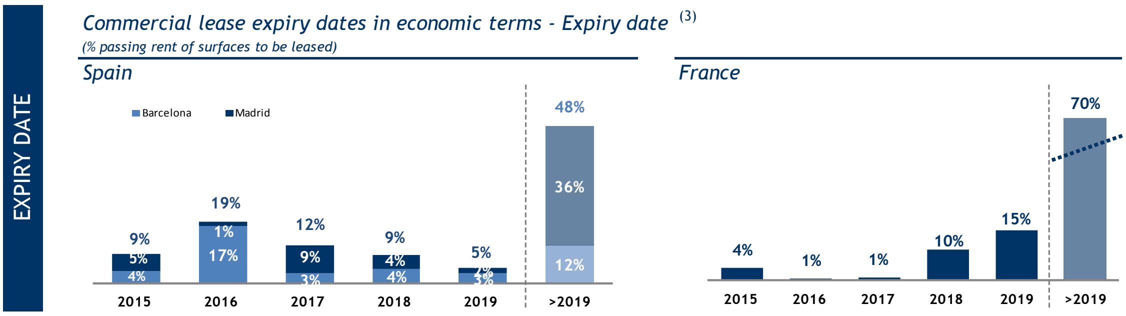
The **first graph** shows the commercial lease expiry dates if the tenants choose to end the contract at the first possible date (break option or end of contract).



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

In such cases, in the Spanish portfolio, contract renewals of between approximately 27% and 31% per year could take place in the next two years, which in the case of a recovery of the cycle, could allow the company to benefit from possible uplifts in rents.
In France, the contract structure is longer term, in line with the behaviour of the players in that market.

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



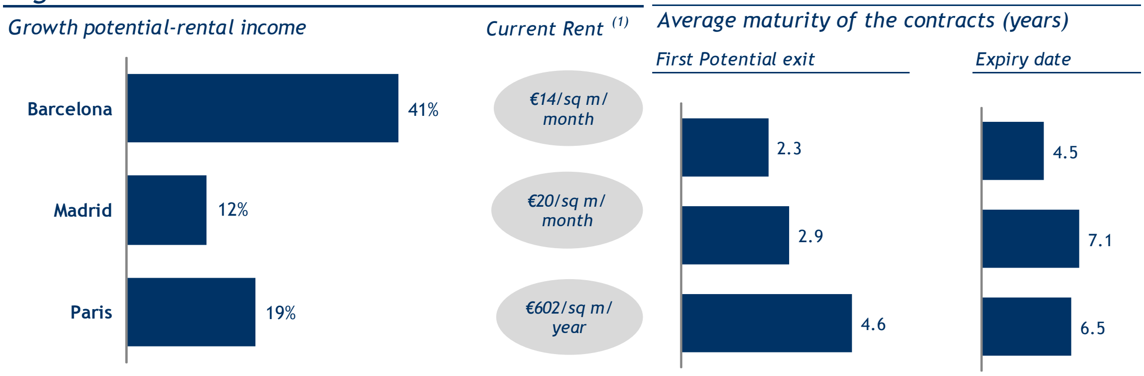
(3) Renewal dates based on the expiry date of the current contracts

- **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 rents) with the rental revenues that would result from letting the total surface at the market prices estimated by the independent appraisers at December 2014 (not including the potential rents from the projects and significant refurbishments underway, which are analysed in the projects section).

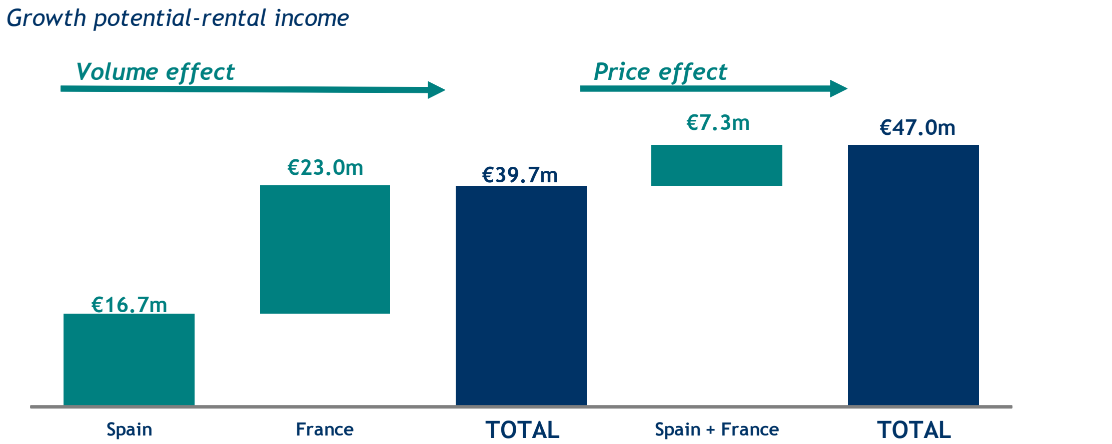
The organic growth potential of the Group's rental portfolio at the end of 2014 was +41% in Barcelona, +12% in Madrid and +19% in Paris.

Figures at December 2014



(1) Current office rent of occupied surfaces

Specifically, the growth potential in the current portfolio would result in approximately €47m in additional annual rental revenues.



Project portfolio and refurbishments

- Currently, the company has a project portfolio of more than 55,000 sq m above ground, entering into operation between 2015 and 2018. The Colonial Group's project portfolio pipeline is the following:

Projects	Entry into operation	% Group	Market	Use	Surface above ground (sq m) (1)
Parc Central 22@ A.1.6 - A.1.7 - A.1.2	>2016	100%	Barcelona	Offices	14,737
Spain					**14,737**
90, av. des Champs Elysées	1H 2015	100%	Paris	Offices	7,500
#Cloud (rue Richelieu)	2H 2015	100%	Paris	Offices	33,200
France					**40,700**
Total					**55,437**
Yield on cost[2]					**5.8%**

(1) Surface area of completed project

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

Parc Central22@

#Cloud (Richelieu)

90 Champs Elysées

In **Spain**, Colonial has a plot of land located in the heart of the 22@ business district, which will allow for the development of an office complex of nearly 15,000 sq m, opposite Avenida Diagonal, one of the up-and-coming areas in the city of Barcelona. The project is not expected to commence in the short-term.

In France, the #CLOUD project (rue Richelieu) is progressing satisfactorily. A complete refurbishment is being carried out on this office complex, which involves creating 33,200 sq m of unique offices in the centre of Paris for top tier clients. This complex holds the Breeam and HQE energy certification and will enter into operation in the second half of 2015. Currently the start of the commercialisation process is generating a lot of interest.

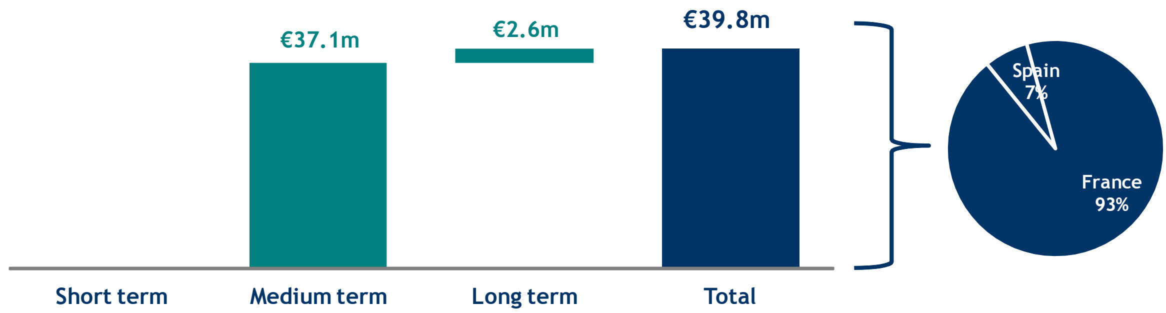
In addition, it is worth highlighting the refurbishment project of more than 7,000 sq m above ground in the 90 Champs Elysées building, an office complex located on the top of the Champs-Elysées shopping centre, which is expected to come into operation in 2015. As at the date of this report, this building is already prelet, highlighting the signing of more than 6,000 sq m, 5,000 sq m of which were signed with a top tier consulting firm.

In addition to the above-mentioned project portfolio, the Colonial Group is carrying out substantial refurbishment projects on certain properties with the aim of optimizing the positioning of these assets in the market. It is important to mention the substantial refurbishments on the Louvre des Antiquaires, Washington Plaza and Cézanne St. Honoré buildings, among others.

More details regarding each of the projects are described in Appendix 6.5.

- **Rental potential of the project portfolio.** The project portfolio of the Colonial Group will generate additional rental revenues of approximately €40m(*) per year in the coming years, which is broken down in the following graph:

Additional rental income of projects and significant refurbishments



(*) Rents estimated at current market prices

New investments & Asset Management of the portfolio

During 2014, the Colonial Group actively managed its portfolio, disposing of mature assets and carrying out new investments and acquisitions, in order to maximize value for the shareholders.

1. Asset Management of the portfolio - Disposal of SIIC de Paris

On 23 July 2014, Colonial's subsidiary, SFL, completed the sale of its minority stake in SIIC de Paris, at a price of €23.88/share (€304m) after deducting the dividend received in July 2014. The price obtained was in line with the NAV at December 2013 (including the dividends received in May and July 2014).

This transaction represented the disposal of an asset at maximum price levels, after capturing its full value creation potential. The sale price resulted in a premium of 29% above the acquisition price (€18.48/share) and, together with the dividends received, offered an attractive return for the Colonial Group.

2. Prime Factory investments – Optimization of the positioning of Colonial's portfolio

During 2014, €135m were invested in the Colonial Group's refurbishments and projects to optimize the positioning of the property portfolio.

In Spain, it is worth highlighting the properties of Travessera de Gràcia/Amigó, Diagonal 409, Paseo los Tilos and Alfonso XII.

