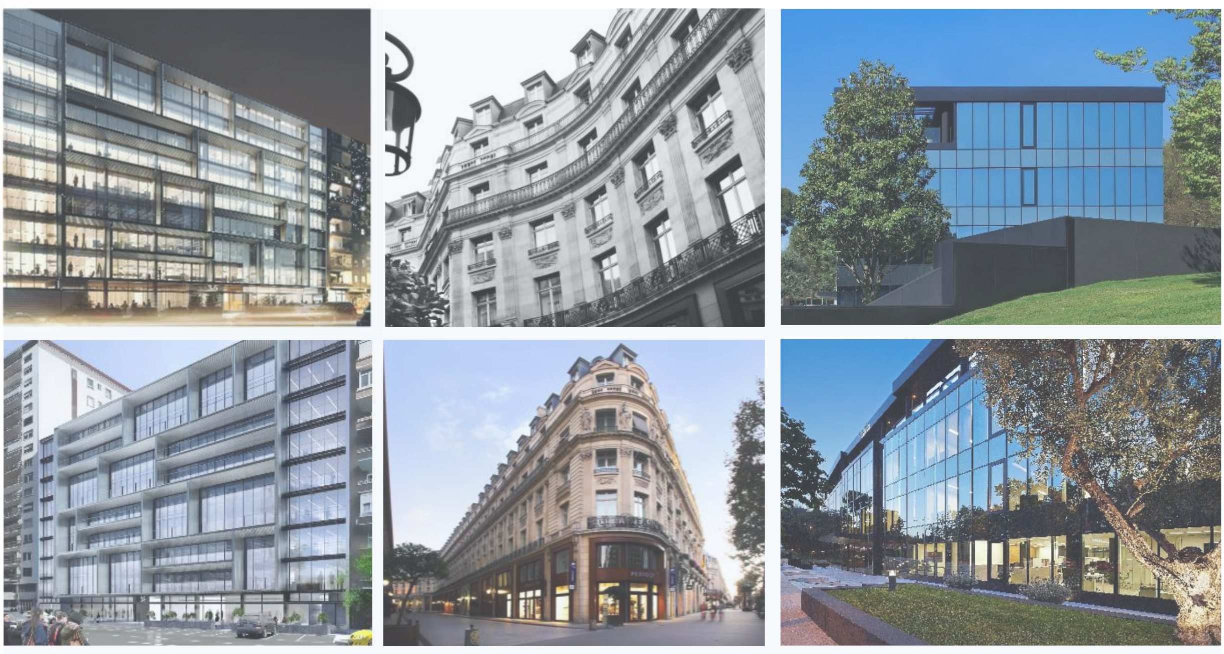
Colonial

Annual Results 2015

22 February 2016



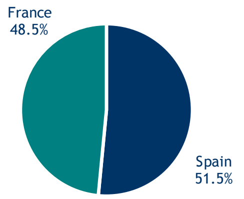
At the close of 2015, the EPRA NAV of the Colonial Group amounted to €62cents/share, an increase of 29% in 12 months

- **Recurring net profit: €37m, +121% vs. the previous year**
- **Gross rental income: €231m, +9% vs. the previous year, +6% Like-for-like**
- **Group Recurring EBITDA: €178m, +11% vs. the previous year, +8% Like-for-like**
- **Gross Asset Value of the Colonial Group: €6,913m, +16% Like-for-like vs. the previous year**

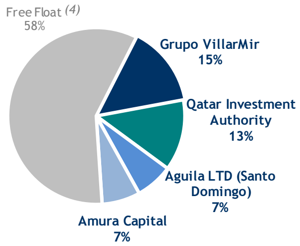
Capital Structure - 31/12/2015

GAV Parent Company (€m) [1]	3,119
EPRA NAV [2] - €m	1,966
EPRA NAV [2] - cents. of €/share	61.6
Prem./Disc. NAV (31/12/15)	4%
Group LTV [3]	41.8%
Rating S&P	BBB- stable outlook

Valuation - by market (Parent)



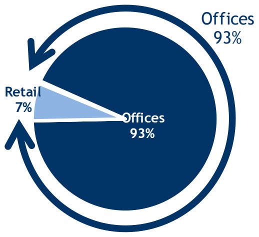
Shareholder structure Colonial



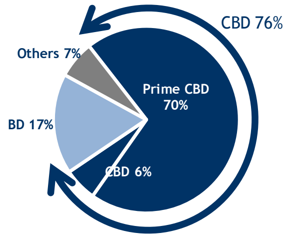
Portfolio - 31/12/2015

GAV Group (€m)	**6,913**
No. of assets Spain	36
No. of assets France	20
Total no of assets [5]	**56**
Lettable surface above ground	706,320
Developments underway - surf. above ground [6]	64,993
Surface above ground (sqm)	**771,313**

Valuation - by uses



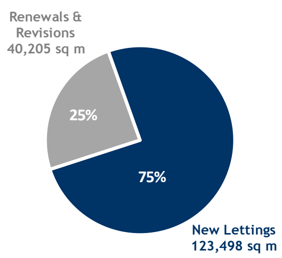
Valuation - by area



Key performance indicators - 31/12/2015

	Total	Barcelona	Madrid	Paris
New contracts	**123,498**	26,535	19,794	77,169
Renewals & revisions	**40,205**	12,887	15,775	11,543
Total commercial effort (sq m)	**163,703**	39,422	35,569	88,712
EPRA Office occupancy [7]	**94%**	89%	96%	94%
EPRA Total occupancy [7]	**94%**	90%	96%	95%
Rental revenues (€m)	**231**	27	35	169
% Like-for-like	*5.5%*	*1.9%*	*7.2%*	*5.7%*

Breakdown letting performance



Key Financial indicators - 31/12/2015 - €m

	2015	2014	Var.	Var. LFL
Gross rental income (GRI)	231	211	9%	5.5%
EBITDA rents	209	191	9%	7.1%
EBITDA/GRI	90%	90%	-	-
EBITDA recurring business	178	161	11%	8.2%
Recurring Net Profit [8]	37	17	121%	-
Net result attributable to the Group	415	492	na	-

(1) GAV Parent Company: Value of assets directly-held + NAV of the 55% stake in the SPV Torre Marenostrum + NAV of the 53.1% stake in SFL
(2) EPRA NAV according to the calculation recommended by EPRA
(3) Net debt Group excluding committed cash 12-2015 / GAV Group (incl. Transfer costs) 12-2015
(4) Free float: shareholders with minority stakes and without representation in the Board of Directors
(5) Excluding small non-core 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 Net Profit= Epra Earnings - post company-specific adjustments

Highlights

1 Annual Results

In 2015, the Colonial Group reached very positive results in all variables. It is particularly worth highlighting an increase of 29% in the net asset value of the shares (NAV), as well as a significant increase in the net result[1], as shown in the table below:

	2015	*Var. vs. previous year*
EPRA NAV	€62cts/share	*+29%*
Recurring Net Profit	€37m	*+121%*
Net Result attributable to the Group	€415m	*+€624m[1]*
GAV Group	€6,913m	*+16% LFL*

(1) Variance excluding discontinued operations 2014

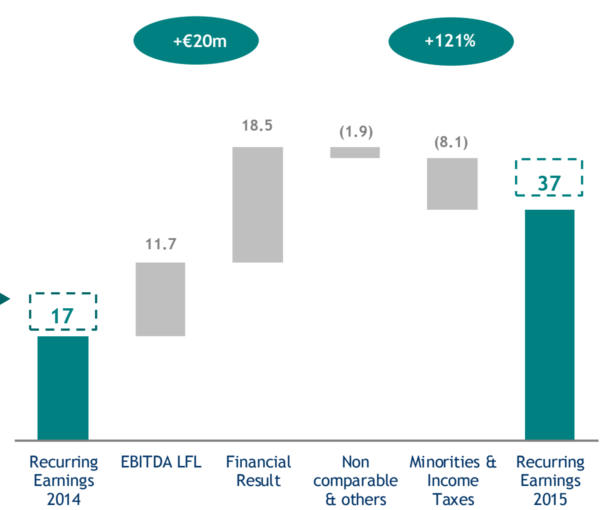
The recurring net profit of the Colonial Group amounted to €37m at the close of 2015, €20m higher than in the same period of the previous year, resulting in an increase of 121%.

Profit & Loss Accounts

Results analysis - €m	2015	2014
Gross Rents	231	211
Net operating expenses[1]	(20)	(19)
Overheads	(33)	(32)
Recurring EBITDA	178	161
Results associated to SIIC de Paris - recurring	0	4
Recurring financial result	(83)	(102)
Income tax expense & others - recurring	(12)	(8)
Minority interests - recurring	(46)	(39)
Recurring Earnings	37	17
Variation of the asset value & Provisions	715	169
Non-recurring financial result & MTM	(48)	(124)
Income tax & others - non-recurring	(47)	(174)
Minority interests - non-recurring	(242)	(98)
Profit attributable before discontinued operations	415	(209)
Discontinued operations	0	701
Profit attributable to the Group	415	492

(1) Includes other income

Recurring Income - €m - Variance Analysis



The increase in the net recurring results is mainly due to two aspects:

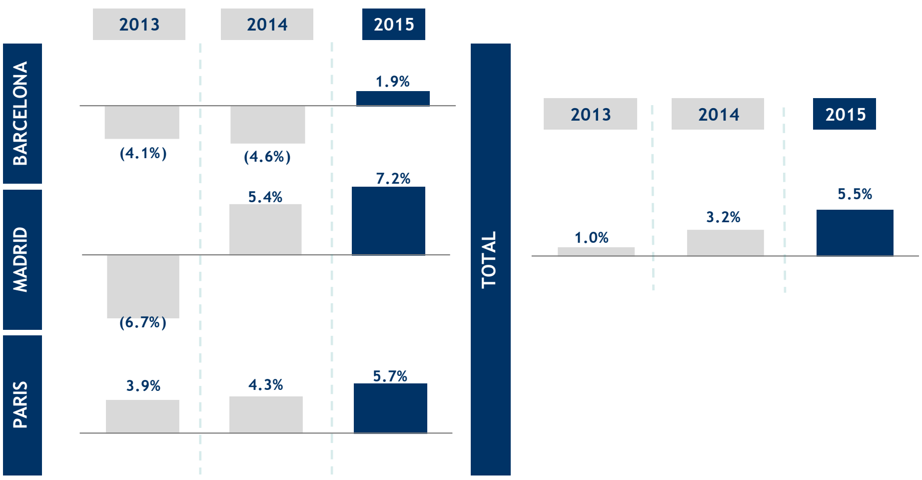
1. A like-for-like increase in gross rental income of 9% compared to the previous year, due to:
   - ✓ A like-for-like increase of 6% in gross rental income. It is important to highlight the like-for-like increase in the Madrid portfolio (+7%) and the Paris portfolio (+6%). In Barcelona in 2015, the portfolio reached a positive year-on-year growth of 2% for the first time since the beginning of the crisis.

- ✓ An increase of 5% of the gross rental income, due to new acquisitions
- ✓ Indemnities charged in 2014 and other non-comparable effects, resulted in a negative variance in the 2015 vs. 2014 comparison.

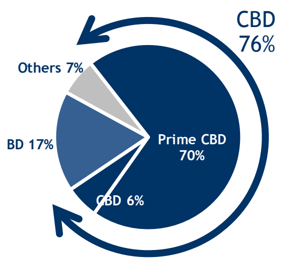
2. A significant reduction in the financial expenses, thanks to the optimizations of the financial structure carried out in 2015.

The growth of the gross rental income is clearly superior to the two previous years and shows the strong resilience of a Prime CBD portfolio like Colonial's.

"Like-for-Like" Growth - Gross Rental Income



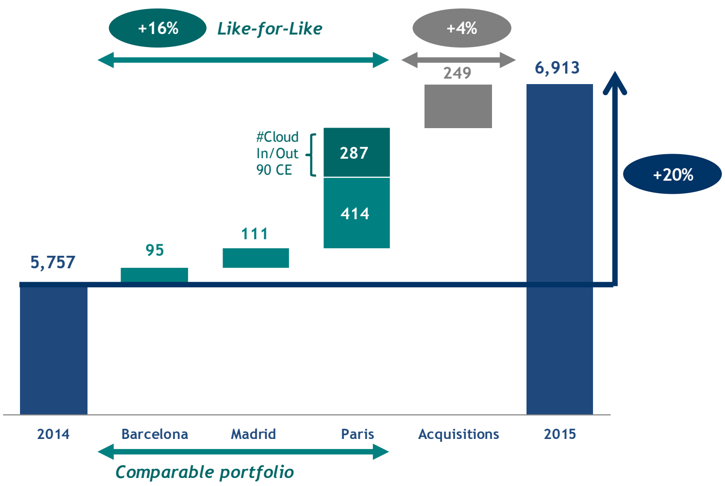
GAV Group 12/2015



The net results attributable to the Group amounted to €415m. Excluding the positive accounting effect of the "deconsolidation"[(1)] of Asentia in the previous year, the net results increased by €624m, mainly due to the increase in gross asset values.

Colonial`s Group Gross Asset Value amounted to €6,913m at the close of 2015, resulting in an increase of 16% like-for-like compared to the previous year.

Variance Analysis - Value 12 months - €m



[(1)] *The deconsolidation of Asentia refers to the exit from the consolidation perimeter*

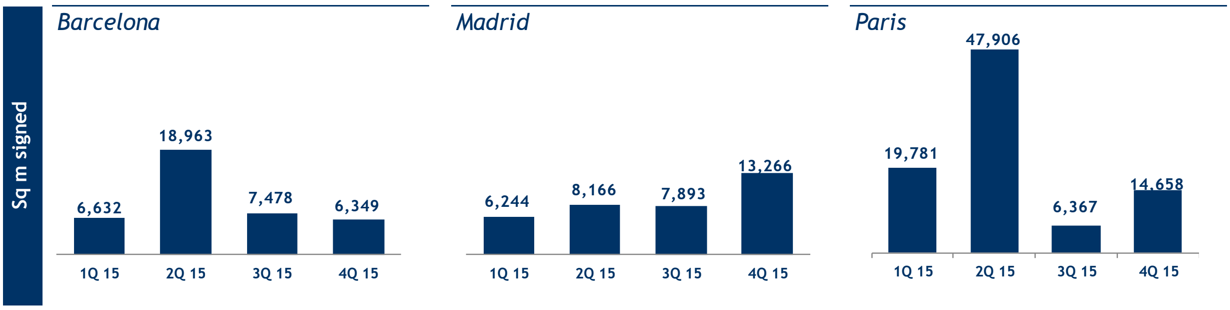
In **Spain**, the Gross Asset Value increased by 16% like-for-like in 12 months, mainly due to a yield compression, given the high interest in prime assets in Madrid and Barcelona. The portfolio in Madrid increased by 17% like-for-like, and in Barcelona it rose by 16% like-for-like.

