Colonial

With the signing of the agreement by all of the entities, the Company has successfully concluded its debt-restructuring process

AGREEMENT TAKES COLONIAL TO A NEW STAGE

- **Colonial is returning to a property-management profile with a portfolio of buildings in the prime areas of Paris, Madrid and Barcelona.**
- **Its capital will increase to more than €3.3 billion—€1.95 billion from the debt-to-equity swap and the remainder from the conversion of its current convertible bonds.**
- **The parent will have a sheerly property-management profile and a debt of only €2.10 billion.**
- **The Company will move up the timetable for converting its convertible bonds.**
- **It will spin off the land and development business as well as the corresponding €1.02 billion debt to a wholly owned subsidiary of Colonial.**
- **The restructuring agreement is expected to be implemented on 31 July.**
- **In the words of Colonial's chairman, Juan José Brugera*: "By restructuring we have laid the foundations to begin 2010 with a stronger capital structure and thus carry out a new phase in the reaffirmation of Colonial's traditional strategy."***

19 February 2010. Colonial signs a formal, binding agreement to restructure all of its financial debt, which currently stands at €4.96 billion. The agreement includes all institutions that took part in the syndicated loan signed on 12 April 2007, as well as the remaining lending institutions. The restructuring agreement is consistent with the viability plan drawn up by the management team.

In the words of Colonial's chairman, Juan José Brugera*: "Thanks to the restructuring agreements that were reached, the Company will have increased its capital by more than €3.30 billion, thus lowering its financial debt to just €2.095 billion, which is linked to its main business, rental properties with a high cash-flow-generation capacity. The restructuring involved a lot of hard work, and in the end the effort was successful thanks to the contribution of everyone: shareholders, lenders, advisors and the entire staff at Colonial. I would like to thank all those involved for their strong commitment* *and the confidence they have placed at all times in the Company.*

"By restructuring we have laid the foundations to begin 2010 with a stronger capital structure, enabling us to enter a new phase in the reaffirmation of Colonial's traditional strategy."

Colonial's Board of Directors will call an Extraordinary General Shareholders' Meeting to approve the restructuring agreement and, specifically, the capital increase and the contribution by the land and development business to a subsidiary.

The main terms and conditions of the financial restructuring agreement are as follows:

Partial debt-to-equity swap

Colonial will submit two capital increases, to be carried out through the issue of new shares, for the approval of the General Shareholders' Meeting. First, a capital increase in the approximate amount of €1.95 billion via cash contributions, for a price of €0.12/share.

This issue recognizes the preemptive subscription right of the Company's shareholders. The possibility that the new shares may not be fully subscribed has been taken into account, and a request will be made for the shares to be listed on the Madrid and Barcelona stock exchanges.

The second capital increase will be carried out via non-monetary contributions in the approximate amount of €1.9 billion, minus the amount obtained in the first increase above €50 million. The subscription will be carried out by the institutions participating in the syndicated loan, by the bilateral lenders and by certain significant shareholders of the Company that meet the requirement of being creditors of it. This increase will be carried out by through a swap of their respective credits for new shares, also issued for a price of €0.12/share.

Principal Debt

A financial debt amounting to €2.10 billion will remain, and will be linked to Colonial's core business, e.g., its rental business. It will be backed by the mortgage guarantee on the rented buildings. This portion of the debt will be serviced mainly through the generation of ordinary cash flow in the form of revenue from the rental of buildings owned by Colonial as well as the dividends received from its property-management subsidiary, SFL.

In the words of Colonial's CEO, Pere Viñolas*: "Colonial is keeping intact its important portfolio of rented buildings in Paris, Madrid and Barcelona, with a valuation in excess of €5 billion.*

The agreements that have been reached demonstrate the clear backing of all parties involved for the strategic plan and the solid foundation for successfully carrying out the plan."

Early conversion of convertible bonds

The main holders of convertible bonds issued on 30 December 2008, representing 99.88% of the outstanding bonds, have signed a commitment to request the conversion of these bonds into shares before the notice of General Meeting at which they will submit the aforementioned agreements is published. This conversion will entail an additional capital increase of approximately €1.4 billion. As a result of the conversion, a proposal will be submitted to the General Shareholders' Meeting for the adoption of a resolution on the appointment of new Board members representing these institutions.

Spin-off of the land and development business

The restructuring agreement calls for contributing the Company's entire land and development business to a wholly own Colonial subsidiary. As an integral part of the contributed business, this subsidiary will assume financial debt for approximately €1.02 billion.

Issue of warrants

Colonial's Board of Directors will also submit to the approval of the next General Shareholders' Meeting an issue of warrants, convertible to Colonial shares, provided that certain conditions are met. These warrants may not be assigned in a generalized manner nor may they be negotiated in a secondary market, and they would be subscribed by banks that, owing to the application of the terms set forth in the financial restructuring agreement, have transferred their credit to the subsidiary, which will channel the land and development business. This issue of warrants would guarantee the repayment of the principal of or the interest on the credits assumed, up to €298 million, and the financial institutions that hold them would be allowed to subscribe a future Colonial capital increase for an amount not to exceed €298 million by capitalizing the unpaid portion of the credits. Should this capital increase prove necessary, it would be carried out at a price not below the market price of Colonial's shares and it would have the status of a private issue inasmuch as it would be intended solely for the financial institutions in question.

For more information:

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