The main characteristics are shown as follows:




Travessera/Amigó	Diagonal, 409	Paseo de los Tilos	Alfonso XII
✓ Office complex of 8,095 sq m	✓ Office complex of 4,531 sq m	✓ Office complex of 5,143 sq m	✓ Office building 13,135 sqm
✓ Leed Gold Certification in Barcelona CBD	✓ Leed Gold Certification in Barcelona CBD	✓ Leed Silver Certification in Barcelona CBD	✓ Breeam Certification in Madrid CBD
✓ Delivered on 9/2014 ✓ Commercialization underway	✓ Delivered in 2Q 2014 ✓ 64% occupied at reporting date	✓ 100% pre-let before the start of the project	✓ Delivered in 1Q 2014
✓ 365 sq m let to a fund manager	✓ Top tier tenants with prime retail on ground floor	✓ 10-year contract with top tier tenant -Abertis-	✓ 86% occupied at reporting date

In France, the 90 Champs Elysees, IN/OUT & Cloud projects are highlighted.

90 Champs Elysées	In & Out	#Cloud
✓ Office complex of 9,700 sq m	✓ Office complex of 37,700 sq m, an outstanding urban complex	✓ Office complex of 33,200 sq m
✓ Breeam Certification in Paris CBD	✓ HQE, Breeam & Leed Platinum Certifications in París	✓ Breeam & HQE Certification in Paris CBD
✓ To be released in 2015	✓ Released in 4Q 2013	✓ To be released in 2H 2015
✓ Pre-let in February 2014 to top tier consulting firm	✓ Asset in marketing and commercialization process	✓ A unique three-building complex, situated in CBD Opera

These investments have attracted and will continue to attract top tier rental demand, optimizing the cash flow profile and valuation of the asset.

3. New acquisitions

During the second half of 2014, Colonial carried out two acquisitions for a total volume of €234m (price excluding acquisition costs).

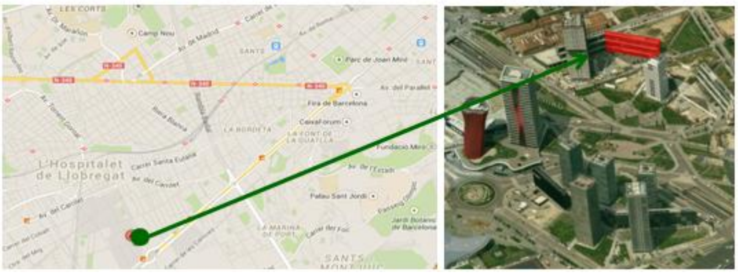
In **Barcelona**, Colonial acquired an office building located in Plaza Europa for €10.4m[1]. The main characteristics of this transaction are the following:

INVESTMENT METRICS	
HQ Gallina Blanca - Multinational	
Barcelona - Plaza Europa	
Price (exc. acquis. costs)	€10.4m
Sq m	4,869m sq m
Occupancy	100%
Maturity	2024

Plaza Europa, 42-44 Building
A Core Asset with a AAA client in a growing office market

- ✓ Price of €1,822/sq m (excl. parking)
- ✓ 100% let asset to AAA tenant
- ✓ Headquarter of Spanish Multinaltional "Gallina Blanca"
- ✓ Solid cash flow stream with attractive return
- ✓ Market segment with future growth potential
  - New business area -

Enhancement of the cash flow profile of the Barcelona portfolio



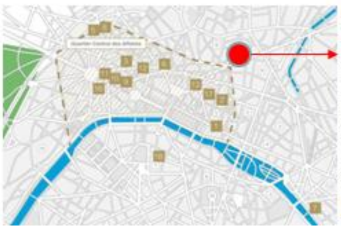
In **Paris,** through its subsidiary Société Foncière Lyonnaise (SFL), Colonial acquired an office building of more than 23,000 sq m above ground, located in Rue Condorcet in district 9 in Paris, for €224m[1]. The main characteristics of this transaction are the following:

INVESTMENT METRICS	
Gaz Réseau Distribution France (GrDF)	
Paris Centre - 9th district	
Price (exc. acquis. costs)	€224m
Sq m	24,970 sq m
Occupancy	100%
Maturity	2024

Rue Condorcet 4-8
A "Trophy Asset" with a AAA client in an attractive location

- ✓ 25,000 sq m on 10,000 sq m of land, with redevelopment opportunities
- ✓ Four buildings on an office campus
- ✓ Proximity to the first Paris European railway station and major hub (Gare du Nord)
- ✓ Blue Chip Tenant - Head Office of GrDF Group for 150 years
- ✓ Recent renewal until 2024 (10 years)
- ✓ Solid cash flow stream
- ✓ Growth potential of the 9th district

Prime Asset with perfect fit to the Group's strategy



Valuation of the property business

- At the end of 2014, the rental business of the Colonial Group was valued at €5,757m (€6,033m including transfer costs), by Jones Lang LaSalle, CB Richard Ellis, and BNP Paribas Real Estate. The appraisal figures are updated half-yearly, following the best market practices.

Asset Values - Excluding transfer costs

Asset valuation (€m)	31-Dec-14	30-Jun-14	31-Dec-13	Dec 14 vs Jun 14		Dec 14 vs Dec 13	
				Total	Like-for-like (1)	Total	Like-for-like (1)
Barcelona	582	526	518	10.6%	2.7%	12.2%	4.2%
Madrid	687	634	565	8.5%	8.5%	21.7%	12.9%
París	4,025	3,832	3,640	5.0%	2.8%	10.6%	7.8%
Portfolio in operation (2)	5,294	4,992	4,723	6.1%	3.6%	12.1%	8.1%
Projects	454	284	304	59.6%	14.1%	49.0%	25.0%
Others	10	11	12	(13.4%)	(12.5%)	(14.7%)	(13.6%)
Property business	5,757	5,287	5,039	8.9%	4.5%	14.3%	9.6%
SIIC de Paris		295	308	(100.0%)		(100.0%)	
Colonial group	5,757	5,582	5,347	3.1%	4.5%	7.7%	9.6%
Spain	1,292	1,206	1,165	7.1%	6.2%	10.9%	10.0%
France	4,466	4,376	4,182	2.0%	3.9%	6.8%	9.5%

Asset Values - Including transfer costs

	31-Dec-14	30-Jun-14	31-Dec-13	Total	Like-for-like	Total	Like-for-like
Colonial group	6,033	5,824	5,600	3.6%	4.6%	7.7%	9.8%
Spain	1,330	1,242	1,199	7.1%	6.2%	10.9%	10.0%
France	4,703	4,582 (3)	4,401 (3)	2.6%	4.1%	6.9%	9.7%

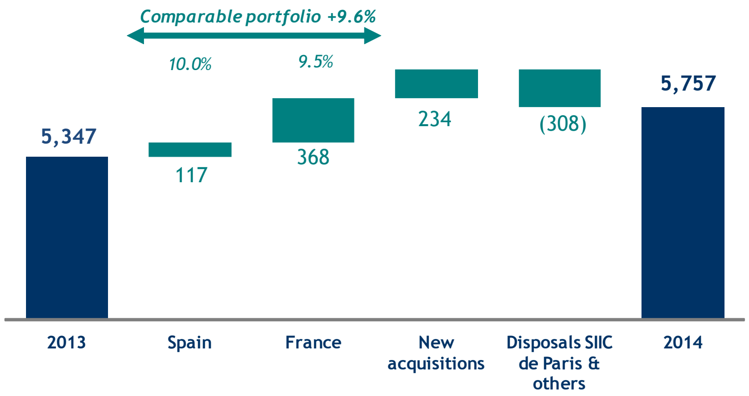
(1) Portfolio in comparable terms

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

(3) Includes stake in SIIC de Paris

- The valuation of the Colonial Group's assets at December 2014 rose by +9.6% in like for like terms compared to December 2013 (+4.5% vs. June 2014).

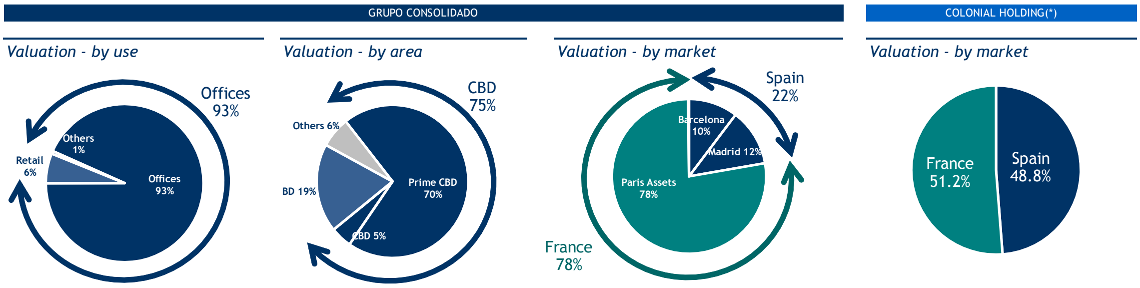
Variance Analysis - Value



The asset portfolio in Spain increased by 10% in like-for-like terms in the last 12 months (6.2% in 6 months). This increase is mainly due to a yield compression given the growing interest of investors for prime assets in Madrid and Barcelona, as well as the positive effects of repositioning the properties.

The asset value in Paris has increased by 9.5% in like-for-like terms in the last 12 months (3.9% in 6 months). This increase in value is a consequence of the progressive repositioning of the property portfolio with positive impacts on rents and yields, in the context of an investment market with high interest in prime offices in Paris.

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



(*) *France= SFL shares valued at NAV. Spain = GAV of directly hold assets + NAV 55% stake TM SPV*

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

Main parameters of Asset valuation

Portfolio in operation	€m	sq m above ground (*)	€/sq m (*)	Valuation Yield	
Barcelona	582	187,297	3,105	6.3%	Gross Yields
Madrid	687	159,079	4,321	5.8%	
Paris	4,025	352,397	11,421	4.5%	Net Yields

When **comparing the valuation parameters of Colonial's appraisal values with market data,** the following must be taken into consideration:

1. In Spain consultants publish in their market reports ***gross yields*** *(Gross yield = gross rent/value excl. transfer costs).*
2. In France consultants publish in their market reports ***net yields*** *(Net yield = net rent/value incl. transfer costs).*

- The passing yields of the portfolio are as follows:

Passing yields (**)

Net Yields				***Gross Yields***
Portfolio in operation	EPRA Net Initial Yield	EPRA Topped-up Net Initial Yield	Net Yield occupancy 100%	Gross Yield occupancy 100%
Barcelona	3.8%	4.1%	6.0%	6.3%
Madrid	4.4%	4.4%	5.5%	6.0%
París	3.5%	3.9%	4.2%	4.5%

(*) In Barcelona, the sq m for the calculation of the capital value correspond to the surface above ground of all the assets excluding the project of Parc Central and 100 sq m of non-core retail assets.
In Madrid, the sq m correspond to the surface above ground of all the assets
In France, the sq m correspond to the surface above ground of the entire portfolio, excluding the Richelieu project and the 90 Champs Elysées asset, and additionally including specific rentable surfaces below ground in the portfolio (43,574 sq m). The rest of the surfaces below ground mainly correspond to parking units.