In **France**, the Gross Asset Value of the portfolio increased 16% like-for-like compared to the previous year. This increase in value is a consequence of the successful execution of prime projects as well as positive impacts on rents and yields in the entire portfolio in the context of an investment market with high interest in prime offices in Paris.

2 Highlights of the rental portfolio – "Trading Trends"

I. Letting activity – Commercial effort

Strong momentum of letting activity in all of the markets.



During 2015, the Colonial Group signed rental contracts for more than 163,000 sq m, a record which exceeds the volume of contracts signed in 2014 by 52%.

Of the total commercial effort, 75% (123,498 sq m) corresponds to new contracts, almost doubling the volume of new contracts signed the previous year (71,914 sq m). It is important to highlight that this record volume of contracts was generated in the three cities where the Colonial Group is present.

In **Barcelona**, almost 40,000 sq m were signed on the portfolio which registered significant activity momentum compared to the previous year. In the **Madrid** portfolio, more than 35,000 sq m were signed, and in **Paris** close to 90,000 sq m were signed.

The table below shows the properties with the highest volume of actions:

Main actions

	Building	Tenants	Surface (sq m)
BARCELONA	Sant Cugat	Business Service for Information, Affinity & Accenture	13,122
	Av. Diagonal, 609-615 (DAU)	Pharmaceutical company & others	6,221
	Berlín - Numancia	Multinational consultant & others	3,797
	Travessera de Gracia/Amigó	Mobileaks, European Foundation & others	3,670
	Av. Diagonal, 682	Solventis, AZ Capital & others	3,703
MADRID	Ortega y Gasset	Public entity	7,792
	Recoletos, 37-41	Leading financial institution & others	6,002
	Ramirez de Arellano, 37	Gamesa Corporación Tecnológica	5,988
	Jose Abascal, 56	Roca Junyent & others	3,801
PARIS	In & Out	OECD	32,614
	#Cloud	Exane, BlaBlaCar & World-leading "e-economy"firm	24,105
	131 Wagram	TV5 Monde	7,549
	Le Vaisseau	Revolution 9	6,026
	Louvre Saint Honoré	Proparco & others	5,942
	Washington Plaza	Meda Pharma, Akamai Technologies & others	3,964
	Edouard VII	Multimedia company & others	3,457

In **Spain**, almost 75,000 sq m were signed in 2015, highlighting the almost 40,000 sq m signed in **Barcelona**. In particular, almost 13,000 sq me were signed on the building in Sant Cugat. Similarly, it is important to point out the strong activity in the Diagonal 682, Diagonal 609-615 (DAU) and Diagonal 409 buildings, which are all located in the CBD and that have reached occupancy levels of close to 100%.

In **Madrid**, it is worth highlighting the signing of approximately 7,800 sq m on the Ortega and Gasset building, the renewals of almost 6,000 sq m with Gamesa Corporación Tecnológica on the Ramírez Arellano building, and the 6,000 sq m signed on the Recoletos property, among others.

In **Paris**, it is important to highlight the three contracts signed on the #Cloud property prior to the delivery of the project (10,800 sq m with the company Exane, 9,700 sq m with the company BlaBlaCar and 3,600 sq m with a world leading company in e-economy). As a result, the building is 90% pre-let. In addition, it is important to point out the signing of the rental contract with the Organization of Cooperation and Economic Development (OECD) for the entire In&Out property. This transaction was the largest rental transaction carried out in the first half of 2015 in the entire Paris market.

II. Occupancy

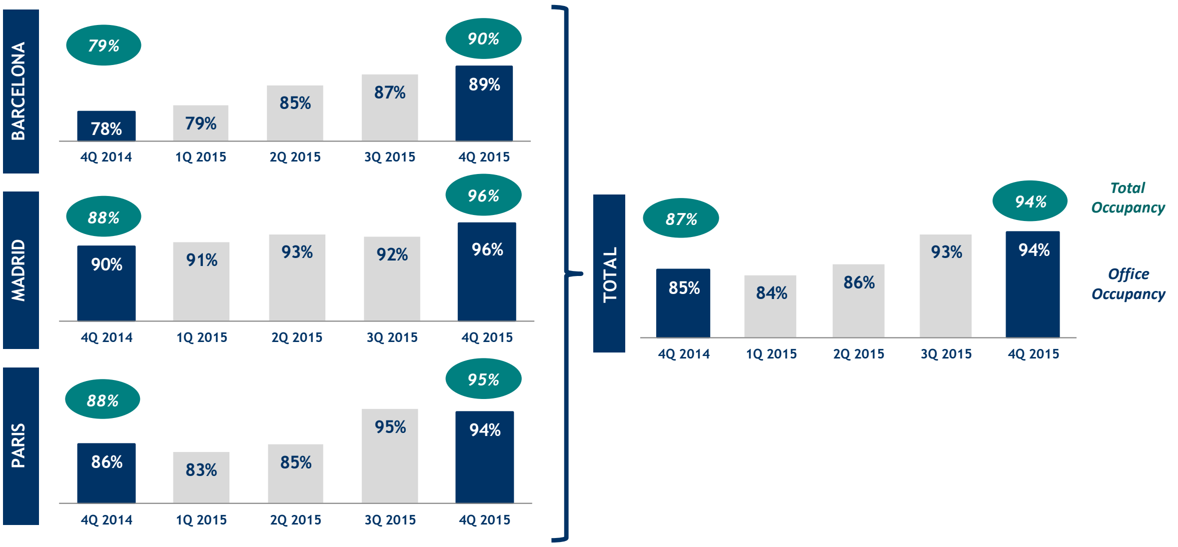
The high volume of new lettings this year has resulted in a significant increase in occupancy. At the close of 2015, **the Colonial Group's EPRA financial occupancy of the total portfolio reached 94%,** an increase of 698 bp vs. the previous year.

The portfolios in Madrid and Barcelona (including all uses) reached an EPRA financial occupancy of 96% and 90%, respectively.

The graph below shows the evolution of the EPRA financial occupancy of the portfolio.

EPRA FINANCIAL OCCUPANCY(1)

Office & Total Occupancy - Evolution of Colonial's Portfolio



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

In **Barcelona**, the EPRA financial occupancy of the office portfolio increased +1,169 bp compared to the previous year, reaching a ratio of 89%, or 90% including all uses.

In **Madrid**, the financial occupancy of the office portfolio was 96%, which is +600 bp above the previous year.

In **Paris**, the financial occupancy of the office portfolio increased by +828 bp compared to the previous year, reaching a ratio of 94%, or 95% including all uses.

Consequently, the EPRA financial occupancy of the office portfolio of the Group reached 94%, a substantial improvement compared to the previous year.

3 New acquisitions and investments

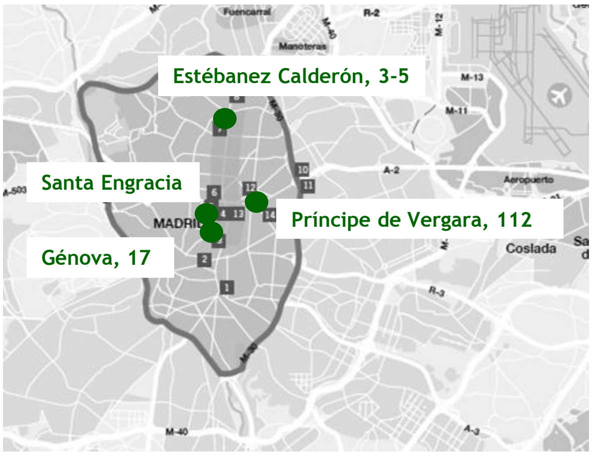
In 2015, the Colonial Group acquired office buildings for a volume of €234m, and has invested more than €128 in “Prime Factory” repositioning strategies in the current portfolio.

All of the investments were carried out in prime locations, with a selective strategy, fulfilling the Group investment target for 2015, in terms of investment volume as well as required returns.

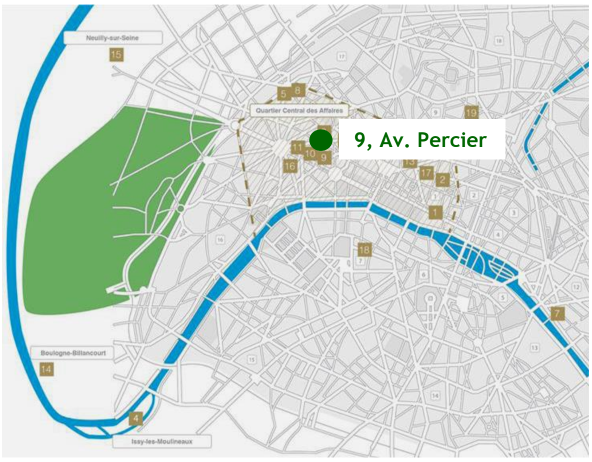
New acquisitions

In 2015, the Colonial Group acquired four office buildings in the centre of Madrid (Estébanez Calderón 3-5, Príncipe de Vergara 112, Génova 17 and Santa Engracia) for a total amount of €166m, as well as the 9, Av. Percier building in the centre of Paris for €68m.

MADRID



PARIS



Estébanez Calderón, 3-5 and Príncipe de Vergara 112 correspond to “Prime Factory” acquisitions that involve totally new projects, while Génova 17, Santa Engracia and 9, Av. Percier are income generating “Core” investments.

“PRIME FACTORY” INVESTMENTS		“CORE” INVESTMENTS		
ESTÉBANEZ CALDERÓN 3-5	PRÍNCIPE DE VERGARA 112	GÉNOVA, 17	9 AVENUE PERCIER	SANTA ENGRACIA
Madrid Prime CBD	*Madrid CBD*	*Madrid Prime CBD*	*París Prime CBD*	*Madrid CBD*
				

The majority of these acquisitions were carried out through off-market transactions.

Project Pipeline - Prime Factory

In 2015, the Colonial Group successfully delivered two large projects in Paris (the #Cloud building and 90 Champs Elysées), and also successfully repositioned the José Abascal building in Madrid, the Tilos building and the Travessera de Gracia/Amigó complex in Barcelona.

#CLOUD

90 CHAMPS ELYSÉES

JOSE ABASCAL

TRAVESSERA/AMIGÓ

TILOS

All of the released repositionings have reported high pre-let ratios, with top-tier tenants and significant uplifts in ERVs, offering very attractive returns. These iniciatives prove the high value creation capacity through value-added/"Prime Factory" strategies.

4 Capital structure and Net Asset Value

Capital structure

In 2015, Colonial was the first ever and only listed property company in Spain to obtain an Investment Grade credit rating by Standard & Poor's.

The Group's high credit credentials, BBB- for Colonial and BBB for the subsidiary SFL, have enabled the Group to achieve new financing at very attractive costs and to optimize the new financial structure, in terms of maturities and sources of financing.

The following transactions carried out in 2015 are particularly worth highlighting:

	BOND ISSUE SPAIN		BOND ISSUE SFL	SYNDICATE LOAN SPAIN
	4-year	8-year	7-year	5-year
Size	€750 m	€500 m	€500 m	€350m
Coupon	1.863%	2.728%	2.250%	na
Spread to Euribor	ms + 160 bps	ms + 200 bps	ms + 170 bps	ms + 160 bps
Maturity	5 June 2019	5 June 2023	16 November 2022	June 2019 (ext.nov'20)
Rating	BBB-	BBB-	BBB	

The financial net debt of the Colonial Group stood at €2,992m at 31 December 2015. The Group LTV is at 41.8%(1) (230 bp below that of 2014) and the spot financial cost stands at 2.27% (2.14% in Spain and 2.36% in France).

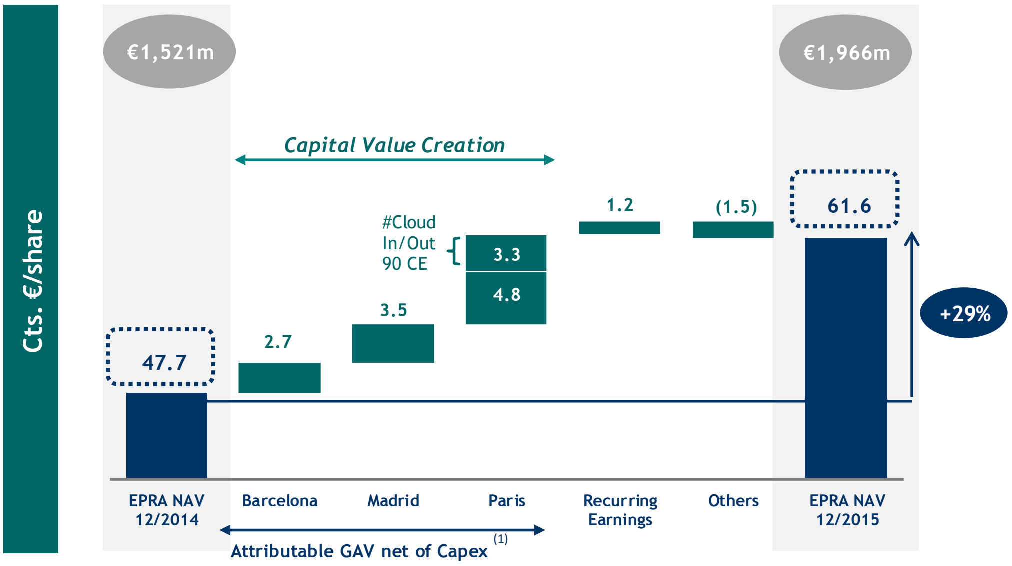
In addition, the Group has more than €1,110m of undrawn balances, including cash and undrawn debt.

(1) Calculated as net financial debt of the Group, excluding committed cash 12-2015 /GAV Group (including transfer costs) at 12-2015

Net Asset value

Colonial's EPRA Net Asset Value increased by 29% in 2015 reaching €62 cts./share.

EPRA NAV Colonial

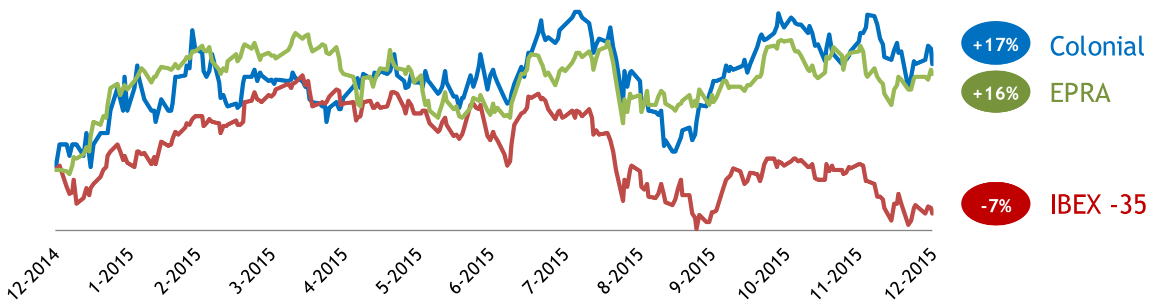


(1) In France includes net impact of the increase in the transfer tax rate and the additional tax levied as from 1 January 2016 (€49m)

Of the 29% growth in the NAV, 13% is due to the increases in value of the Madrid and Barcelona portfolios, mainly as a consequence of yield compressions. The assets in France contribute 17% to the growth of the NAV, part of this growth is based on the successful execution of value-added projects.

Colonial's shares closed the year 2015 with a revaluation of 17%, outperforming the IBEX35 as well as the EPRA Europe Developed index.

Performance of the share price versus EPRA & IBEX (2015)



The daily average trading volume reached €7.5m, positioning Colonial as one of the most liquid values among the listed European property companies in the office segment.

During the last months, the number of analysts that cover the company has substantially increased to 13 analysts, more than half of them have issued recommendations to buy. According to analysts' consensus, the average target price is €71cts/share.

In September 2015, EPRA awarded Colonial the "EPRA Best Practices Gold Award – Financial Reporting", confirming its excellence and transparency in financial communication. Currently it is the only Spanish company in the EPRA index that has been recognized with this top award.

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1. Analysis of the Profit and Loss Account

Analysis of the Profit and Loss Account

December cumulative - €m	2015	2014	Var.	Var. % [1]
Rental revenues	231	211	20	9%
Net operating expenses [2]	(23)	(21)	(2)	(8%)
EBITDA rents	209	191	18	9%
Other income	2	2	0	17%
Overheads	(33)	(32)	(1)	(4%)
EBITDA recurring business	178	161	17	11%
Results associated to SIIC de Paris	0	6	(6)	(100%)
EBITDA - asset sales	0	(0)	0	-
Exceptional items	(4)	(7)	(10)	46%
Operating profit before revaluation, amortizations and provisions and interests (incl. Results associated to SIIC de Paris)	175	161	14	9%
Change in fair value of assets	720	332	388	117%
Amortizations & provisions	(7)	(164)	157	95%
Financial results (excl. equity method)	(131)	(225)	94	42%
Profit continued operations before taxes & minorities	756	103	653	(631%)
Income tax	(53)	(176)	123	70%
Gain/ loss on discontinued operations	0	701	(701)	-
Minority Interests	(288)	(136)	(151)	(111%)
Profit attributable to the Group	415	492	(77)	(16%)

Results analysis - €m	2015	2014	Var.	Var. % [1]
Rental revenues	231	211	20	9%
Net operating expenses [2] & other income	(20)	(19)	(1)	(7%)
Overheads	(33)	(32)	(1)	4%
Recurring EBITDA	178	161	17	11%
Results associated to SIIC de Paris - recurring	0	4	(4)	(100%)
Recurring financial result	(83)	(102)	18	18%
Income tax expense & others - recurring result	(12)	(8)	(4)	(49%)
Minority interest - recurring result	(46)	(39)	(7)	(18%)
Recurring net profit - post company-specific adjustments [3]	37	17	20	121%
EPRA Earnings - pre company-specific adjustments [4]	33	435	(402)	n.a.
Profit attributable to the Group	415	492	(77)	(16%)

[1] Sign according to the profit impact
[2] Invoiceable costs net of invoiced costs + non invoiceable operating costs
[3] Recurring net profit = EPRA Earnings - post company-specific adjustments.
[4] EPRA Earnings = Recurring net profit pre company-specific adjustments

For details on the reconciliation between the recurring results and the total results, see Appendix 6.1.

- The rental revenues of the Colonial Group at the end of 2015 reached €231m, 9% higher than the same period of the previous year, due to the 6% like-for-like increase in gross rental income as well as to the new acquisitions made in 2014 and 2015.

- The recurring EBITDA of the Group reached €178m, 11% higher than the same period of the previous year.

- The extraordinary expenses mainly relate to advisory services in relation to exceptionals.

- The operating profit before the net revaluations, amortizations, provisions and interests was €175m, 9% higher than the amount reached in the same period of the previous year.

- The impact on the profit and loss account due to the revaluation of the property investments reached €720m. This revaluation, which was registered in France (€514m) and Spain (€206m), is the result of the like-for-like increase of 16% in the appraisal values of the assets in 2015.

- The net financial results amounted to €(131)m, 42% lower than the same period of the previous year.
  The recurring financial results of the Group amounted to €(83)m, 18% lower than the same period of the previous year, mainly due to the optimization of the financial structure carried out in 2015.
  The non-recurring financial results amounted to €(48)m. In Spain, this includes the impact of the close-out costs of Colonial's syndicate loan, while in France, it corresponds to variances in the value of the financial instruments, mainly due to the impact of the cancellation by SFL of non-IAS-compliant hedging transactions, as well as the close-out costs related to the liability management in France.

- The profit of continued operations before taxes and minorities, at the close of 2015, amounted to €756m, a figure clearly higher than that reached during the same period of the previous year, mainly as a result of the impact of the asset revaluation, the increase in gross rental income, as well as the reduction in financial expenses.

- Corporate tax amounted to €53m, mainly due to the registering of deferred taxes in relation to the asset revaluation in 2015. It is important to highlight that these tax expenses do not generate a cash outflow.

- Finally, and after deducting the results attributed to the minority interests amounting to €(288)m, the result after taxes attributable to the Group amounted to €415m. This result has increased by €624m with respect to the previous year, if we exclude the positive accounting effect of the deconsolidation[1] of Asentia in 2014.

[1] The deconsolidation of Asentia refers to the exit from the consolidation perimeter

2. Office markets

Macroeconomic context [1]

Towards the end of 2015, **international** financial markets suffered from a very volatile climate that ended up marring the already weak tone of the second half of the year. According to analysts, world growth will speed up in 2016 (3.6% compared with 3.1% in 2015) with advanced economies consolidating moderate expansion, and growth in emerging economies gaining ground. This scenario might be affected by global and local factors, such as the interest rate hike by the Federal Reserve, falling oil prices, as well as the deterioration of certain emerging economies (as is the case with Brazil).

In the **Eurozone**, recovery continues at a moderate but sustained pace. The rate of expansion of the economy has remained stable, supported by the good performance of domestic demand. Although the ECB pointed to an increase in external risks, the outlook for Europe's economy is favorable and in line with expectations. This is shown by the ECB's own forecasts which hardly varied the scenario for growth and inflation in December. Therefore, economic growth is expected to increase from 1.5% in 2015 to 1.9% in 2017. The weakness of inflation in 2015 is largely due to lower prices in the energy component, a factor that will disappear in the medium term. In the coming months, analysts expect the economy to still benefit from low oil prices, as well as from accommodative monetary policy, a favorable exchange rate for exports and less fiscal consolidation. However, these are temporary factors and therefore it is necessary to continue with structural reforms in order to ensure sustained growth over the long term.

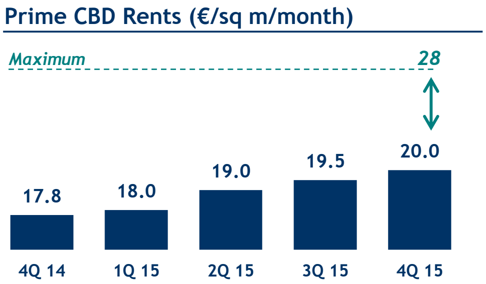
In **Spain**, strong advances have been made in the economic activity, obtaining a high growth rate in 4Q, slightly above the forecasts from some months ago. With the trend on the rise, analysts have revised upwards their forecast for growth in GDP in 4Q by 0.1 pp to 0.8% quarter-on-quarter, bringing the annual figure for 2015 to 3.2% (compared with 3.1% previously). In 2016, despite political uncertainty following the general elections, the economy is expected to grow 2.7%. This is specifically due to the improvement and consolidation of financing conditions, to which the real estate sector is once again making a positive contribution, and to the fact that structural reforms continue producing results, especially in the labour market where the rate of job creation could exceed 400,000 jobs.

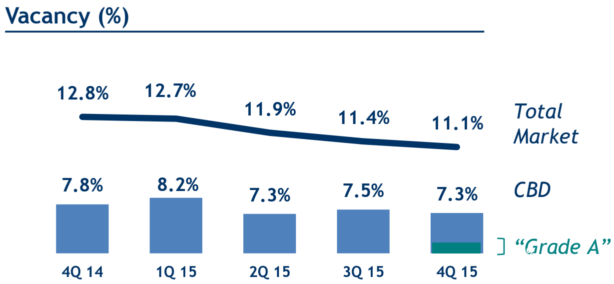
In **France,** analysts expect an acceleration of GDP growth. The GDP growth of 1.1% in 2015 is expected to increase to 1.4% in 2016, thanks to an increase in internal demand and the positive performance of expectations outside of the EU.

(1) Source: "la Caixa" monthly report

Rental market situation - offices (1)

Barcelona - Rental Market





- Indicators in the Barcelona office segment reflect a strong and expanding market. Economic recovery and increased activity and business confidence are driving growth in office take-up levels in Barcelona, building upon the trend which began last year. In 2015, take-up in the office market in Barcelona amounted to 398,000 sq m, up 41% on 2014. In particular, 83,000 sq m of office space was signed in the last quarter of the year.

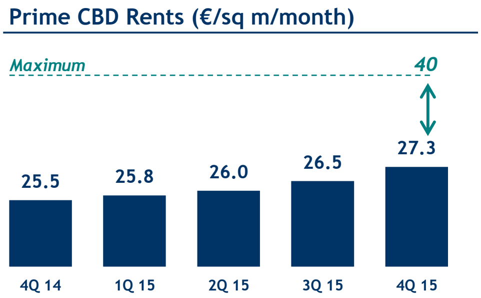
- The lack of supply will be a major factor in the office market over the next two years. In this respect, the average vacancy rate in Barcelona has fallen from 14% to the current 11% over the past two years. The lack of office space for large companies in the city centre is pushing demand towards the new business districts, like for example the 22@ submarket. The developments expected to be completed over the next two years will be insufficient to affect future trends in availability, which will continue their downward trajectory. The vacancy rate in the offices market continued its downward trend to 11.1%.

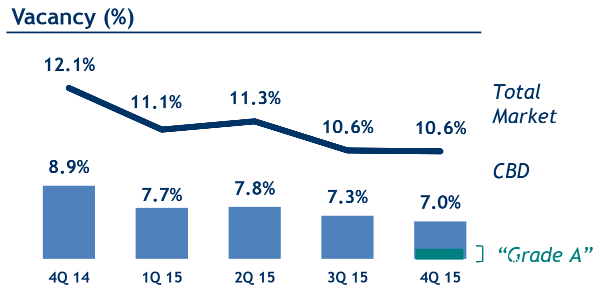
  In the CBD, the vacancy rate decreased to 7.3%. Analysing the vacancy rate by area and quality, according to brokers, it has been observed that less than half of the available offices correspond to high quality (class A and B+). In the Diagonal/Paseo de Gracia area and the city centre, available "Grade A" space is almost non-existent.

- Maximum prime rents experienced an increase of 12% annually, reaching €20/sq m/month in 4Q 2015. The concerning lack of quality office space, coupled with strong take-up levels, have driven office rental levels upwards, both in the city centre and the new business districts, by driving rental levels up in new lettings.

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

Madrid - Rental Market [1]





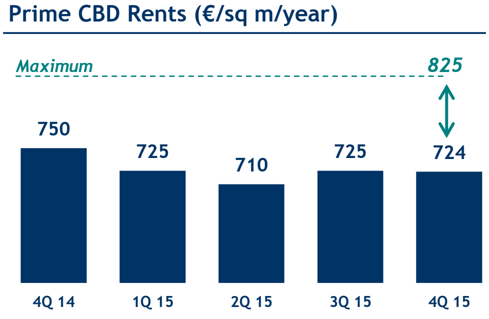
- The take-up of offices and high-tech properties in the Madrid office market was 500,000 sq m in 2015, up 30% on 2014 and the highest figure over the 8-year-long economic crisis. The CBD saw a take-up of 200,000 sq m, 37% of total take up. Transactions for over 5,000 sq m were particularly relevant this quarter. The largest transaction of the year was by the publicity firm WPP, which signed 36,000 sq m in calle Ríos Rosas. Two large deals followed by consultancy firms in the CBD: Ernst & Young signed 19,800 sq m on the Torre Titania building and KPMG signed 19,700 sq m on the Torre Cristal building.

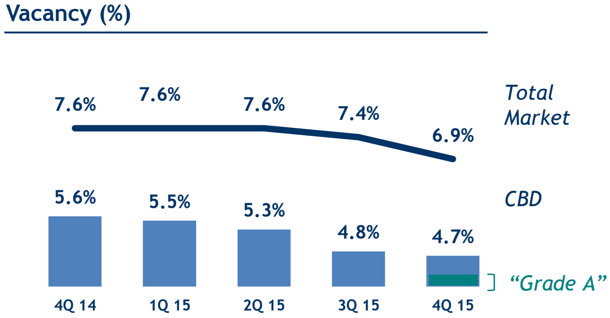
- The average vacancy rates in Madrid have continued their downward trend that began in 2014 to stand at 10.6% during the fourth quarter of 2015. This trend will continue over the medium term, although it will be more evident for quality products.
  In the CBD, vacancy levels have dropped to 7%, with a clear lack of "Grade A" quality products. Forecasts for new supply coming onto the market over the next three years remain very low across all market areas, at around 100,000 sq m. This means that the potential for the refurbishment and repositioning of properties is high. The lack of quality office space in the centre of Madrid is evident and has been confirmed throughout 2015. At the end of 2015, only 38% of available spaces were grade A or B+.