(**) Passing yields of the portfolio in operation, excluding projects and large refurbishments

4. Financial structure

1. Financial debt and liquidity

Main debt figures:

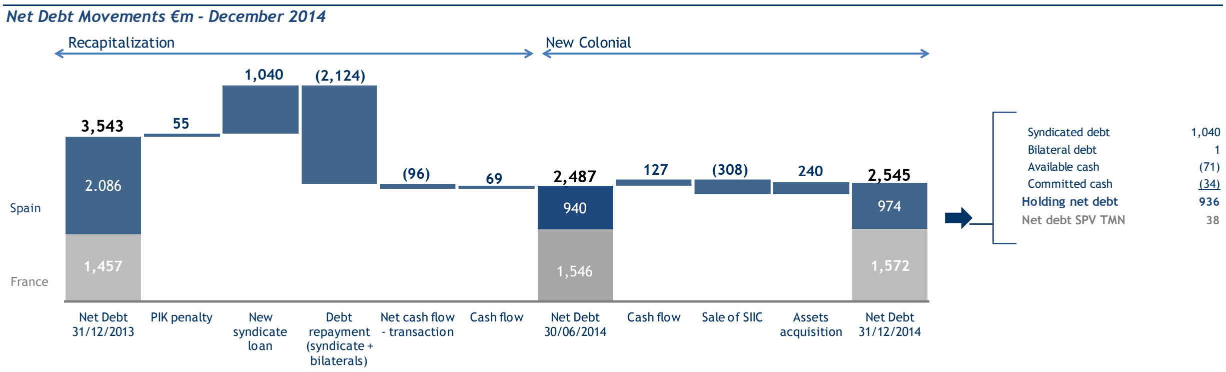
Group financial net debt stood at €2,545m at 31 December 2014, as shown in the table below:

Breakdown of the consolidated net financial debt	December 2014			December 2013			Var.
	SP	FR	Total	SP	FR	Total	Total
Syndicate loan	1,040	0	1,040	1,759	50	1,809	(769)
Mortgage debt/leases	43	232	275	299	237	536	(261)
Subordinated debt	0	0	0	42	0	42	(42)
Unsecured debt and others	0	156	156	11	199	210	(54)
Bonds	0	1,200	1,200	0	1,000	1,000	200
Total gross debt	**1,083**	**1,588**	**2,671**	**2,111**	**1,486**	**3,597**	**(926)**
Cash & cash equivalents (*)	(109)	(17)	(126)	(25)	(29)	(54)	(72)
Group Net Debt	974	1,572	2,545	2,086	1,457	3,543	**(998)**
Average maturity of drawn debt (years)	**4.1**	**3.8**	**3.9**	**1.3**	**2.8**	**2.7**	**1.2**
Cost of debt % (without arrangement fees)	**3.53%**	**3.98%**	**3.76%**	**3.02%**	**4.05%**	**3.43%**	**33pb**

(*) without excluding committed cash for a total amount of €36m

The consolidated net debt of the Colonial Group decreased by practically €1,000m (-28.2%) throughout 2014, thanks to Colonial's recapitalization process which enabled it to reduce its net debt by €1,111m (-53.3%). In France, however, the debt increased €114m (+7.8%) mainly due to the investments in assets.

The evolution of Colonial's debt during 2014 was the following:

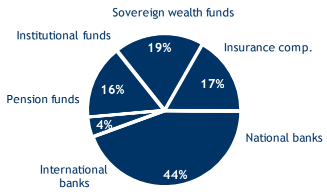


The Colonial Group has a well-diversified mix of debt sources, with long-term maturities which will allow it to take advantage of future growth opportunities.

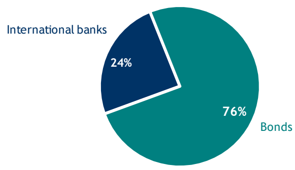
The main characteristics of the Group's debt are shown below.

TYPE OF LENDER - 31/12/2014

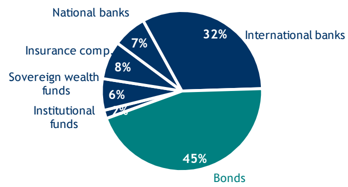
Spain



France

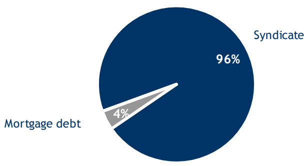


Group

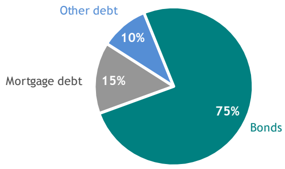


TYPE OF DRAWN DEBT - 31/12/2014

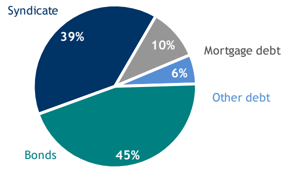
Spain



France

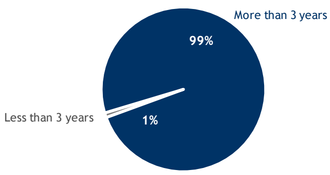


Group

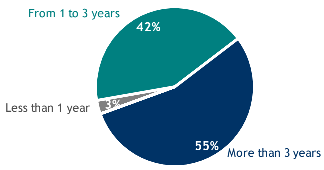


MATURITY OF CONTRACTED DEBT - 31/12/2014

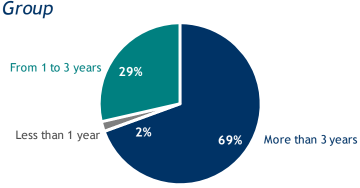
Spain



France



Group



Spain		***France***		***Total***	
Spread	387 b.p.	Spread	205 b.p.	Spread	278 b.p.
Average life of drawn down debt (years)	4.1	Average life of drawn down debt (years)	3.8	Average life of drawn down debt (years)	3.9
Average life of the contracted debt (years)	4.1	Average life of the contracted debt (years)	3.9	Average life of the contracted debt (years)	3.9
Contracted debt	€1,083m	Contracted debt	€2,188m	Contracted debt	€3,271m

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

Main leverage ratios and liquidity:

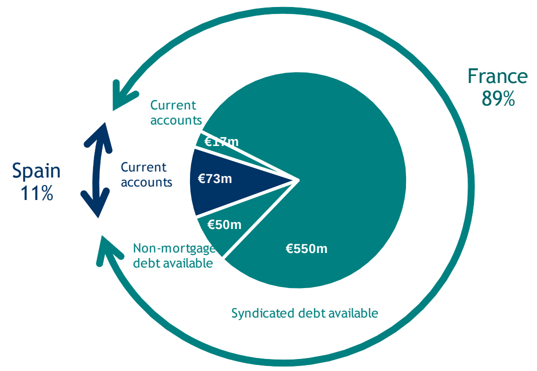
The Holding net debt at December 2014 amounted to €936m (€970m excluding committed cash) and the Group net debt amounted to €2,545m (€2,581m excluding committed cash).

The LTV (Loan to Value) leverage ratios are 38.4% for the Holding LTV(1) and 44.8% for the Group(2). When considering the asset value before deducting acquisition costs (value including transfer costs), the LTV ratios are 36.3% and 42.8%, respectively, as shown in the table below:

Main leverage ratios

December cumulative - €m	Holding	Group
GAV incl. transfer costs	2,670	6,033
GAV excl. transfer costs	2,523	5,757
Net debt - excluding committed cash	970	2,581
LTV incl. transfer costs	36.3%	42.8%
LTV excl. transfer costs	38.4%	44.8%

Undrawn balances



Undrawn balances of the Colonial Group at 31 December 2014 amounted to €690m, distributed as shown in the graph above.

2. Active management of the balance sheet – Liability Management

During November, SFL, the Colonial Group's subsidiary in Paris, successfully implemented two transactions within the framework of the policy of actively managing the balance sheet. Specifically, the following two liability management transactions were carried out in France:

1. The bond issue of an amount of €500m, with a maturity of 7 years (11/2021) and a fixed coupon of 1.875%

2. The partial repurchase of existing bonds for an amount of €300m

Taking advantage of a window of opportunity in the capital markets, these transactions have improved the average maturity of the Group's debt, reducing its average financial cost at the same time.

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

Hedging portfolio

The breakdown of the hedging portfolio at 31 December 2014 is the following:

31 December 2014 Financial instrument - €m	Description	Spain	France	Total	%	MTM (Ex-coupon)
SWAP	From floating to fixed rate	119	185	304	28%	(13)
CAP	Floating rate with a maximum	780	0	780	72%	0
Total hedging portfolio (Variable - Fixed)		**899**	**185**	**1,084**	**100%**	**(13)**
Maturity (years)		**4.1**	**2.7**	**3.8**		
% Hedging portfolio / Gross debt (*)		**83%**	**48%**	**74%**		
% Fixed rate or hedged debt vs/ Gross debt (*)		**83%**	**87%**	**85%**		

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

- The objective of the risk management policy is to maintain an appropriate global cost of debt. To achieve this, the Group uses derivative financial instruments that enable it to manage its exposure to interest rate fluctuations. In addition, the policy of the Group is to contract instruments that comply with the requirements established under the IFRS 39, allowing the variance in the market value (MTM) to be registered directly in net equity. Accordingly, on 9 May 2014, Colonial proceeded to contract CAPs for €780m, with a strike or hedging level of 1.25%, maturing on 31 December 2018, with the intention to cover 75% of the principal of the new syndicate loan.

- The effective hedging ratio at 31 December 2014 (hedges/debt at floating rates) stood at 74% (83% in Spain and 48% in France).