- The scarcity of products is continuing to drive up rental levels, essentially for prime properties in the best locations. Rental levels in the CBD have registered a gradual increase since the second quarter of 2014 to stand at €27.25/sq m/month as at 31 December 2015, which is a year on year increase of 12%.
  However, as one might expect, the rental levels for Grade A buildings in the CBD have registered even higher rental price increases. The maximum rental prices in secondary and peripheral locations, however, have seen slower growth, standing at €15.80 and €13.50/sq m/month, respectively, while rental prices in satellite areas have remained the same at €10/sq m/month.

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

Paris - Rental Market [(1)]





- Office take up in the Paris region in the last quarter of the year reached 708,800 sq m, with cumulative volumes for 2015 of more than 2,200,000 sq m, an increase of 1% compared to the same period of the previous year.

- In the centre of Paris (Paris Centre West), almost 600,000 sq m were signed, above the average take-up in the last 10 years.

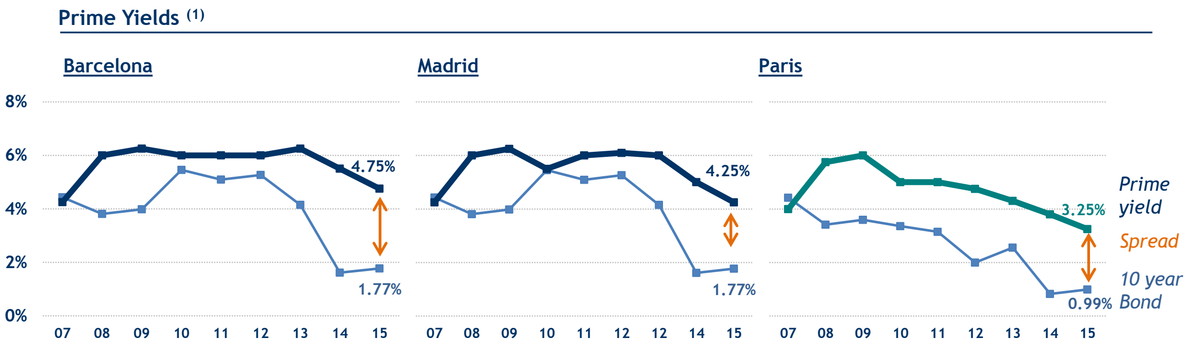
- There was a large increase in the segment of transactions below 5,000 sq m, with the IT sector leading the demand, exceeding 1,200 transactions, and reaching the same levels of 2007.

- The Paris rental market registered a vacancy rate of 6.9% (0.7% lower than the same period of the previous year). The vacancy rate in the CBD was at 4.7% in the last quarter of the year. In contrast, in the periphery, the rate reached over 10%.

- The prime rental prices in the CBD remain in ranges similar to previous quarters. In the last quarter, the average price was €724/sq m/year.
  However, assets with maximum quality standards obtained higher rental prices, such as the €780/sq m/year signed on the Colonial Group's #Cloud building.
  Forecasts of the main brokers that saw 2015 as a year of recovery have been confirmed with expectations of further consolidation in 2016.
  According to the main analysts, the incentives in the Paris CBD are decreasing, resulting in an increase in economic rents.
  It is expected that in the coming quarters the growth cycle of economic rents will be completed with increases in the facial rental prices in a context of a lack of quality offices versus an increasing demand.

(1) *Sources: Reports by Jones Lang Lasalle, CBRE & BNP Paribas*

Investment market situation - Offices



(1) Market consultants in Spain report gross yields and in France they report net yields (see definition in glossary in Appendix 6.10)

- **Barcelona:** The year ended with an investment volume of €530 million, of which almost €79 million were made in the last quarter of the year. This represents a decrease on the 2014 numbers, however, this is mainly due to the lack of product for sale rather than a lack of investor interest. It should be kept in mind that 2015 saw major corporate deals such as the acquisition of Testa Inmuebles by Merlin Properties, for example. Yields at end of the fourth quarter of 2015 in the Paseo de Gracia/Diagonal area stood at 4.75%, and consultants still expect yields to decrease in 2016.

- **Madrid**: In the last three months of 2015, investment volumes exceeded €900 million, a figure only surpassed at the beginning of 2008. The cumulative figure for the year is expected to exceed €2,600 million. The total investment volume compared to last year increased by 121%, beating all expectations. Special mention should be made to the acquisition of the Torre Espacio building for €558 million. Prime yields in the last quarter held firm at 4.25%, although lower yields can be observed in some specific transactions.

- **Paris:** In 2015, the investment volume in the property market in France reached €29bn, close to levels achieved in 2007. Investments in the office markets in Paris were particularly high, only exceeded by the London and German markets. French investors dominate the investment market in all segments, whereas foreign investors seek emblematic assets with long leases.

  It is important to highlight that in the three markets, the spread between the prime yields and the 10-year bonds is high.

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

3. Business performance

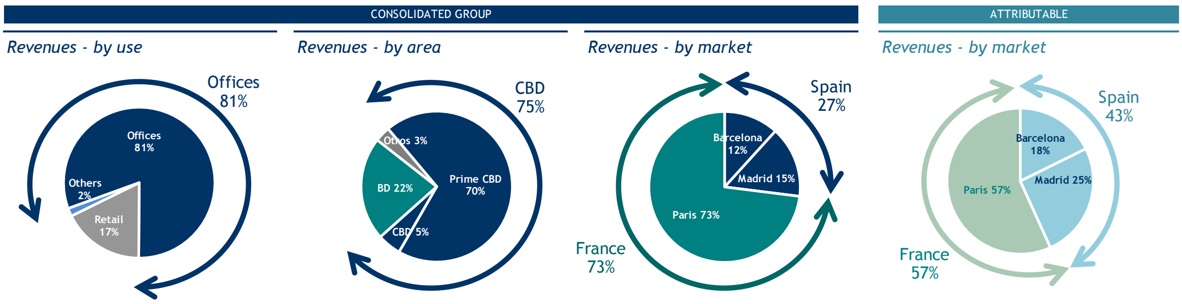
Rental revenues and EBITDA of the portfolio

- The rental revenues reached **€231m, 9% higher than the rents of the previous year.**
  In **like-for-like terms**, adjusting for investments, disposals and variations in the project and refurbishment portfolio and other extraordinary items, **the rental revenues of the Group increased by 6% like-for-like.**
  In **Paris, the rental revenues rose by 6% like-for-like.** In **Spain, the rental revenues increased by 5% like-for-like,** mainly due to the **Madrid** portfolio, which went up by **7%.** In **Barcelona,** for the first time since the beginning of the crisis, the rental revenues had positive growth in 2015, up **2% like-for-like** year-on-year.

  The like-for-like increase in rental revenues mainly corresponds to the new contracts signed on the Alfonso XII, Martínez Villergas and Miguel Ángel buildings in Madrid and the Edouard VII, In&Out, 131 Wagram, Call·LDA, Cézanne Saint Honoré and Washington Plaza buildings in Paris.

Variance in rents (2015 vs. 2014) €m	Barcelona	Madrid	París	Total
Rental revenues 2014R	27.5	32.4	151.5	211.5
Like-for-Like	*0.5*	*2.3*	*7.8*	*10.6*
Projects & refurbishments	*1.2*	*0.0*	*1.9*	*3.0*
Acquisitions & Disposals	*0.4*	*0.5*	*9.1*	*10.0*
Indemnities & others	*(2.5)*	*0.1*	*(1.5)*	*(3.9)*
Rental revenues 2015R	27.1	35.3	168.8	231.2
Total variance (%)	*(1.6%)*	*8.8%*	*11.4%*	*9.3%*
Like-for-like variance (%)	*1.9%*	*7.2%*	*5.7%*	*5.5%*

- **Breakdown – Rental revenues:** The majority of the Group's revenues (81%) are from office buildings. Likewise, the Group maintains its high exposure to CBD markets (75%).
  In consolidated terms, 73% of the rental revenues (€169m) came from the subsidiary in Paris and 27% were generated by properties in Spain. In attributable terms, 57% of the rents were generated in France and the rest in Spain.



- **Rental EBITDA reached €209m, a 7% increase in like-for-like terms**, with an EBITDA margin of 90%.

Property portfolio

December cumulative - €m	2015	2014	Var. %	Like-for-like %
Rental revenues - Barcelona	27	28	(2%)	2%
Rental revenues - Madrid	35	32	9%	7%
Rental revenues - Paris	169	152	11%	6%
Rental revenues	**231**	**211**	**9%**	**5%**
EBITDA rents Barcelona	23	23	(2%)	6%
EBITDA rents Madrid	31	28	12%	11%
EBITDA rents Paris	155	139	11%	6%
EBITDA rents	**209**	**191**	**9%**	**7%**
EBITDA/Rental revenues - Barcelona	*85%*	*85%*	*(0.2 pp)*	
EBITDA/Rental revenues - Madrid	*88%*	*85%*	*2.8 pp*	
EBITDA/Rental revenues - Paris	*92%*	*92%*	*(0.5 pp)*	
EBITDA/Rental revenues	***90%***	***90%***	*0.1 pp*	

Pp: percentage points

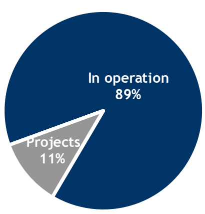
It is important to take into account that a large part of the difference between the rental revenues and the EBITDA rents relates to the non-invoiced costs due to the currently low occupancy levels during the first two quarters of 2015. Taking into account that the Colonial Group invoices the majority of its property costs to its tenants, gradual improvements in the occupancy of the assets reached at the end of 2015 will have a positive impact on the rental EBITDA, reaching higher levels of EBITDA/revenues in the coming quarters, as was the case in years prior to the crisis (see Appendix 6.6).

Portfolio letting performance

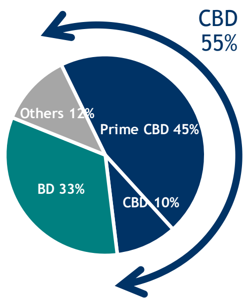
- <u>**Breakdown of the current portfolio by surface area:**</u> At the end of 2015, the Colonial Group's portfolio totalled 1,088,166 sq m (771,313 sq m above ground), concentrated mainly on office assets.

  At 31 December 2015, 89% of the portfolio was in operation and 11% corresponded to an attractive portfolio of projects and refurbishments.

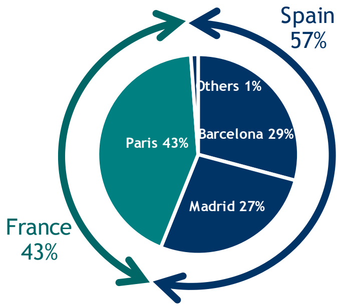
Surface - by condition



Surface - by area



Surface - by market



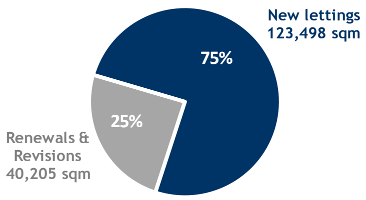
- **Signed contracts:** In 2015, the Group signed a **total of 163,703 sq m of contracts,** a figure 52% higher than that reached during the whole of 2014. Of the total contracts, 46% (74,991 sq m) were signed in Barcelona and Madrid, and 88,712 sq m were signed in Paris.

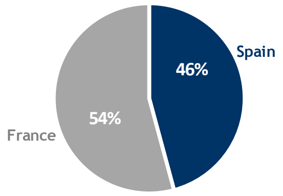
New lettings: Out of the total commercial effort, 75% (123,498 sq m) related to surfaces of new lettings. It is worth mentioning that in the Paris office portfolio, the take-up during this year tripled the volume of new lettings signed in Paris during the whole of 2014 (24,816 sq m).

Renewals: Contract renewals were carried out for 40,205 sq m. The new rental prices relating to these contracts resulted in a decrease of 10% with respect to previous rents. This is mainly due to various contract renewals with rental prices that still corresponded to a higher part of the cycle.

Letting Performance

December cumulative - sq m	2015	% New rents vs. previous	Average maturity
Renewals & revisions - Barcelona	12,887	*(5%)*	2
Renewals & revisions - Madrid	15,775	*(16%)*	4
Renewals & revisions - Paris	11,543	*(8%)*	11
Total renewals & revisions	**40,205**	***(10%)***	**5**
New lettings Barcelona	26,535		3
New lettings Madrid	19,794		3
New lettings Paris	77,169		10
New lettings	**123,498**	**n/a**	**7**
Total commercial effort	**163,703**	**n/a**	**7**





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

Main actions

	Building	Tenants	Surface (sq m)
BARCELONA	Sant Cugat	Business Service for Information, Affinity & Accenture	13,122
	Av. Diagonal, 609-615 (DAU)	Pharmaceutical company & others	6,221
	Berlín - Numancia	Multinational consultant & others	3,797
	Travessera de Gracia/Amigó	Mobileaks, European Foundation & others	3,670
	Av. Diagonal, 682	Solventis, AZ Capital & others	3,703
MADRID	Ortega y Gasset	Public organization	7,792
	Recoletos, 37-41	Leading financial institution & others	6,002
	Ramirez de Arellano, 37	Gamesa Corporación Tecnológica	5,988
	Jose Abascal, 56	Roca Junyent & others	3,801
PARIS	In & Out	OECD	32,614
	#Cloud	Exane, BlaBlaCar & World-leading "e-economy"firm	24,105
	131 Wagram	TV5 Monde	7,549
	Le Vaisseau	Revolution 9	6,026
	Louvre Saint Honoré	Proparco & others	5,942
	Washington Plaza	Meda Pharma, Akamai Technologies & others	3,964
	Edouard VII	Multimedia company & others	3,457

In **Spain**, in 2015 almost 75,000 sq m were signed, of which almost 40,000 sq m were signed in **Barcelona**. In particular, more than 6,000 sq m were signed with a subsidiary of Banco Sabadell and almost 3,400 sq m with Affinity Petcare on the Sant Cugat building. In addition, it is important to point out the strong activity in the Diagonal 682, Diagonal 609-615 (DAU) and Diagonal 409 buildings, which are all located in the CBD and that have reached occupancy levels of nearly 100%.