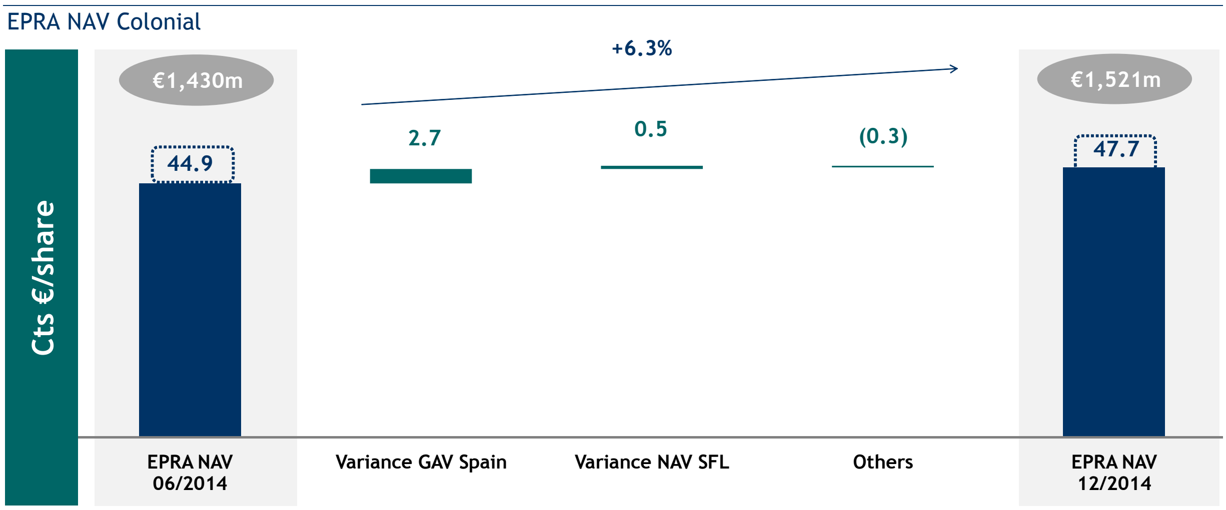
- At 31 December 2014, the total percentage of debt hedged or at a fixed rate over the total debt stood at 85% due to the effect of the SFL bonds at a fixed rate (83% in Spain and 87% in France).

5. EPRA NAV and stock market performance

EPRA Net Asset Value (NAV)

The EPRA NAV of the Colonial Group stood at €1,521m at 31 December 2014, which is equivalent to **47.7 cents of a €/share,** an increase of +6.3% in 6 months.

The main variations of the NAV at 31 December 2014 vs. the NAV at 30 June 2014 are shown in the graph below:



The increase in the asset value has resulted in an increase of 3.2 cents of the EPRA NAV (2.7 cents correspond to Spain and 0.5 cents to France). On the other hand, provisions and other effects have resulted in a negative impact of 0.3 cents of a € on the EPRA NAV.

The share price at 23 of February 2015 was 63 cents of a €/share and the target price of the analyst consensus was also 61 cents of a €/share.

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

EPRA Net Asset value - €m	12/2014	6/2014
NAV per the Consolidated financial statements	**1,423**	**1,476**
Effect of exercise of options, convertibles and other equity interests	**na**	**na**
NAV per the Consolidated financial statements	**1,423**	**1,476**
Include:		
(i.a) Revaluation of investment properties (if IAS 40 cost option is used)	4	4
(i.b) Revaluation of investment property under construction (IPUC) (if IAS 40 cost option is used)	na	na
(i.c) Revaluation of other non current investment	11	11
(ii) Revaluation of tenant leases held as finance leases	na	na
(iii) Revaluation of trading properties	na	na
Exclude:		
(iv) Fair value of financial instruments	9	10
(v.a) Deferred tax	73	67
(v.b) Tax credits on balance	-	(143)
Include/exclude:		
Adjustments (i) to (iii) above in respect of joint ventures interests	na	5
EPRA NAV - €m	**1,521**	**1,430**
EPRA NAV - Euros cents per share	***47.7***	***44.9***
Nº of shares (m)	*3,189*	*3,189*

Calculation of the EPRA NAV: Following the EPRA recommendations and starting from the consolidated equity of €1,423m, the following adjustments were carried out:

1. Revaluation of investments: corresponding to latent capital gains (not accounted for on the balance sheet) of specific assets registered at book value, amounting to €4m.
2. Revaluation of other investments: corresponding to latent capital gains (not accounted for on the balance sheet) of other investments.
3. Adjustment of accounted for MTM: in order to determine the EPRA NAV, the net value of the MTM ("mark-to-market") of the hedging instruments registered on the balance sheet was adjusted (+€9m).
4. Adjustment of deferred taxes: adjustment of the amount of deferred taxes associated with the revaluation of the property assets (+€73m), registered on the balance sheet.

EPRA NNNAV amounted to €1,408m at December 2014, which corresponds to **44.2 cents of a €/share.**

EPRA Triple Net Asset value (NNNAV) - €m	12/2014	6/2014
EPRA NAV	1,521	1,430
Include:		
(i) Fair value of financial instruments	(9)	(10)
(ii) Fair value of debt	(32)	(43)
(iii) Deferred tax	(71)	(65)
(iv) Tax credits on balance	na	143
EPRA NNNAV - €m	**1,408**	**1,455**
EPRA NNNAV - Euros cents per share	*44.2*	*45.6*
Nº of shares (m)	*3,189*	*3,189*

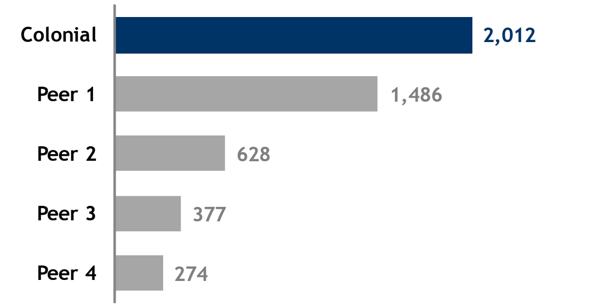
For its calculation, the following items have been adjusted in the EPRA NAV: the fair market value of the financial instruments (-€9m), the fair market value of the debt (-€32m), and the taxes that would be accrued with the sales of the assets at their market value (-€71m), applying tax benefits for reinvestments.

The Colonial Group has tax credits for an amount of €1,019m, associated with negative taxable bases, pending to be offset by future generated income. This means that the corporate tax generated in the future will be partially offset by the aforementioned tax credits, which, with the new tax reform, will have no time limit to be completely offset with future profits.

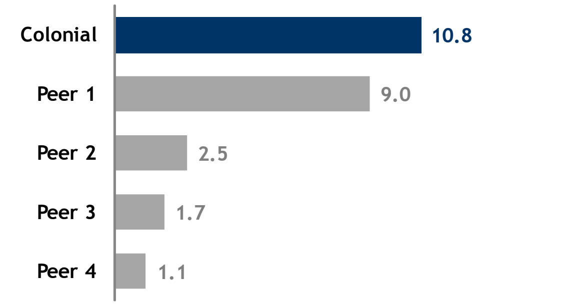
Share price performance

Colonial has positioned itself as the first listed Spanish property company in terms of market capitalization.

Market capitalization €m (*)

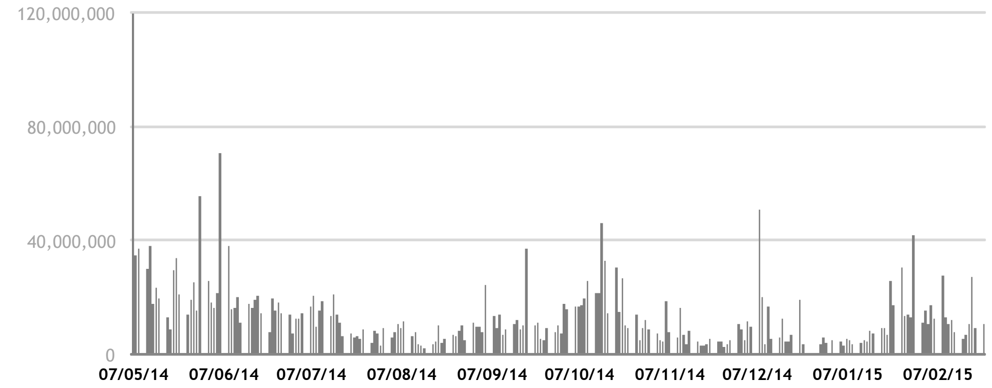


Average daily trading volume €m (30 days)



(*) As of 23 February, 2015. Companies with an average daily trading volume > €0.5m

Daily traded volume (shares)



Colonial has been included in two EPRA indices: the FTSE EPRA/NAREIT Developed Europe and the FTSE EPRA/NAREIT Developed Eurozone of the Global Property Index 250 (GPR 250 Index) as well as the Ibex Medium Cap index.

These indices are benchmark property indices for international listed companies.

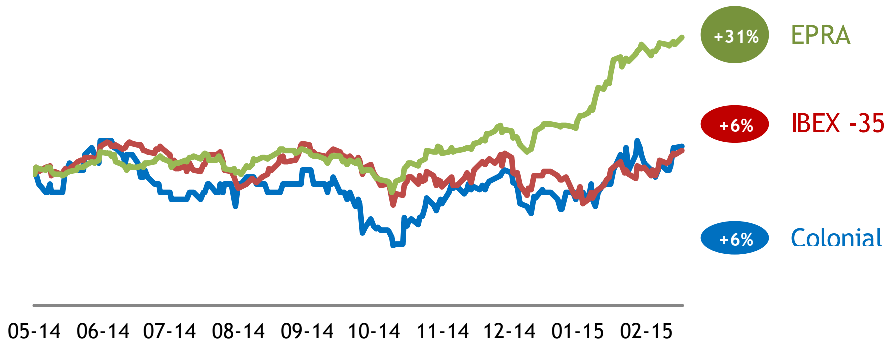
EPRA EUROPEAN PUBLIC REAL ESTATE ASSOCIATION

Global property research Solutions for customized property indices

IPD Measured Fund

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

The evolution in the share price value since the recapitalization in May 2014 is shown as follows:



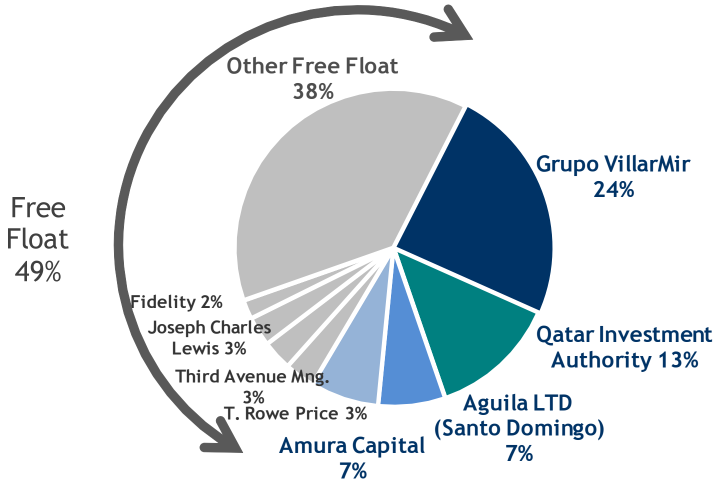
Selected domestic and international financial analysts cover the company and therefore track and analyse the share price performance.
The target prices and recommendations are as follows:

Institution	Analyst	Date	Recommendation	Target Price (€/share)
Kempen	Boudewijn Schoon	15/04/2014	Underweight	0.53
Ahorro Corporación	Juan Moreno	07/05/2014	Sell	0.47
Morgan Stanley	Bart Gysens	17/06/2014	Equal-weight	0.65
Interdin	Pablo Ortiz de Juan	17/07/2014	Buy	0.70
N+1 Equities	Rodrigo Vázquez	30/10/2014	Buy	0.70
2014 average				**0.61**

Company shareholder structure

Colonial has a shareholder structure with renowned investors and a broad free float of around 50%.

Shareholder structure at 2/02/2014 (*)



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

Board of Directors

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

6. Appendices

6.1 Appendix – EPRA Ratios

1) EPRA Earnings

EPRA Earnings - Full year 2014 - €m	12/2014	12/2013
Earnings per IFRS Income statement	**492**	**(546)**
Earnings per IFRS Income statement - Euros cents per share	*15*	*(242)*
Adjustments to calculate EPRA Earnings, exclude:		
(i) Changes in value of investment properties, development properties held for investment and other interests	(332)	(39)
(ii) Profits or losses on disposal of investment, development properties held for investment and other interests	(8)	9
(iii) Profits or losses on sales of trading properties including impairment changes in respect of trading properties	na	na
(iv) Tax on profits or losses on disposals	na	na
(v) Negative goodwill / goodwill impairment	120	na
(vi) Changes in fair value of financial instruments and associated close-out costs	33	- (1)
(vii) Acquisition costs on share deals and non controlling joint venture interests	na	na
(viii) Deferred tax in respect of EPRA adjustments	26	27
(ix) Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation	6	(9)
(x) Minority interests in respect of the above	98	41
EPRA Earnings	**435**	**(518)**
EPRA Earnings per Share (EPS) - Euros cents per share	*14*	*(229)*
Colonial specific adjustments:		
(a) Discontinued operations	(701)	404
(b) Extraordinary expenses	49	27 (1)
(c) Non recurring financial result	90	89 (1)
(d) Tax credits	143	-
Company specific adjusted EPRA Earnings	**16.7**	**3.6**
Company adjusted EPRA Earnings per Share (EPS) - Euros cents per share	*0.5*	*1.6*

(1) Note: 2013 figures restated according to the latest update of EPRA Best Practices Recommendations

6.1 Appendix – EPRA Ratios (cont.)

2) EPRA NAV

EPRA Net Asset value - €m	12/2014	6/2014
NAV per the Consolidated financial statements	**1,423**	**1,476**
Effect of exercise of options, convertibles and other equity interests	**na**	**na**
NAV per the Consolidated financial statements	**1,423**	**1,476**
Include:		
(i.a) Revaluation of investment properties (if IAS 40 cost option is used)	4	4
(i.b) Revaluation of investment property under construction (IPUC) (if IAS 40 cost option is used)	na	na
(i.c) Revaluation of other non current investment	11	11
(ii) Revaluation of tenant leases held as finance leases	na	na
(iii) Revaluation of trading properties	na	na
Exclude:		
(iv) Fair value of financial instruments	9	10
(v.a) Deferred tax	73	67
(v.b) Tax credits on balance	-	(143)
Include/exclude:		
Adjustments (i) to (iii) above in respect of joint ventures interests	na	5
EPRA NAV - €m	**1,521**	**1,430**
EPRA NAV - Euros cents per share	***47.7***	***44.9***
Nº of shares (m)	*3,189*	*3,189*

3) EPRA NNNAV

EPRA Triple Net Asset value (NNNAV) - €m	12/2014	6/2014
EPRA NAV	**1,521**	**1,430**
Include:		
(i) Fair value of financial instruments	(9)	(10)
(ii) Fair value of debt	(32)	(43)
(iii) Deferred tax	(71)	(65)
(iv) Tax credits on balance	na	143
EPRA NNNAV - €m	**1,408**	**1,455**
EPRA NNNAV - Euros cents per share	***44.2***	***45.6***
Nº of shares (m)	*3,189*	*3,189*

6.1 Appendix – EPRA Ratios (cont.)

4) EPRA yield & topped-up yield

D. EPRA yield & "Topped-Up" yield		Barcelona	Madrid	Paris	Total 2014	Total 2013
Figures in €m						
Investment property – wholly owned		594	697	4,466	5,757	5,039
Investment property – share of JVs/Funds		na	na	na	na	na
Trading property (including share of JVs)		na	na	na	na	na
Less developments		(13)	(10)	(575)	(597)	(551)
Completed property portfolio	**E**	**582**	**687**	**3,891**	**5,160**	**4,488**
Allowance for estimated purchasers' costs		19	18	214	252	208
Gross up completed property portfolio valuation	**B**	**601**	**706**	**4,105**	**5,412**	**4,697**
Annualised cash passing rental income		26	35	153	215	200
Property outgoings		(4)	(4)	(8)	(15)	(13)
Annualised net rents	**A**	**23**	**31**	**146**	**199**	**187**
Add: notional rent expiration of rent free periods or other lease incentives		2	0	14	16	14
"Topped-up" net annualised rent	**C**	**24**	**31**	**159**	**215**	**201**
EPRA Net Initial Yield	A/B	3.8%	4.4%	3.5%	3.7%	4.0%
EPRA "Topped-Up" Yield	C/B	4.1%	4.4%	3.9%	4.0%	4.3%
Gross Rents 100% Occupancy	F	37	41	176	254	241
Property outgoings 100% Occupancy		(1)	(2)	(5)	(8)	(8)
Annualised net rents 100% Occupancy	**D**	**36**	**39**	**171**	**246**	**233**
Net Yield 100% Occupancy	D/B	6.0%	5.5%	4.2%	4.6%	5.0%
Gross Yield 100% Occupancy	F/E	6.3%	6.0%	4.5%	4.9%	5.4%

5) EPRA Vacancy Rate

EPRA Offices Vacancy Rate

€m	12/2014	12/2013	Var. %
BARCELONA			
Vacant space ERV	0.6	0.4	
Portfolio ERV	2.5	2.2	
EPRA Vacancy Rate Barcelona	22%	17%	*4.8 pp*
MADRID			
Vacant space ERV	0.3	0.4	
Portfolio ERV	2.7	2.4	
EPRA Vacancy Rate Madrid	10%	18%	*(7.4 pp)*
PARIS			
Vacant space ERV	1.9	2.3	
Portfolio ERV	13.2	12.1	
EPRA Vacancy Rate Paris	14%	19%	*(4.7 pp)*
TOTAL PORTFOLIO			
Vacant space ERV	2.8	3.1	
Portfolio ERV	18.4	16.7	
EPRA Vacancy Rate Total Portfolio	15%	19%	*(3.8 pp)*

6.1 Appendix – EPRA Ratios (cont.)

6) EPRA Cost Ratios

E. EPRA Cost Ratios		12/2014	12/2013
Figures in €m			
(i) Administrative/operating expense line per IFRS income statement		35	34
(ii) Net service charge costs/fees		21	20
(iii) Management fees less actual/estimated profit element		(1)	0
(iv) Other operating income/recharges intended to cover overhead expenses less any related profits		(0)	(2)
(v) Share of Joint Ventures expenses		2	3
Exclude (if part of the above):			
(vi) Investment Property depreciation		na	na
(vii) Ground rent costs		na	na
(viii) Service charge costs recovered through rents but not separately invoiced		(2)	(3)
EPRA Costs (including direct vacancy costs)	**A**	**54**	**53**
(ix) Direct vacancy costs		(9)	(8)
EPRA Costs (excluding direct vacancy costs)	**B**	**45**	**45**
(x) Gross Rental Income less ground rent costs - per IFRS		211	213
(xi) Less: service fee and service charge costs components of Gross Rental Income (if relevant)		(3)	(6)
(xii) Add: share of Joint Ventures (Gross Rental Income less ground rent costs)		9	21
Gross Rental Income	**C**	**217**	**228**
EPRA Cost Ratio (including direct vacancy costs) (A/C)	**A/C**	**25.1%**	**23.3%**
EPRA Cost Ratio (excluding direct vacancy costs) (B/C)	**B/C**	**20.9%**	**19.9%**

[1] 2014: corresponds to €32.3m in administrative expenses and €2.2m to extraordinary operating expenses
2013: corresponds to €32.3m in administrative expenses and €1.9m to extraordinary operating expenses

6.2 Appendix – Consolidated balance sheet

Consolidated balance sheet

€m	31/12/2014	31/12/2013
ASSETS		
Consolidated goodwill	0	120
Investment property - In operation	*5,345*	*4,602*
Investment property - Work in progress, advances and provisions	*318*	*314*
Property investments	5,663	4,916
Equity method	0	302
Other non-current assets	47	216
Non-current assets	**5,710**	**5,554**
Debtors and other receivables	71	66
Other current assets	128	57
Assets available for sale	17	843
Current assets	**215**	**966**
TOTAL ASSETS	5,925	6,520
LIABILITIES		
Share capital	*797*	*226*
Other reserves	*154*	*36*
Profit (loss) for the period	*492*	*(547)*
Others	*(20)*	*(59)*
Equity	1,423	(344)
Minority interests	1,376	1,273
Net equity	**2,799**	**929**
Bond issues and other non-current issues	1,196	996
Non-current financial debt	1,401	547
Deferred tax	197	169
Other non-current liabilities	124	121
Non-current liabilities	**2,918**	**1,833**
Bond issues and other current issues	9	14
Current financial debt	68	2,057
Creditors and other payables	93	88
Other current liabilities	39	62
Liabilities associated to assets available for sale	0	1,538
Current liabilities	**209**	**3,758**
TOTAL EQUITY & LIABILITIES	5,925	6,520