In **Madrid**, more than 35,000 sq m were signed, highlighting the signing of almost 7,800 sq m with a public body on the Ortega and Gasset building, the renewal of almost 6,000 sq m with Gamesa Corporación Tecnológica on the Ramírez Arellano building, the 4,000 sq m signed with a financial institution and 1,900 sq m signed with a law firm on the Recoletos property, among others.

In **Paris**, more than 88,000 sq m were signed, a record figure compared to previous years. It is particularly important to highlight the rental contract signed with the Organisation for Economic Cooperation and Development (OECD) for the entire In&Out building. This transaction, carried out during the month of June, was the largest rental transaction carried out in the entire Paris market in the first half of 2015.

It is also important to highlight the three signings on the #Cloud building before delivery of the project (10,800 sq m with the company Exane, 9,700 sq m with the company BlaBlaCar and 3,600 sq m with a world leading company in e-economy at a price of €780/sq m/year, positioned at the high end of the prime CBD market in Paris). These transactions resulted in the property being approximately 90% pre-let before the delivery of the project. #Cloud is located in the centre of Paris and has top energy certificates (HQE, BREEAM & LEED Gold).

In addition, we highlight the signing of a 12-year fixed-term contract for 7,500 sq m on the 131 Wagram property with TV5 Monde, and the signing of a six-year contract for the entire surface of the property Le Vaisseau (more than 6,000 sq m) with the Revolution 9 Group. This lease will come into effect at the beginning of 2016, once the refurbishment work being carried out on the property is completed, and following the departure of its main tenant in March 2015.

The transactions described above were closed with rental prices at the high end of the rental market.

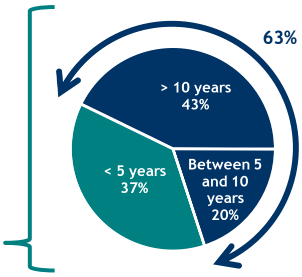
Analysis of tenant portfolio

Regarding the number of rental renewals in the contract portfolio, 28,662 sq m of renewals were signed in Spain, and 11,543 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 63% of the main tenants have been clients of the Group for more than 5 years.

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

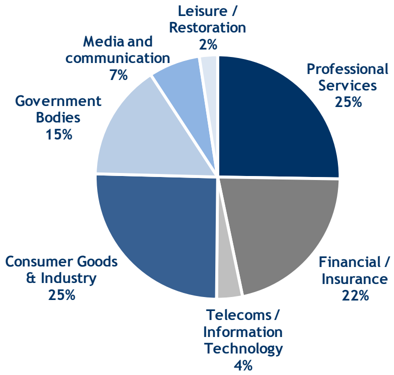
RK	Tenant	City	% total income	% cumul.	Age - Years
1	OECD	Paris	7%	7%	1
2	NATIXIS IMMO EXPLOITATION	Paris	4%	11%	12
3	LA MONDIALE GROUPE	Paris	4%	15%	8
4	GRDF	Paris	3%	18%	150
5	FRESHFIELDS BRUCKHAUS DERINGER	Paris	3%	21%	12
6	EXANE	Paris	3%	24%	0
7	HENNES & MAURITZ / H & M	Paris	3%	27%	6
8	ZARA FRANCE	Paris	3%	30%	3
9	GAS NATURAL SDG	Barcelona	2%	32%	10
10	TV5 MONDE SA	Paris	2%	34%	10
11	FAST RETAILING FRANCE	Paris	2%	36%	1
12	GRUPO CAIXA	Barcelona / Madrid	2%	38%	23
13	GRUPO COMUNIDAD DE MADRID	Madrid	2%	39%	20
14	SOCIEDAD ESTATAL LOTERIAS Y APUESTAS DEL ESTADO	Madrid	1%	41%	11
15	IBERIA, LINEAS AEREAS DE ESPAÑA	Madrid	1%	42%	3
16	SIMOSA -SERV. INTEGRALES MANTENIMIENTO Y OPERACIÓN	Madrid	1%	43%	3
17	CASINO DE JUEGO GRAN MADRID	Madrid	1%	43%	3
18	AJUNTAMENT DE BARCELONA	Barcelona	1%	44%	19
19	MELIA HOTELS INTERNATIONAL	Madrid	1%	45%	13
20	GRUPO AGROLIMEN	Barcelona	1%	45%	13
	Average				16



It is important to point out that Colonial has 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

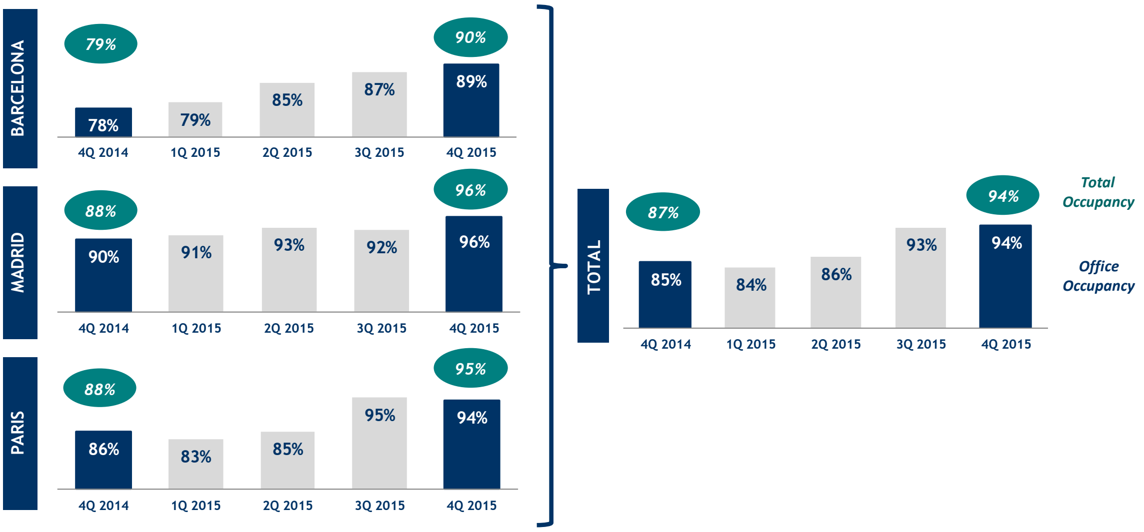


Portfolio occupancy

- **At the end of 2015, the Colonial Group's EPRA(1) financial occupancy for the office portfolio reached 94%, up 845 bp compared to the previous year and the total EPRA financial occupancy including all uses also reached 94% (up 698 bp vs 2014).**

EPRA FINANCIAL OCCUPANCY(1)

Office & Total Occupancy - Evolution of Colonial's Portfolio



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

The office portfolios in Madrid and Barcelona (including all uses) reached an EPRA(1) financial occupancy of 96% and 90%, respectively.

In **Barcelona**, the EPRA financial occupancy of the office portfolio increased +1,169 bp compared to the previous year (up +208 bp in this last quarter), reaching a ratio of 89%. This increase is mainly due to the contracts signed on the Sant Cugat, Avinguda Diagonal 609-615 (DAU), Travessera/Amigó, Avinguda Diagonal 682 and Berlín Numància buildings, among others.

In **Madrid**, the EPRA financial occupancy of the office portfolio was 96%, +600 bp above the previous year (up +340 bp in the last quarter). This increase is mainly due to the entry into operation of the Alfonso XII, Jose Abascal 56, Paseo de la Castellana 52 and López de Hoyos 35 buildings, among others. Of special mention is the occupancy level reached on the Génova 17 building, which stood at 100% at end of 2015 (66% occupancy at the time of acquisition in July 2015).

In **Paris**, the EPRA financial occupancy of the office portfolio increased by +828 bp compared to the previous year, reaching a ratio of 94%. The occupancy of the entire portfolio stood at 95%.

The table below shows an analysis of the vacant office surfaces by city and area. In **Paris**, the vacancy stood at 15,509 sq m, mainly corresponding to the surface of the #Cloud property which just came into operation, as well as the repositioned surfaces in the Washington Plaza and Louvre des Antiquaires buildings, among others. In Barcelona, the vacancy was at 19,797 sq m, 41% of which corresponded to projects and refurbishments that have entered into operation. In Madrid, the vacancy stood at 8,191 sq m.

Vacancy surface of offices

Surface above ground (sq m)	Entries into operation [1]	BD area and others	CBD area	2015	EPRA Vacancy Offices
Barcelona	8,025	7,483	4,289	19,797	11%
Madrid	0	3,840	4,352	8,191	4%
París	6,963	0	8,546	15,509	6%
TOTAL	14,988	11,323	17,186	43,497	6%

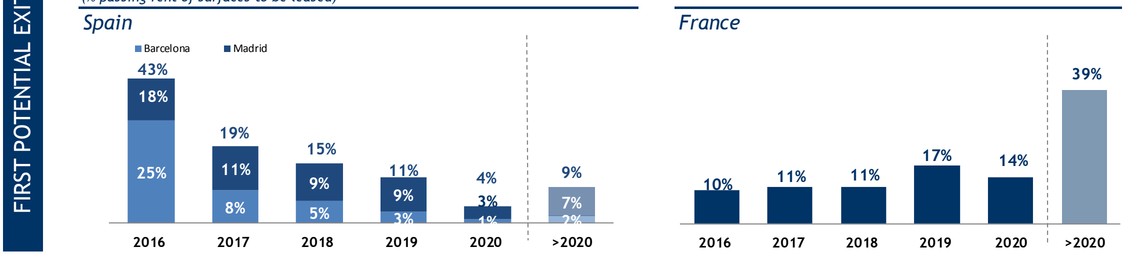
(1) Projects and refurbishments that have entered into operation

Commercial lease expiry and reversionary potential

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

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

Commercial lease expiry dates in economic terms [1] - First Potential Exit [2]
(% passing rent of surfaces to be leased)

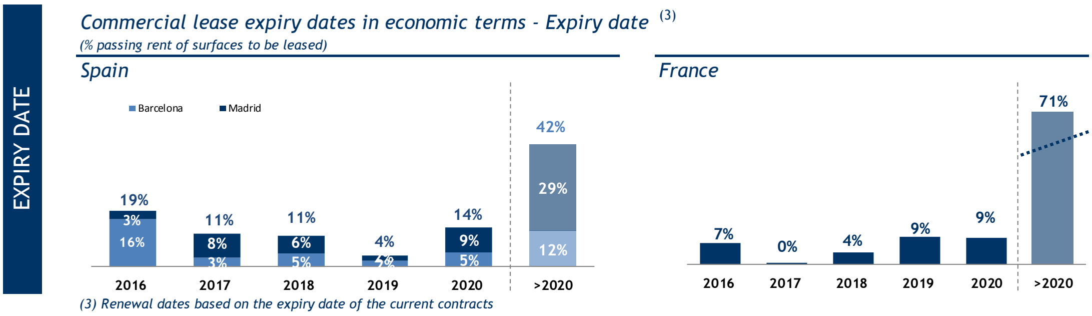


(1) % = surface to rent x current rents / current rental revenues
(2) Renewal dates based on first potential exit of the current contracts

Therefore, in the Spanish portfolio, contract renewals of approximately 62% could take place in the next two years, which will allow the company to benefit from the positive impact of a recovery in the rental cycle.

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

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

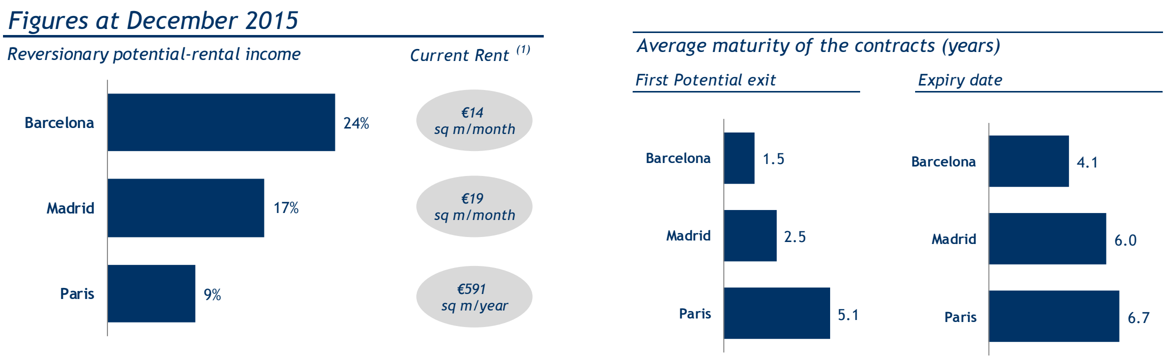


(3) Renewal dates based on the expiry date of the current contracts

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

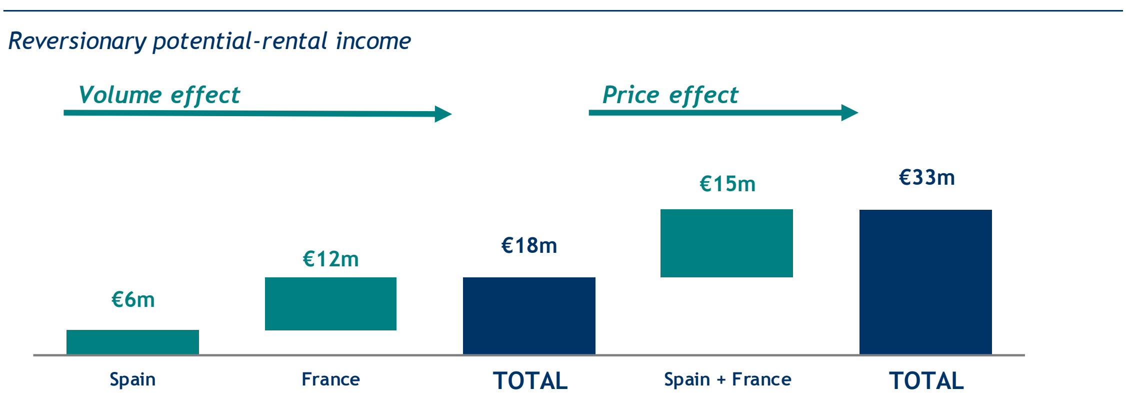
  This reversionary potential is the result of comparing the rental revenues of the current contracts (contracts with current occupancy and current rents) with the rental revenues that would result from letting the total surface at the market prices estimated by the independent appraisers at December 2015 (not including the potential rents from the projects and refurbishments underway).