MARKET VALUE RECONCILIATION	€m
Tangible fixed assets - own use [1]	30
Real estate investment (w/o advances on fixed assets) [2]	5,657
Non-current assets held for sale - Investment properties [3]	17
Value accounted on balance	**5,703**
Unrealised capital gains - own use	11
Not appraised	0
Rent free periods	44
Adjustments	**54**
Appraisal value according to external appraisers	**5,757**

[1] Included in the line of "Other non-current assets"
[2] Included in the line of "Property Investments"
[3] Included in the line of "Assets available for sale"

6.3 Appendix – Asset portfolio - Locations

Barcelona

1 TORRE BCN

2 PG. DELS TIL·LERS 2-6

3 AV. DIAGONAL 682

4 AV. DIAGONAL 609-615

5 BERLÍN 38-48 / NUMÀNCIA 46

VESSERA GRÀCIA 11

7 AMIGÓ 11-17

DIAGONAL -532

9 AV. DIAGONAL 409

10 VIA AUGUSTA 21-23

11 TORRE MARENOSTRUM

12 AUSIÀS MARC 148

13 DIAGONAL GLÒRIES

14 COMPLEJO DE OFICINAS PARC CENTRAL

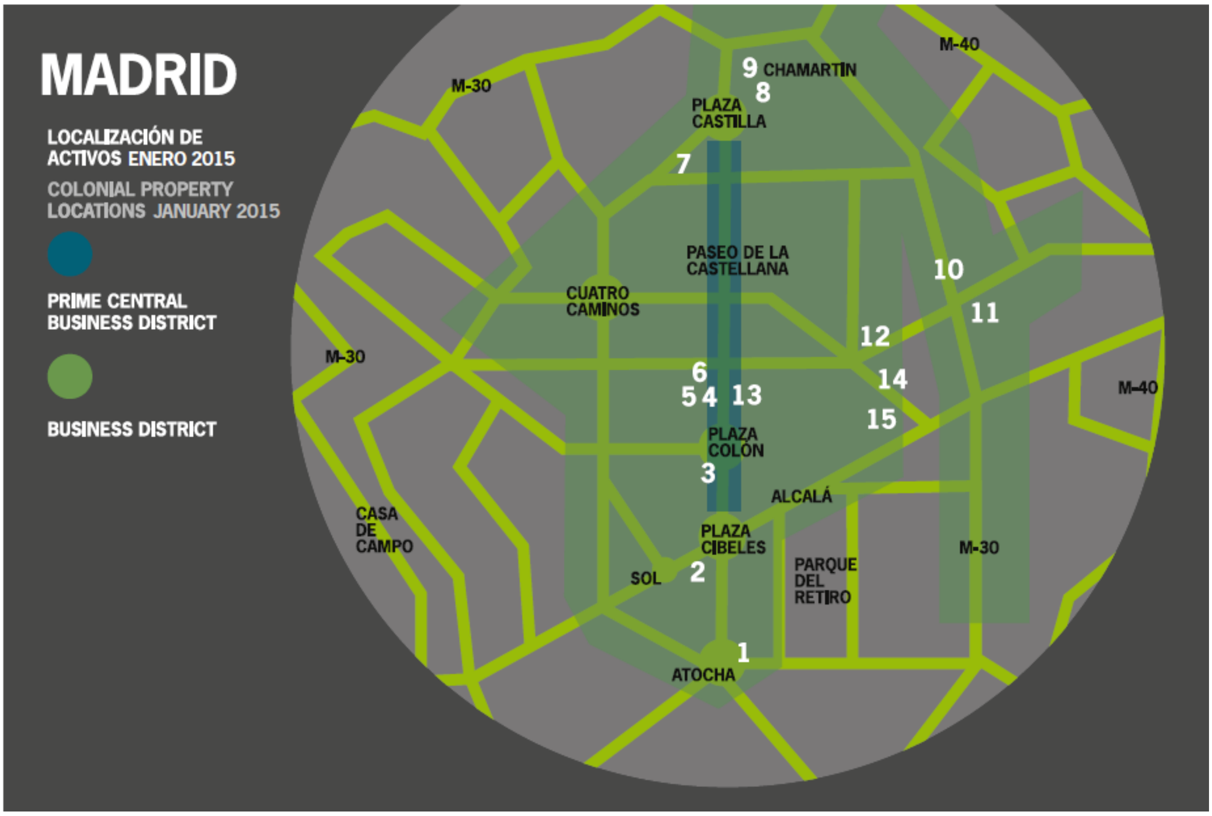
15 COMPLEJO DE OFICINAS ILLACUNA

16 COMPLEJO DE OFICINAS SANT CUGAT NORD

17 PLAZA EUROPA 42-44

6.3 Appendix – Asset portfoilo - Locations (cont.)

Madrid



BREEAM® ES


1 ALFONSO XII, 62


2 ALCALÁ, 30-32


3 PASEO DE RECOLETOS, 37-41


4 PASEO DE LA CASTELLANA, 43


5 MIGUEL ANGEL, 11


6 JOSÉ ABASCAL, 56


7 CAPITÁN HAYA, 53


8 AGUSTÍN DE FOXÁ, 29


9 HOTEL TRYP CHAMARTÍN


10 RAMÍREZ DE ARELLANO, 37


11 MV 49 BUSINESS PARK


12 LÓPEZ DE HOYOS, 35


13 PASEO DE LA CASTELLANA, 52

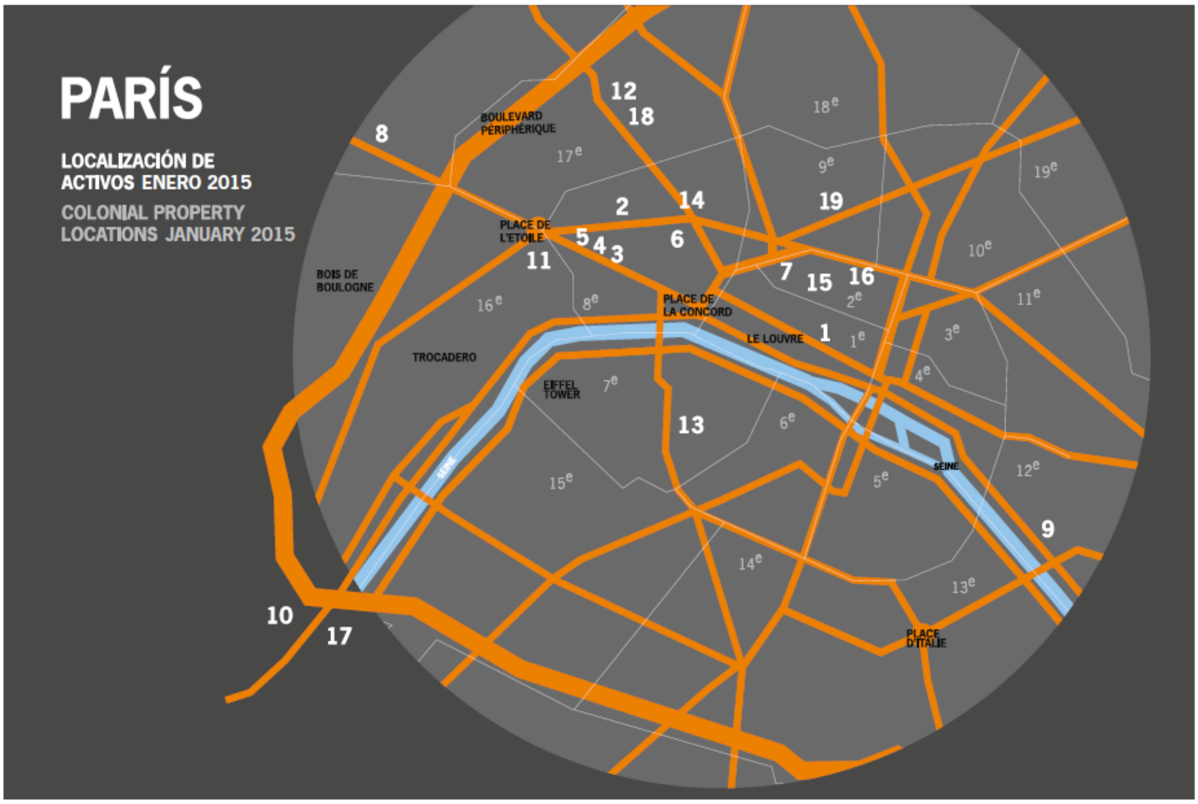

14 FRANCISCO SILVELA, 42


15 ORTEGA Y GASSET, 100

6.3 Appendix – Asset portfoilo - Locations (cont.)

Paris

The entire Paris portfolio has energy certificates




1 LDE-LDA


2 WASHINGTON PLAZA


3 GALERIE DES CHAMPS-ÉLYSÉES

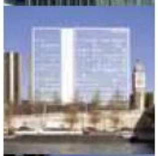

4 90 CHAMPS-ÉLYSÉES


5 92 CHAMPS-ÉLYSÉES-OZONE


6 CÉZANNE SAINT-HONORÉ


7 EDOUARD VII


8 176 CHARLES DE GAULLE


9 RIVES DE SEINE


10 IN/OUT


11 96 IENA


12 131 WAGRAM


13 103 GRENELLE


14 104-110 HAUSSMANN


15 6 HANOVRE


16 ILOT RICHELIEU


17 LE VAISSEAU


18 112 WAGRAM


19 4-8 RUE CONDORCET

6.4 Appendix – Asset portfolio - Details

Spain

RENTAL PORTFOLIO SPAIN	Floor space above ground					Floor space above ground	Floor space below ground	Total surface	Parking units
	Offices	Retail	Resid.	Logistic	Hotel				
AV. DIAGONAL, 409	4,531					4,531		4,531	
AV. DIAGONAL, 530	11,781					11,781	5,273	17,054	99
AV. DIAGONAL, 609-615 (DAU)	21,252					21,252	18,839	40,091	438
AV. DIAGONAL, 682	8,622					8,622	1,948	10,570	43
PEDRALBES CENTRE		5,558				5,558	1,308	6,866	
AUSIAS MARC / LEPANT	6,430					6,430	1,521	7,951	64
BERLIN, 38-48/NUMANCIA, 46	11,308					11,308	3,793	15,101	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	2,852	7,995	79
VIA AUGUSTA, 21-23	4,838					4,838	0	4,838	
TRAVESSERA DE GRACIA, 11	4,515					4,515	1,994	6,509	55
AMIGÓ	3,580					3,580	1,766	5,346	70
PLAZA EUROPA 42-44	4,869					4,869	2,808	7,677	68
TORRE BCN	9,035					9,035	3,398	12,433	88
TORRE DEL GAS	22,750					22,750	19,370	42,120	609
SANT CUGAT NORD	27,904					27,904	20,627	48,531	690
P. CASTELLANA, 52	7,523					7,523	2,615	10,138	49
RECOLETOS, 37	17,202					17,202	5,340	22,542	175
CASTELLANA, 43	5,998					5,998	2,442	8,440	81
MIGUEL ANGEL, 11	6,300					6,300	2,231	8,531	81
JOSE ABASCAL, 56	12,325					12,325	6,437	18,762	219
ALCALA, 30-32	9,088					9,088	1,700	10,788	52
ALFONSO XII, 62	13,135					13,135	2,287	15,422	78
FRANCISCO SILVELA, 42	5,725					5,725	3,654	9,379	105
ORTEGA Y GASSET 100	7,792					7,792	2,563	10,355	96
CAPITAN HAYA	16,015					16,015	9,668	25,683	295
LOPEZ DE HOYOS, 35	7,140					7,140	4,105	11,245	111
CENTRO NORTE	6,657					6,657	2,557	9,213	159
CENTRO NORTE HOTEL					8,458	8,458	11,089	19,547	
MARTINEZ VILLERGAS, 49	24,135					24,135	14,581	38,716	437
RAMIREZ DE ARELLANO, 37	5,988					5,988	4,923	10,911	160
RENTAL PORTFOLIO	323,703	5,558			8,458	337,719	175,844	513,564	5,020
ORENSE 46-48		5,010				5,010	1,295	6,305	51
OTHER COMMERCIAL PREMISES		969				969	350	1,319	
PORFOLIO IN OPERATION SPAIN	323,703	11,537			8,458	343,699	177,489	521,188	5,071
PARC CENTRAL	14,737					14,737	14,737	29,474	184
SANT CUGAT NORD							435	435	
BERLIN, 38-48/NUMANCIA, 46	1,509					1,509	12	1,521	
AV. DIAGONAL, 609-615 (DAU)	744					744	150	894	
TORRE BCN	800					800	0	800	
AV. DIAGONAL, 530	2					2	0	2	
PEDRALBES CENTRE							18	18	
HOTEL MARINA DE LA TORRE					11,519	11,519	0	11,519	
CENTRO NORTE	576					576	0	576	
ORENSE							93	93	
JOSE ABASCAL, 56	12					12	0	12	
MIGUEL ANGEL, 11							818	818	
AV. DIAGONAL, 682							84	84	
PROJECTS UNDERWAY SPAIN	18,380				11,519	29,899	16,346	46,245	184
TOTAL SPAIN	**342,083**	**11,537**			**19,977**	**373,598**	**193,835**	**567,433**	**5,255**
BARCELONA	*196,473*	*5,661*				*202,134*	*115,088*	*317,222*	*3,106*
MADRID	*145,610*	*5,010*			*8,458*	*159,078*	*78,397*	*237,475*	*2,149*
OTHERS		*866*			*11,519*	*12,385*	*350*	*12,735*	

6.4 Appendix – Asset portfolio - Details (cont.)

France

RENTAL PORTFOLIO FRANCE	Floor space above ground					Floor space above ground	Floor space below ground	Total surface	Parking units
	Offices	Retail	Resid.	Logistic	Hotel & others				
CALL-LDA	23,272	861			2,134	26,268	5,730	31,998	236
EDOUARD 7	27,730	15,998	4,509		4,237	52,474	10,145	62,619	523
HANOVRE LB	3,325		0			3,325	1,246	4,571	
CONDORCET	20,376	0			1,301	23,239	2,457	25,696	50
C. ELYSEES 8288		4,252				4,252	3,789	8,041	125
C. ELYSEES 90	1,148	981				2,129		2,129	99
C. ELYSEES 92	4,110	3,089				7,199		7,199	
CEZANNE SAINT HONORE	23,369	1,849				25,218	3,337	28,555	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	33,637	460			2,241	36,338	13,271	49,609	662
HAUSS. 104-110	11,683	791				12,474	2,650	15,124	104
NEUILLY	5,749	389				6,138	2,739	8,876	145
QUAI LE GALLO	28,873					28,873	14,567	43,440	581
ISSY LES MOULINEAUX	6,026					6,026	2,321	8,347	124
RIVES DE SEINE	20,270				1,760	22,030	6,589	28,619	366
103 GRENELLE	15,176	258			1,052	16,486	1,872	18,357	100
SAINT DENIS			60			60	16	76	1
PORTFOLIO IN OPERATION FRANCE	**243,819**	**29,819**	**6,132**		**13,174**	**292,944**	**79,106**	**372,050**	**3,661**
WASHINGTON PLAZA	5,568					5,568	2,678	8,246	
CALL-LDA	5,230	5,820				11,050	8,462	19,513	
108-112 WAGRAM						0	562	562	
GRENELLE						0	2,996	2,996	
C. ELYSEES 8288		347				347	2,304	2,651	
C. ELYSEES 92						0	493	493	
CEZANNE SAINT HONORE	1,043					1,043	1,504	2,546	
C. ELYSEES 90	7,604					7,604	1,609	9,213	
QUAI LE GALLO							3,741	3,741	
ILOT RICHELIEU	33,187					33,187	1,609	34,796	99
NEULLY	0					0	861	861	
PRONY-WAGRAM						0	532	532	
IENA						0	930	930	
EDOUARD 7		0	0			0	0	0	
HANOVRE LB						0	36	36	
PROJECTS UNDERWAY FRANCE	**52,632**	**6,167**	**0**			**58,799**	**28,316**	**87,115**	**99**
TOTAL FRANCE	**296,452**	**35,986**	**6,132**		**13,174**	**351,743**	**107,422**	**459,165**	**3,760**
TOTAL PROPERTY COLONIAL	**638,535**	**47,523**	**6,132**		**33,151**	**725,341**	**301,257**	**1,026,598**	**9,015**

6.5 Appendix – Project portfolio

1 Projects in progress

Parc Central 22@ - Barcelona



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

#CLOUD (Rue Richelieu)



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

90 Champs-Élysées



An office complex that has a surface area of more than 7,000 sq m above ground under refurbishment, located on top of the Champs-Elysées shopping centre. This property has high potential for value creation and it is expected to come into operation in 2015. It is currently pre-let by an important consulting firm.

6.5 Appendix – Project portfolio (cont.)

2 Recently delivered projects

Travessera de Gràcia/Amigó



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

Alfonso XII



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

6.5 Appendix – Project portfolio (cont.)

2 Recently delivered projects (cont.)

Diagonal 409



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

Paseo los Tilos



New office refurbishment project, with the LEED SILVER pre-certification, located in one of the most prestigious residential areas in Barcelona. The building has five open plan floors of office space with a total rentable surface area of 5,143 sq m and two floors underground with a total of 79 parking spaces. Floors with high quality interiors and finishings, which offer an average surface area per floor of over 1,000 sq m.

IN/OUT



Located on the outskirts of Paris, this building is found within the Vallée de la Culture Community Revival Project. The refurbishment project converted the building into a brand new high end office complex. The main building is used for offices, and a new extension houses a services centre, a restaurant, a cafeteria, a doorman's office, an amphitheatre, modular conference rooms and fitness facilities. Incorporating innovative technical solutions, the project has been designed with optimum functionality and total flexibility in mind. At the same time, it keeps in line with sustainable development and it complies with the demands of environmental responsibility.

6.6 Appendix – Historical series

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

6.7 Appendix - Non-recurring operating profit - Details

The extraordinary results were mainly due to the positive impact of the "deconsolidation"(1) of Asentia (a positive impact of €701m).

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

  This exclusion has resulted in the registration in income for discontinued operations derived from the "deconsolidation(1). As a result, the Colonial Group will not include any additional results deriving from its stake in Asentia.
- During the last months, Asentia executed new share capital increases, its syndicate loan fully subscribed by another credit institution, resulting in a decrease in the stake held by Colonial in Asentia to 3.79%.

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

In the line "Change in fair value of assets", €332m was registered due to an increase in value of the property portfolio, as a consequence of the asset valuations made by independent appraisers in December 2014.

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

At 31 December 2014, the Board of Directors fully reverted the capitalized tax credit of Colonial after reevaluating the assumptions considered in the impairment test, where the modifications of the new tax law have had a significant impact (permanently limiting the offsetting of negative taxable bases and the reduction of tax rates).

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

6.8 Appendix – Financial structure – Details

Financial structure at 31 December 2014

The main characteristics of the Colonial Group's debt are as follows:

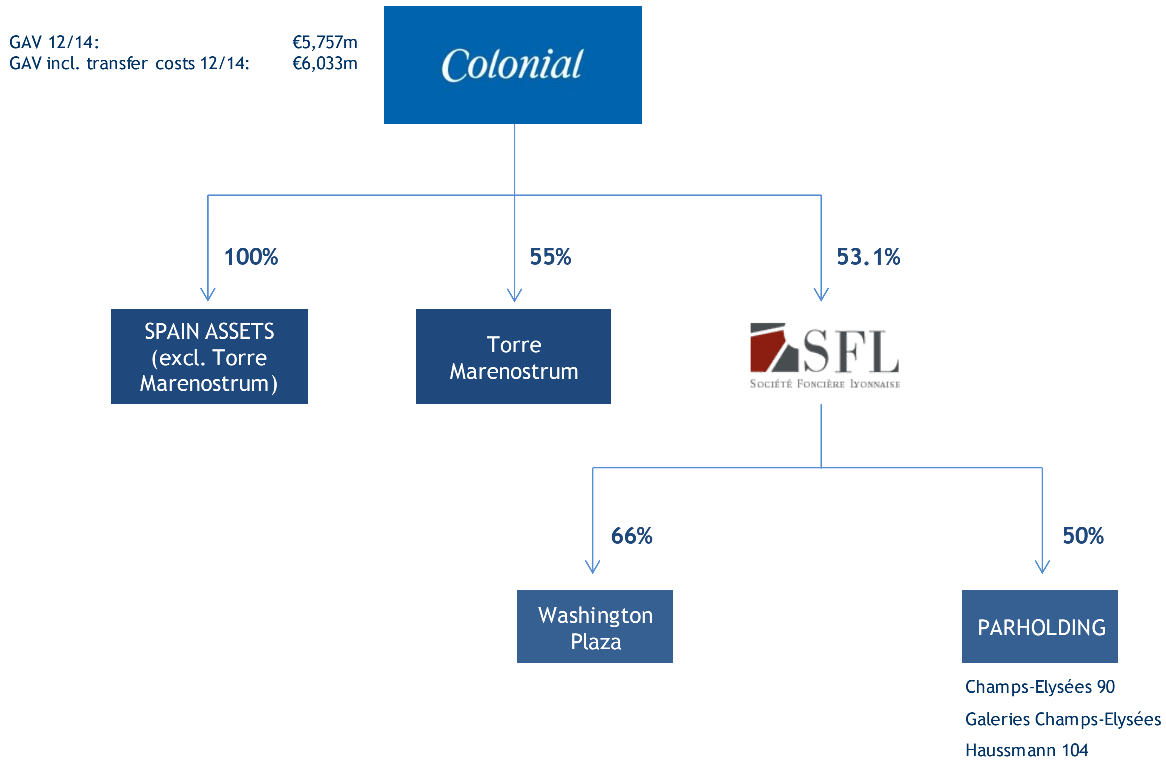
1. Colonial's syndicate loan for €1,040m. This loan was signed on 4 April 2014 and subscribed by different entities including Crédit Agricole Corporate and Investment Bank, Sucursal en España, GIC, AXA, ING and Banc Sabadell. Its main characteristics are:
   - Bullet maturity at 31 December 2018
   - Mortgage securities over Colonial's assets
   - Pledges on SFL's shares and TMN's capital shares
   - Margin: 400 bp over the 3-month Euribor rate
   - Voluntary amortizations: permitted as from the first anniversary of the debt
   - Market covenants: LTV below 58% and ICR (Interest Coverage Ratio) above 1.25x
2. SFL's two syndicate loans:
   a) A syndicate loan for a nominal amount of €400m, the agent bank of which is "BNP PARIBAS", maturing in July 2018 with an applicable spread between 180 bp and 230 bp, subject to the LTV level.
   b) A syndicate loan, the agent bank of which is "Natixis Banques Populaires". This loan, for a nominal amount of €350m was renewed in October 2014, reducing the amount by €150m, and extending maturity until October 2019. The applicable spread varies between 140 bp and 170 bp, depending on the LTV.

   At 31 December 2014, both loans were totally undrawn.
3. Three SFL bond issues for €1,200 according to the following breakdown:
   a) Issue in May 2011 for the initial amount of €500m and maturing in May 2016. After the repurchase carried out in November 2014, the amount was reduced to €300m with an annual fixed coupon of 4.625%.
   b) Issue in November 2012 of the initial amount of €500m, with pending amount after the repurchase carried out in November 2014 of €400m, maturing in November 2017, with an annual fixed coupon of 3.5%.
   c) Issue in November 2014 for €500m, with an annual fixed coupon of 1.875% with maturity in November 2021.

   These bonds are unsubordinated and non-preferential between them, and have been accepted for listing on the regulated market of Euronext Paris.
4. Bilateral loans with mortgage securities:
   a) The Colonial Group in Spain holds €43m in bilateral loans, with mortgage securities on various property assets. The average maturity of these loans is 5.6 years and the average financing spread is 80 bp.
   b) SFL holds a total of €232m in bilateral loans with various financial institutions, with mortgage securities on property assets. The average maturity of these loans is 2.5 years and the average financing spread is 187 bp.
5. Bilateral loans without mortgage securities. SFL holds various loans for the amount of €156m with an average maturity of 2.7 years and an average financing spread of 133 bp.

6.9 Appendix - Legal structure

COLONIAL GROUP



6.10 Appendix - Subsidiaries - Details

▪ SFL main figures

Key performance indicators

	SFL		
	dic-14	dic-13	Var. %
No. of Assets	19	18	6%
Office occupancy	85%	80%	*5.3 pp*
Total occupancy	88%	83%	*4.7 pp*
Rental revenues	152	149	1%
EBITDA rents	139	137	2%
EBITDA / rental revenues	92%	92%	*0.5 pp*
EBITDA Total	**131**	**119**	10%
Profit attributable to Group	**198**	**147**	**34%**

	dic-14	dic-13	Var. %
GAV assets (1)	4,466	3,874	15%
Net Debt	1,572	1,457	-
LTV (2)	33%	33%	-
EPRA NAV (excluding "transfer costs")	2,432	2,309	5%
Nº of shares (mn)	46.5	46.5	0%
EPRA NAV (excluding "transfer costs") (€/share)	52.3	49.6	5%
EPRA NAV (including "transfer costs") (€/share)	56.7	53.2	7%

Calculated considering the consolidation criteria

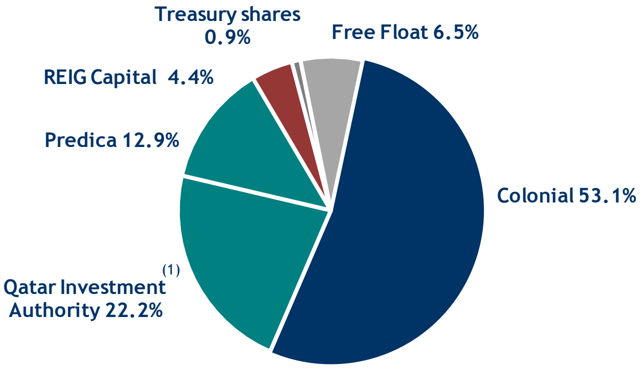
(1) GAV following consolidation criteria excluding transfer costs (not including SIIC de Paris)

(2) LTV: Group net debt / (GAV including transfer costs)

6.10 Appendix – Subsidiaries – Details (cont.)

▪ Shareholder structure and Board of Directors of SFL

***SFL** - Shareholder structure at 31/12/2014*



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

Board of Directors SFL

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

6.11 Appendix - Glossary

Earnings per share (EPS)	Profit from the year attributable to the shareholders divided by the number of shares
BD	Business District
Market capitalisation	The value of the company's capital obtained from its stock market value. It is obtained by multiplying the market value of its shares by the number of shares in circulation
CBD	Central Business District (prime business area)
Property company	Company with rental property assets
Portfolio (surface area) in operation	Property/surfaces with the capacity to generate rents at the closing date of the report
Asentia deconsolidation	Exit from the consolidation perimeter of the Colonial Group or consideration as an associated company
EBITDA	Operative results before net revaluations, amortizations, provisions, interests and taxes
EPRA	European Public Real Estate Association: Association of listed European property companies that sets best market practices for the sector
Free float	The part of share capital that is freely traded on the stock market and not controlled in any stable way by shareholders
GAV excl. transfer costs	Gross Asset Value of the portfolio according to external appraisers of the Group, after deducting transfer costs
GAV incl. transfer costs	Gross Asset Value of the portfolio according to external appraisers of the Group, before deducting transfer costs
GAV Holding Colonial	Gross Asset Value of directly-held assets + NAV of the 55% stake in the Torre Marenostrum SPV + NAV of 53.1% stake in SFL

6.11 Appendix – Glossary (cont.)

Holding	A company whose portfolio contains shares from a certain number of corporate subsidiaries.
IFRS	International Financial Reporting Standards.
JV	Joint Venture (association between two or more companies).
Like for Like rents	Data that can be compared between one period and another, excluding the following: 1) investments and disposals, 2) changes in the project and refurbishment portfolio, and 3) other extraordinary items, for example, indemnities from tenants in case of anticipated leave.
Like for Like valuation	Data that can be compared between one period and another (excluding investments and disposals)
LTV	Loan to Value (Net financial debt/GAV of the business).
EPRA NAV	EPRA Net Asset Value (EPRA NAV) is calculated based on the consolidated equity of the company and adjusting some items following the EPRA recommendations
EPRA NNNAV	The EPRA NNNAV is calculated adjusting the following items in the EPRA NAV: the fair market value of the financial instruments, the fair market value of the debt, the taxes that would be accrued with the sale of the assets at their market value applying tax benefits for reinvestments and the tax credit on balance, considering a going concern assumption.
EPRA Cost Ratio	Administrative & operating costs (including & excluding costs of direct vacancy) divided by gross rental income.
Occupancy - surfaces	Percentage: occupied square metres of the portfolio at the closing date of the report/surfaces in operation of the portfolio
EPRA Occupancy	Financial occupancy according to the calculation recommended by the EPRA (occupied surface areas multiplied by the market rental prices/surfaces in operation at market rental prices).

6.11 Appendix – Glossary (cont.)

Reversionary potential	This is the result of comparing the rental revenues from current contracts (contracts with current occupancy and current rents in place) with the rental revenues that would result from 100% occupancy at market prices, estimated by independent appraisers. Projects and refurbishments are excluded.
Projects underway	Property under development at the closing date of the report
RICS	Royal Institution of Chartered Surveyors
SFL	Société Foncière Lyonnaisse
TMN	SPV of Colonial (55%) and Gas Natural (45%) related to the Torre Marenostrum building
Take up	Materialized demand in the rental market, defined as new contracts signed
Valuation Yield	Capitalization rate applied by the independent appraisers in the valuation
Yield on cost	Market rent 100% occupied/Market value at the start of the project net of impairment of value + invested capital expenditure
Yield occupancy 100%	Passing rents + vacant spaces rented at the market prices/market value
EPRA net initial yield (NIY)	Annualised rental income based on passing rents as at the balance sheet date, reduced by the non-recoverable expenses, divided by the market value, including transfer costs (= estimated purchasers costs).
EPRA Topped-Up Net Initial Yield	EPRA Net Initial Yield adjusted in respect of the expiration of rent-free periods.
Gross Yield	Gross rents/market value excluding transfer costs
Net Yield	Net rents/market value including transfer costs
€m	In millions of euros

6.12 Appendix – Contact details

Investor Relations

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

Shareholders Office

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

Colonial Website

www.inmocolonial.com

Capital Market registry data - Stock market

Bloomberg: COL.SM
ISIN Code: ES0139140042
Indices: IPD, EPRA (FTSE EPRA/NAREIT Developed Europe and FTSE EPRA/NAREIT Developed Eurozone)

6.13 Appendix – Disclaimer

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

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

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