  At the end of 2015, the static reversionary potential[2] of the rental revenues of the properties in operation (considering current rental prices without impacts from recovery in the cycle) stood at 24% in Barcelona, 17% in Madrid and 9% in Paris.



(1) Current office rent of occupied surfaces

Specifically, the static reversionary potential[2] in the current portfolio would result in approximately €33m of additional annual rental revenues.



[2] Not including impacts from the recovery of the rental cycle

New acquisitions, portfolio of projects and refurbishments

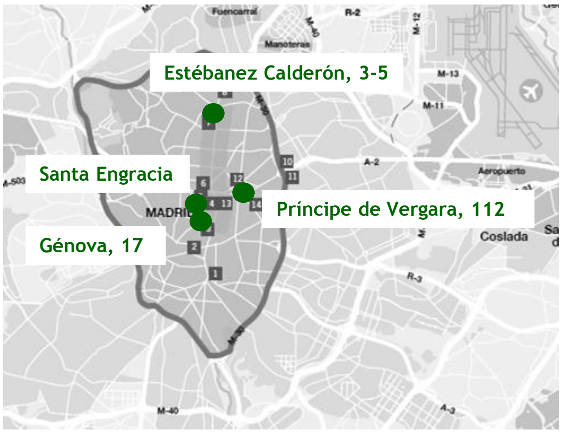
- In 2015, the Colonial Group acquired office buildings for a volume of €234m, and has invested more than €128 in "Prime Factory" projects and refurbishments of the current portfolio.

  All of the investments were carried out in prime locations, with a selective strategy, fulfilling the Group investment target for 2015, in terms of investment volume and required returns.

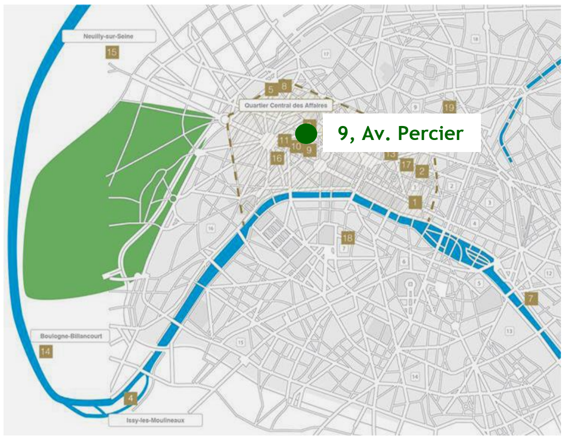
- <u>New acquisitions</u>:

  In 2015, the Colonial Group acquired four office buildings in the centre of Madrid (Estébanez Calderón 3-5, Príncipe de Vergara 112, Génova 17 and Santa Engracia) for a total amount of €166m, as well as the 9 Av. Percier building in the centre of Paris for €68m.

MADRID



PARIS



Estébanez Calderón, 3-5 and Príncipe de Vergara 112 correspond to "Prime Factory" acquisitions that involve totally new projects, while Génova 17, Santa Engracia and 9 Av. Percier are income generating "Core" investments.

"PRIME FACTORY" INVESTMENTS		"CORE" INVESTMENTS		
ESTÉBANEZ CALDERÓN 3-5	PRÍNCIPE DE VERGARA 112	GÉNOVA, 17	9 AVENUE PERCIER	SANTA ENGRACIA
Madrid Prime CBD	*Madrid CBD*	*Madrid Prime CBD*	*París Prime CBD*	*Madrid CBD*




The majority of these acquisitions were carried out through off-market transactions.

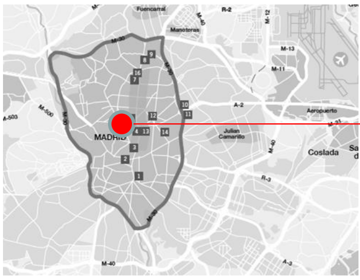
It should be mentioned that in December 2015 Colonial acquired Santa Engracia, a core office building located in the Madrid CBD for €68m (price including acquisition costs). The property has a surface above ground of almost 13,500 sq m of offices and 180 parking spaces. Currently, it is 95% occupied by well-known prestigious companies, generating rental revenues from day one, at a time at which the offices market in the Madrid CBD entered already in a positive cycle.

"CORE" INVESTMENT	
Madrid CBD	
Main tenant- NH Hoteles	
Price (incl. transfer costs)	€68m
Sq m	13,429 sq m
Parking units	178 units
Current occupancy	95%

Santa Engracia
Asset located in Madrid CBD

✓13,429 sq m office building located in the Central Business District of Madrid
✓Micro environment with huge potential
✓The building has differentiating floor size, which is very scarce, and in high demand by companies. (Area between 1,500 and 2,000 sq m)
✓Currently, the asset is 95% occupied by the following tenants: NH Hoteles, Zeltria, among others

Office asset with a perfect fit in the Group's portfolio




Colonial plans to invest in the remodeling of the building with the objective of strengthening the positioning of the property and obtaining maximum energy efficiency and sustainability standards.

- **Delivered projects:** In 2015, the Colonial Group invested, mainly in France, €128m in refurbishments and projects to optimize the positioning of the property portfolio.

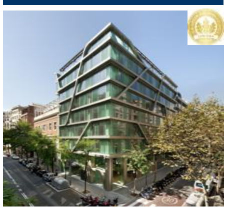
  In particular, the Colonial Group successfully delivered in 2015 two large projects in Paris (the #Cloud building and 90 Champs Elysées), and successfully repositioned the José Abascal building in Madrid, as well as the Tilos building and the Travessera de Gracia/Amigó complex in Barcelona.

#CLOUD

90 CHAMPS ELYSÉES

JOSE ABASCAL

TRAVESSERA/AMIGÓ



TILOS

All of the released repositionings have reported high pre-let ratios, with top-tier tenants and significant increases in the market rental prices, offering very attractive returns. These iniciatives prove the high value creation capacity through value-added/"Prime Factory" strategies. The Travessera de Gracia/Amigó complex, which was delivered at the beginning of 2015, is being commercialized with a current occupancy of 49%.

- **Project portfolio and refurbishments underway:** Regarding the current pipeline, of special mention are the projects Estébanez Calderón and Príncipe de Vergara with 21,000 sq m above ground:

Projects	Entry into operation	% Group	Market	Use	Surface above ground (sq m) (1)
Estébanez Calderón, 3-5	2017	100%	Madrid	Offices	10,458
Príncipe de Vergara, 112	2017	100%	Madrid	Offices	11,308
Total					**21,766**
Yield on cost[2]					**7%**

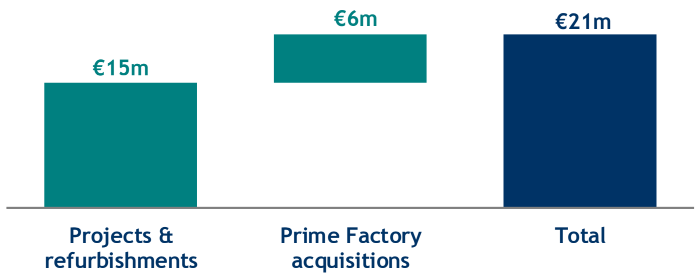
(1) Surface area of completed project

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

In addition, the Colonial Group is currently carrying out substantial refurbishment projects for 50,256 sq m above ground, with the objective of optimizing the positioning of these assets in the market. It is important to highlight the refurbishments on the properties Louvre des Antiquaires, Le Vaisseau and Percier, among others.

The project portfolio and the new acquisitions will result in additional rental revenues of approximately €21m(*) annually.

Additional rental income of projects and significant refurbishments



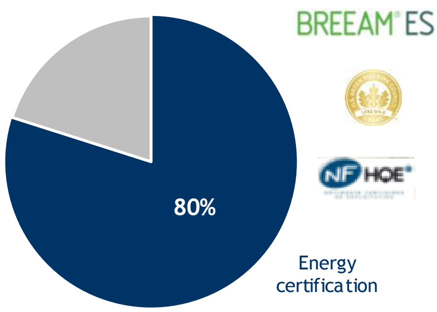
(*) Estimated rents at current market prices, without including positive impacts of the recovery of the cycle

- Regarding the current projects its worth highlighting details of the following two assets:

  ✓ **Estébanez Calderón, 3-5,** is a property acquired in May 2015, located in the centre of Madrid. This transaction involves demolishing the current building to build a new unique “LEED Gold” property with a total of 10,500 sq m of surface area above ground, which will incorporate the latest technologies and innovation in materials and which will receive the most prestigious environmental and sustainability certificates. Colonial has recently started to demolish this building. The project, led by the Lamela studio, is expected to be released in the second half 2017.

  ✓ **Príncipe de Vergara, 112,** is a property which was acquired in July 2015, located in the centre of Madrid. The transaction involves demolishing the current property to build a unique new office building which will provide a total surface area above ground of 11,400 sq m, with optimal space efficiency on all floors, enabling it to obtain the “LEED Gold” energy certificate.

- As a result of the Colonial Group’s repositioning policy, currently 80% of the buildings have top quality energy certificates, a fact that gives the Colonial Group a competitive advantage in attracting top tier demand and maximising the value creation of the portfolio. The Colonial Group is progressing in obtaining the maximum energy certificates for the entire portfolio as soon as possible.



Valuation of the portfolio

- At the end of 2015, the assets of the Colonial Group were valued at €6,913m (€7,239m 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.

Gross Asset Values - Excluding transfer costs

Asset valuation (€m)	31-Dec-15	30-Jun-15	31-Dec-14	Dec 15 vs Jun 15		Dec 15 vs Dec 14	
				Total	LfL (1)	Total	LfL (1)
Barcelona	676	639	582	5.8%	5.8%	16.2%	16.2%
Madrid	906	765	687	18.4%	4.8%	31.8%	16.7%
París	5,242	4,477	4,025	17.1%	6.2%	30.3%	11.5%
Portfolio in operation (2)	**6,824**	**5,881**	**5,294**	**16.0%**	**6.0%**	**28.9%**	**12.7%**
Projects	**82**	**400**	**454**	**(79.4%)**	**10.8%**	**(81.8%)**	**5.2%**
Others	6	9	10	(32.2%)	(32.2%)	(36.2%)	(36.2%)
Colonial group	**6,913**	**6,291**	**5,757**	**9.9%**	**7.7%**	**20.1%**	**15.7%**
Spain	1,670	**1,458**	**1,292**	14.5%	5.2%	29.3%	15.9%
France	5,242	**4,833**	**4,466**	8.5%	8.5%	17.4%	15.7%

Gross Asset Values - Including transfer costs

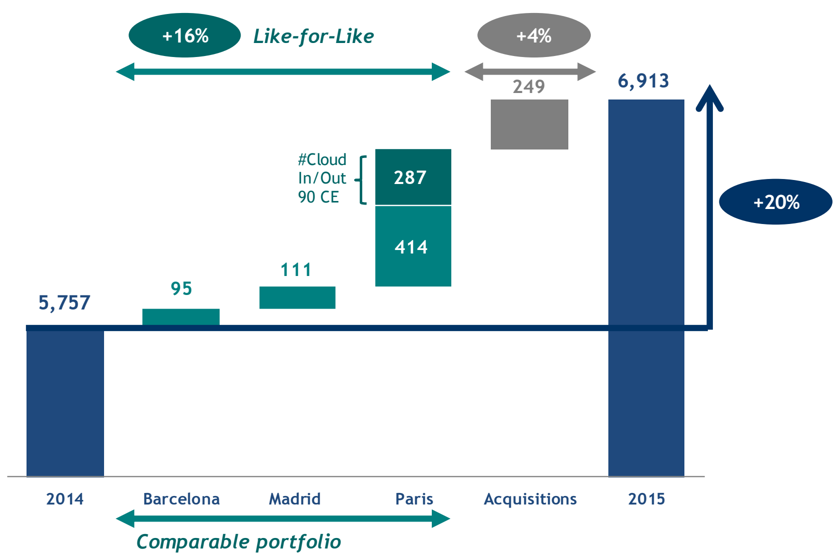
Colonial group	**7,239**	**6,588**	**6,033**	**9.9%**	**7.7%**	**20.0%**	**15.7%**
Spain	1,720	1,501	1,330	14.6%	5.2%	29.3%	15.9%
France	5,519	5,087	4,703	8.5%	8.5%	17.3%	15.6%

(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)

- **Colonial's Group** Gross Asset Value at December 2015 rose by +16% like-for-like compared to December 2014 (up 8% in 6 months).

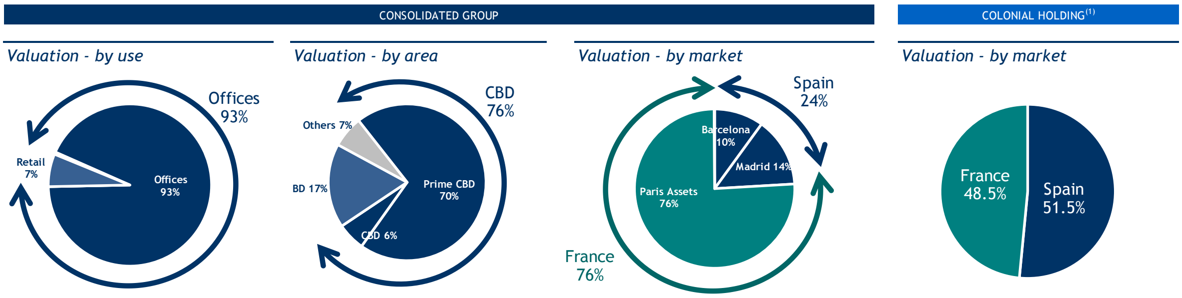
Variance Analysis - Value 12 months - €m



In **Spain** the Gross Asset Value increased by 16% like-for-like in 12 months, mainly due to a yield compression given the high interest in prime assets in Madrid and Barcelona. The portfolio in Madrid increased by 17% like-for-like, and in Barcelona it rose by 16% like-for-like.

In **France** the Gross Asset Value of the portfolio increased 16% like-for-like compared to the previous year. This increase in value is as a consequence of the successful execution of prime projects as well as positive impacts on rents and yields in the entire portfolio, in the context of an investment market with high interest in prime offices in Paris.

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



[1] *France= SFL shares valued at NAV. Spain = GAV of directly held assets + NAV stake TM SPV*

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

Main parameters of Asset appraisal

Portfolio in operation	€m	sq m above ground (*)	€/sq m (*)	Valuation Yield	
Barcelona	676	187,294	3,607	5.54%	Gross Yields
Madrid	906	177,185	5,113	4.92%	Gross Yields
Paris	5,242	357,881	14,648	4.08%	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 *gross yields* in their market reports**
   (Gross yield = gross rent/value excluding transfer costs)

2. **In France, consultants publish *net yields* in their market reports**
   (Net yield = net rent/value including transfer costs)

(*) In Barcelona, the sq m for the calculation of the capital value correspond to the surface above ground of all the assets which amount to 202,134 sq m, excluding 14,737 sq m of the Parc Central project and 103 sq m of non-core retail assets.
In Madrid, the sq m correspond to the surface above ground of all the assets of 198,951 sq m, excluding the Estébanez Calderón project of 10,458 sq m and Príncipe de Vergara of 11,308 sq m.
In France, the sq m correspond to the surface above ground of the entire portfolio, which amount to 357,842 sq m, including an additional 39 sq m of non-core retail assets.

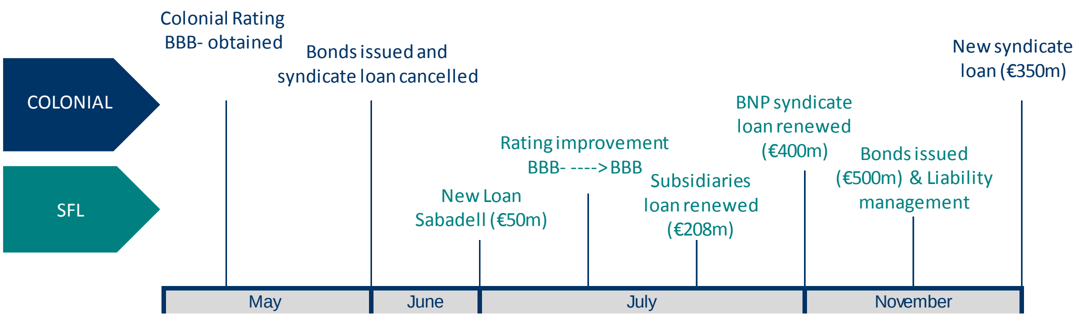
4. Financial structure

Main debt figures

Colonial Group	12/2015	Var. vs 2014
Gross financial debt	3,209	*+20%*
Net financial debt	2,992	*+17%*
Undrawn balances (*)	1,110	*+61%*
% debt fixed or hedged	93%	*+9%*
Average maturity of the debt *(years)*	4.8	*0.9*
Average cost of current debt	2.27%	*(104pb)*
Rating COL	BBB-	-
Rating SFL	BBB	*In 2014 BBB -*
LtV Group *(including transfer costs)*	41.8%	*(230pb)*

(*) Liquidity (cash + unwilling lines)

The Group actively manages its debt with the aim of reducing its financial costs, extending the maturity of its debt and diversifying its sources of financing, as well as to guarantee the liquidity which will enable it to secure its growth plan. In this respect, the main transactions carried out during the year are summarized below.



- In May 2015, Colonial obtained the credit rating by Standard & Poor's (S&P) of BBB- long-term and A-3 short term, enabling Colonial to issue bonds as at 27 May 2015 in the amount of €1,250m, which at the same time have also been rated by S&P with the same credit rating as Colonial.

- The bond issue was structured in two tranches of €750m and €500m, maturing at four years and eight years and with a coupon of 1.863% and 2.728%, respectively. This allowed for the early cancellation of the syndicate loan completed in April 2014. This transaction has enabled Colonial to increase and diversify the average maturity of its debt, and achieve annual savings in financing costs of approximately €20m.

- On 12 November 2015 the company entered into a contract with a group of seven financial entities, including Natixis S.A. Sucursal en España, acting as the Agent Bank for a syndicate loan in the amount of €350 million of euros, with an initial maturity in June 2019, extendible until November 2020. The objective of this syndicate loan is to finance possible acquisitions, as well as refurbishments and other investment needs (CAPEX). The spread is 160 bp.

- On 2 July 2015, S&P revised SFL's rating upwards to BBB with stable outlook.

- SFL have carried out various actions in order to increase the average maturity of its banking debt, as well to reduce its average financings costs:

  In June 2015, a new revolving credit facility of €50m was signed with Banco Sabadell, maturing in five years and variable interest rate (Euribor with an applicable spread).

  In July 2015, the conditions of the syndicate loan of €400m with various financial institutions led by BNP Paribas were renegotiated, extending the maturity by two years (from July 2018 to July 2020), reducing the spread.

  Also in July 2015, various bilateral loans with mortgage guarantees for €208m were renewed, extending the maturity by five years (from 2017 until 2022).

  On 5 November 2015, the company issued bonds for €500m, maturing in seven years with a coupon of 2.25%. From the amount obtained from the bond issue, €244m was allocated to the partial repurchase of the 2011 bonds (€144m) and 2012 bonds (€99m), while the remaining amount will be allocated to liquidity and future investment needs.

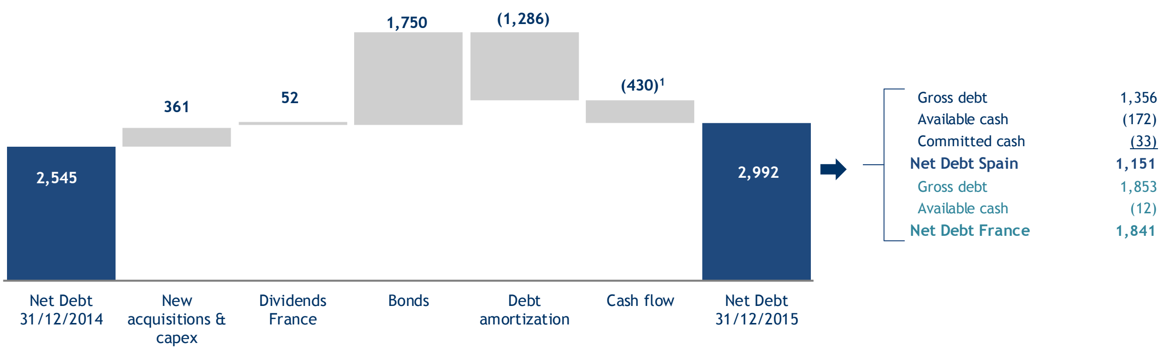
The financial net debt of the Group stood at €2,992m at 31 December 2015, as shown in the table below:

Breakdown of the consolidated net financial debt	December 2015			December 2014			Var.
	SP	FR	Total	SP	FR	Total	Total
Syndicate loan	67	0	67	1,040	0	1,040	(973)
Mortgage debt/leases	39	234	273	43	232	275	(2)
Unsecured debt and others	0	162	162	0	156	156	6
Bonds	1,250	1,457	2,707	0	1,200	1,200	1,507
Total gross debt	**1,356**	**1,853**	**3,209**	**1,083**	**1,588**	**2,671**	**538**
Cash & cash equivalents (*)	**(205)**	**(12)**	**(217)**	**(109)**	**(17)**	**(126)**	**(91)**
Group Net Debt	1,151	1,841	2,992	974	1,572	2,545	**447**
Average maturity of drawn debt (years)	**5.0**	**4.8**	**4.8**	**4.1**	**3.8**	**3.9**	**0.9**
Cost of debt spot %	**2.14%**	**2.36%**	**2.27%**	**3.97%**	**2.86%**	**3.31%**	**(104bp)**

(*) Not excluding committed cash for a total amount of €33m

The evolution of the Group's net debt during 2015 is as follows:

Net Debt Movements €m - December 2015



(1) Including the cash obtained by the bonds issue

Main leverage ratios and liquidity

As at December 2015, the Group's net debt amounted to €3,025m(1) with an LTV (Loan to Value) of 41.8%(2). The LTV of the parent company in Spain was 34.7%. (3)

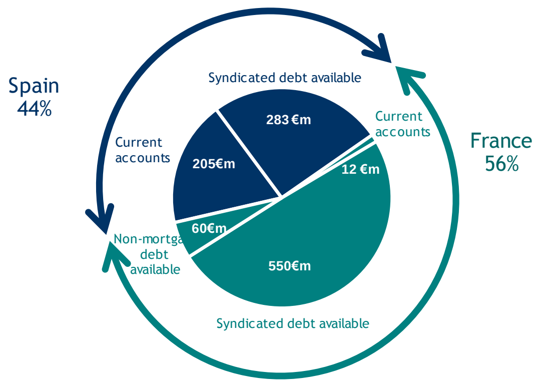
Main leverage ratios

31/12/2015 - €m	Holding	Group
GAV incl. transfer costs (*)	3,309	7,239
Net debt - excluding committed cash	1,149	3,025
LTV incl. transfer costs	34.7%	41.8%

(*) including transfer costs

Undrawn balances of the Colonial Group at 31 December 2015 amounted to €1,110m, distributed as shown in the graph below.

Undrawn balances

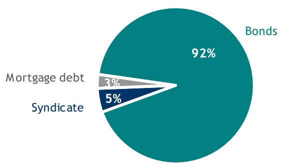


(1) *Group net debt at 30/12/2015 (excluding €33m of committed cash)*
(2) Financial net debt Group, excluding committed cash at 12/2015/ GAV Group (including transfer costs) at 12/2015
(3) Financial net debt Holding, excluding committed cash at 12/2015/ GAV Parent Company (including transfer costs) at 12/2015

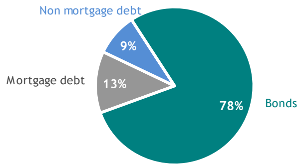
The main characteristics of the Group's debt are shown below:

TYPE OF DRAWN DEBT - 31/12/2015

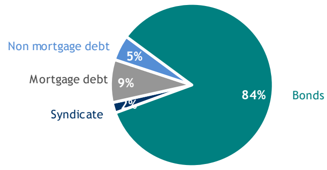
Spain



France

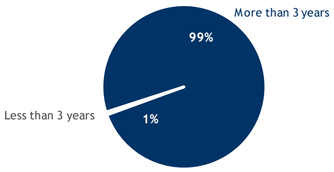


Group

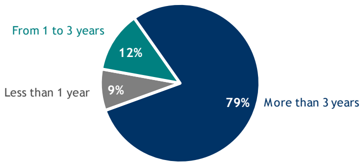


MATURITY OF CONTRACTED DEBT - 31/12/2015

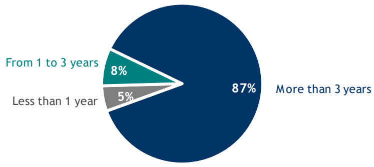
Spain



France

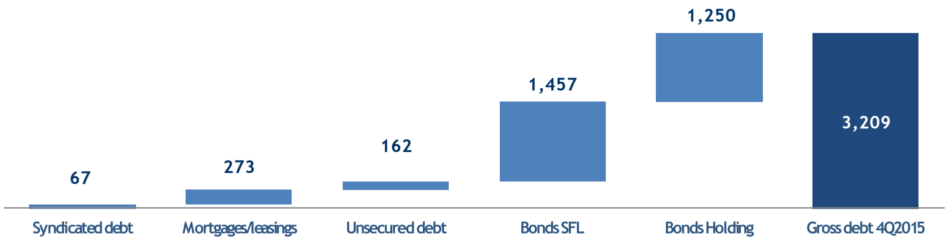


Group



Spain		***France***		***Total***	
Spread	172 b.p.	Spread	162 p.b.	Spread	166 p.b.
Cost of debt	2.14%	Cost of debt	2.36%	Cost of debt	2.27%
Average life of drawn down debt (years)	5.0	Average life of drawn down debt (years)	4.8	Average life of drawn down debt (years)	4.8
Average life of the contracted debt (years)	4.7	Average life of the contracted debt (years)	4.7	Average life of the contracted debt (years)	4.7
Contracted debt	€1,639m	Contracted debt	€2,463m	Contracted debt	€4,102m

The composition of the debt of the Group at 31 December 2015 is as follows:

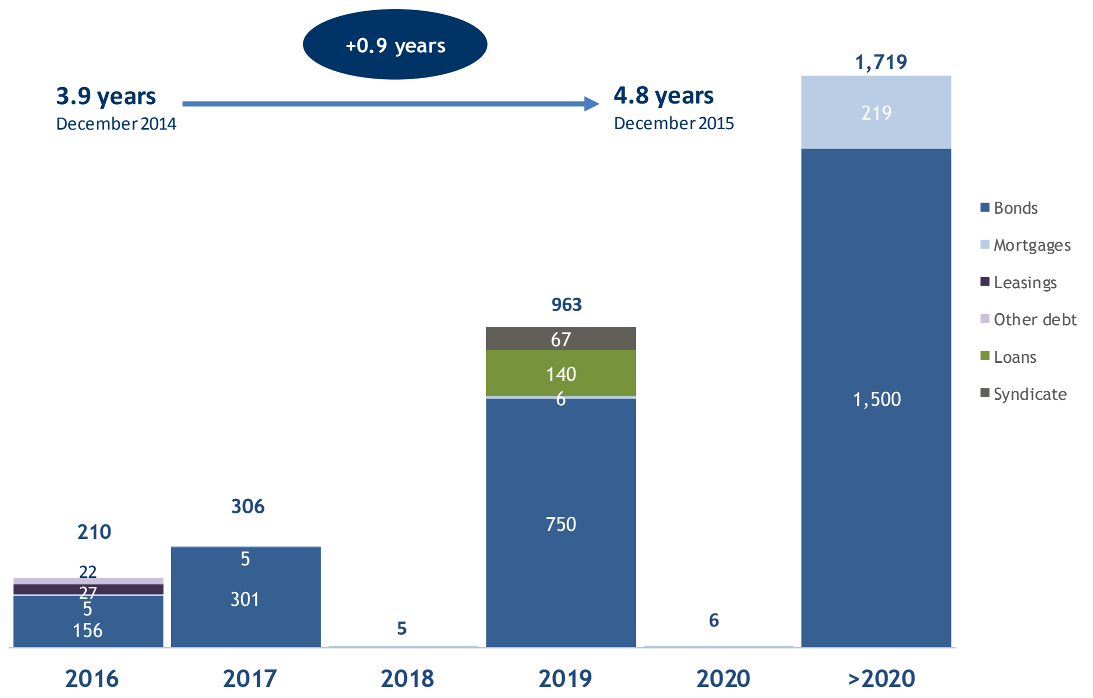


Cost of debt	1.60%	1.49%	1.04%	2.63%	2.21%
Maturity (years)	3.4	5.5	2.9	4.8	5.0

Average cost of debt: 2.27% & 4.8 years

The breakdown of the debt in terms of maturity is as follows:

Maturity of debt



Financial results

- The breakdown of the financial results of the Group are shown in the table below:

Financial results

December cumulative - €m	Spain	France	2015	2014	Var. % (1)
Recurring financial expenses - Spain	(37)	0	(37)	(47)	21%
Recurring financial expenses - France	0	(53)	(53)	(62)	15%
Recurring Financial Income	1	0	1	1	0%
Capitalized interest expenses	0	6	6	7	8%
Recurring Financial Result	**(36)**	**(47)**	**(83)**	**(102)**	**18%**
Non-recurring financial expenses	(26)	(14)	(40)	(114)	65%
Change in fair value of financial instruments	0	(8)	(8)	(9)	11%
Financial Result	**(62)**	**(69)**	**(131)**	**(225)**	**42%**

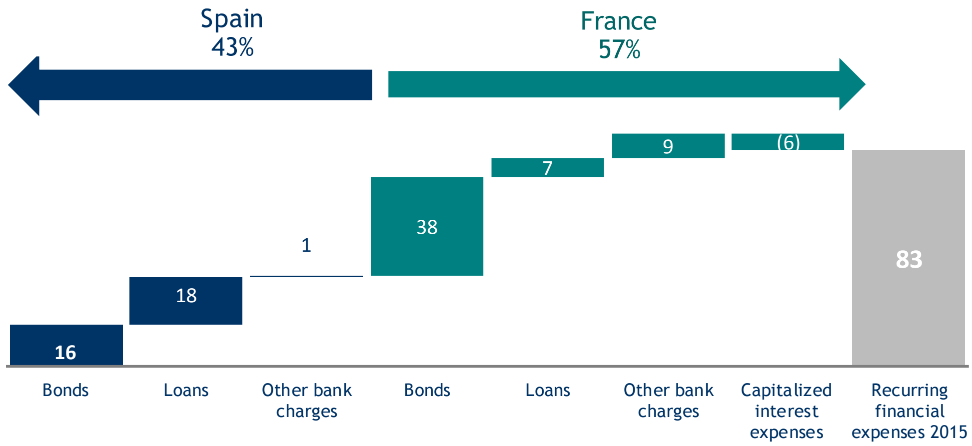
(1) Sign according to profit impact

- The total financial results of the Group up to 31 December 2015 decreased by 42% compared to the previous year. From the total of €(131)m, €(83m) corresponded to recurring financial results and €(48)m to non-recurring financial expenses.

- The recurring financial expenses of the Group were 17% below that of 2014, mainly due to a lower financial cost.

- The breakdown the of the recurring financial cost in 2015 is as follows:

Breakdown recurring financial expenses - December 2015



- The non-recurring financial expenses decreased by 65%. In 2014, this concept included the capitalizable interests of 686 bp on Colonial's old syndicate loan (cancelled in May 2014). The amount of €(31)m registered in 2015 mainly corresponds to the close out costs of Colonial's previous syndicate loan.

  In France, the non-recurring financial results mainly corresponded to the Liability Management transaction and the impact of the early cancellation by SFL of non-IAS-compliant hedging transactions. In July 2015, SFL cancelled the hedging instruments in force at that date, as the debt associated with them was renewed, changing the variable rate to a fixed rate.

- The capitalized financial expenses corresponded to the financing of a project in France.

- The average credit spread of the Group in 2015 (excluding fees) is 208 bp over Euribor (259 bp in Spain and 173 bp in France). The breakdown of the Group's financial cost of debt is shown in the chart below:

December cumulative - €m	SP	FR	2015	2014	Var. %
Average cost of debt	2.94%	2.87%	2.89%	3.54%	(64 bp)
Drawdown fees	0.53%	0.22%	0.34%	0.44%	(11 bp)
Cost of debt - % total	3.47%	3.09%	**3.23%**	**3.98%**	(75 bp)
Average spread (without comissions)	259pb	173pb	208pb	247pb (1)	*(39 bp)*
Cost of debt spot 31/12/2015	2.14%	2.36%	2.27%	3.31%	*(104 bp)*

(1) Excluding step up of old syndicate loan

- The bond issue and the cancellation of Colonial's previous syndicate loan have considerably reduced the spread of the actual debt in Spain, which at 31 December 2015 stood at 172 bp.

More details on the financial structure are described in Appendix 6.7

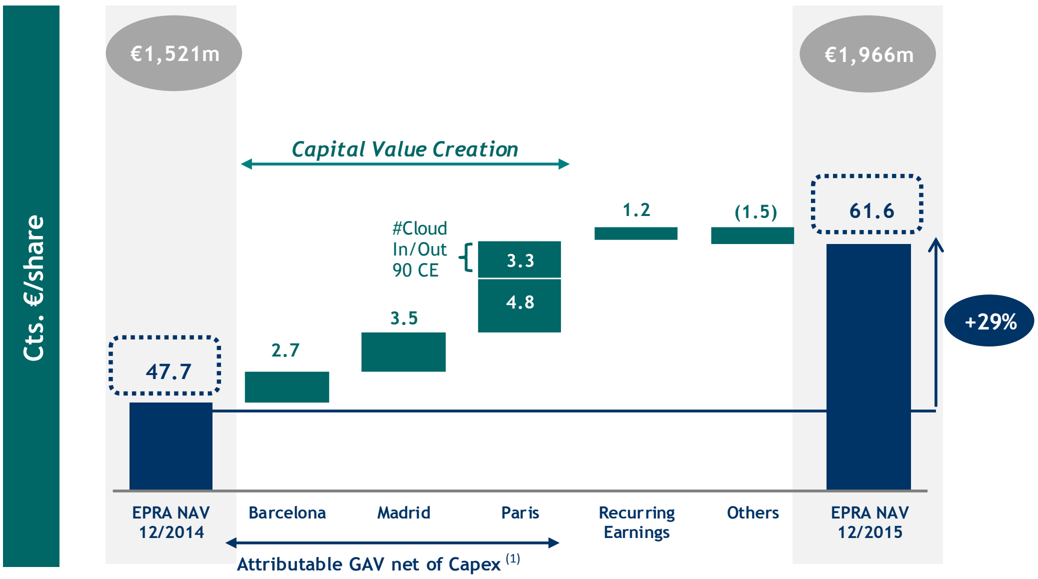
5. EPRA Net Asset Value & Share price performance

EPRA Net Asset Value (NAV)

Colonial's EPRA Net Asset Value increased by 29% in 2015 reaching €62cents/share.

The main variations of the NAV at 31 December 2015 vs. the NAV at 31 December 2014 are shown in the graph below.

EPRA NAV Colonial



(1) In France includes net impact of the increase in the transfer tax rate and the additional tax levied as from 1 January 2016 (€49m)

Of the 29% growth in the NAV, 13% is due to the increases in value of the Madrid and Barcelona portfolios, mainly as a consequence of yield compressions. The assets in France contribute 17% to the growth of the NAV, part of this growth is based on the successful execution of value-added projects.

The recurring result almost offsets the negative impacts mainly deriving from close-out costs of previous financing in the framework of the optimization of the financial structure.

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	12/2015	12/2014
NAV per the Consolidated financial statements	**1,837**	**1,423**
Include:		
(i.a) Revaluation of investment properties (if IAS 40 cost option is used)	8	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	17	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	4	9
(v.a) Deferred tax	100	73
(v.b) Tax credits on balance	-	-
Include/exclude:		
Adjustments (i) to (iii) above in respect of joint ventures interests	na	na
EPRA NAV - €m	**1,966**	**1,521**
EPRA NAV - Euros cents per share	***61.6***	***47.7***
Nº of shares (m)	*3,189*	*3,189*

Calculation of the EPRA NAV: Following the EPRA recommendations and starting from the consolidated equity of €1,837m, 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 €8m.
2. Revaluation of other investments: corresponding to latent capital gains (not accounted for on the balance sheet) of other investments carried out by the Group.
3. Adjustment of accounted for MTM ("mark-to-market"): in order to determine the EPRA NAV, the net value of the MTM of the hedging instruments registered on the balance sheet has been adjusted (+€4m).
4. Adjustment of deferred taxes: adjustment of the amount of deferred taxes associated with the revaluation of the property assets (+€100m), registered on the balance sheet

EPRA NNNAV amounted to €1,835m at 31 December 2015, which corresponds to **€58cents/share.**

EPRA Triple Net Asset value (NNNAV) - €m	12/2015	12/2014
EPRA NAV	**1,966**	**1,521**
Include:		
(i) Fair value of financial instruments	(4)	(9)
(ii) Fair value of debt	(27)	(32)
(iii) Deferred tax	(100)	(71)
EPRA NNNAV - €m	**1,835**	**1,408**
EPRA NNNAV - Euros cents per share	***57.5***	***44.2***
Nº of shares (m)	*3,189*	*3,189*

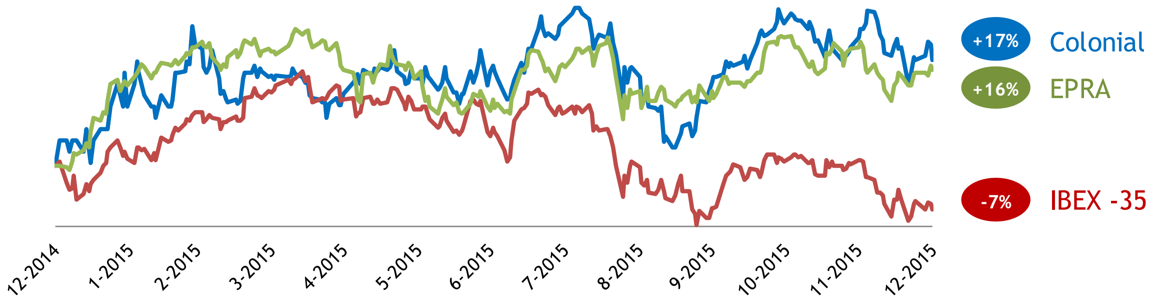
For its calculation, the following items have been adjusted in the EPRA NAV: the fair market value of the financial instruments (-€4m), the fair market value of the debt (-€27m), and the taxes that would be accrued in case of the disposal of the assets at their market value (-€100m).

The Colonial Group has tax credits for the amount of €1,362m (not accounted for the balance sheet neither in NAV), associated with the taxable bases of carry forward losses 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 the current legislation (LIS), the effective corporate tax rate going forward is 7.5% for the Spanish operations.

Share price performance

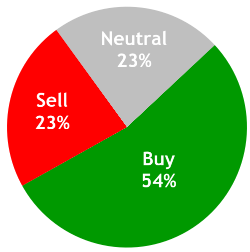
Colonial's shares closed the year 2015 with a revaluation of 17%, outperforming the IBEX35 as well as the EPRA Europe Developed index.

Performance of the share price versus EPRA & IBEX (2015)



The daily average trading volume reached €7.5m, positioning Colonial as one of the most liquid values among the listed European property companies in the office segment.

During the last few months, the number of analysts that cover the Company has increased substantially to 13 analysts, more than half of them have issued recommendations to buy. According to analysts' consensus, the average target price is €71cents/share, a premium of 11% with respect to the closing price at 31 December 2015. The maximum target price levels were above €90cents/share (Goldman Sachs & Alpha Value).



The target prices and recommendations are as follows:

Institution	Analyst	Date	Recommendation	Target Price actual (€/share)	Rental Income			Recurring Net Profit			NAV/ share (cents €)		
					2015	2016	2017	2015	2016	2017	2015	2016	2017
JB Capital	Daniel Gandoy	28/09/2015	Underweight	0.58	235	254	268	nd	nd	nd	50	58	65
Banc Sabadell	Ignacio Romero	29/10/2015	Buy	0.76	228	257	289	53	104	143	nd	nd	nd
Kepler Cheuvreux	Javier Campos	05/11/2015	Neutral	0.70	239	272	292	nd	nd	nd	60	69	80
Main First Bank	Ignacio Carvajal	13/11/2015	Underweight	0.63	216	255	291	65	63	86	55	62	69
Ahorro Corporación	Guillermo Barrio	13/11/2015	Sell	0.60	nd	nd	nd	nd	nd	nd	nd	nd	nd
Morgan Stanley	Bart Gysens	13/11/2015	Overweight	0.72	245	261	275	83	96	112	60	66	72
Alpha Value	Alda Kule Dale	03/12/2015	Buy	0.90	nd	nd	nd	nd	nd	nd	nd	nd	nd
Banco Santander	Jose Alfonso Garcia	21/12/2015	Buy	0.77	230	283	309	38	104	124	66	74	83
Kempen	Tania Valiente	05/01/2016	Neutral	0.66	235	270	282	47	74	81	58	65	69
Merrill Lynch	Samuel Warwood	07/01/2016	Neutral	0.67	228	265	274	39	56	63	52	60	66
N+1 Equities	Jaime Amoribieta	21/01/2016	Buy	0.70	nd	nd	nd	nd	70	81	57	64	76
Bankinter	Juan Moreno	21/01/2016	Buy	0.63	227	241	278	nd	46	77	nd	nd	nd
Goldman Sachs	Jonathan Kownator	21/01/2016	CL Buy	0.95	nd	nd	nd	nd	nd	nd	62	77	84
Analysts consensus				**0.71**	**231**	**262**	**284**	**54**	**77**	**96**	**58**	**66**	**74**

Source: Bloomberg & reports of analysts

In September, EPRA awarded Colonial the “EPRA Best Practices Gold Award – Financial Reporting”, as well as the “Most Improved Annual Report – Award”, confirming its excellence and transparency in financial communication.

Currently it is the only Spanish company in the EPRA index that has been recognized with this top award.

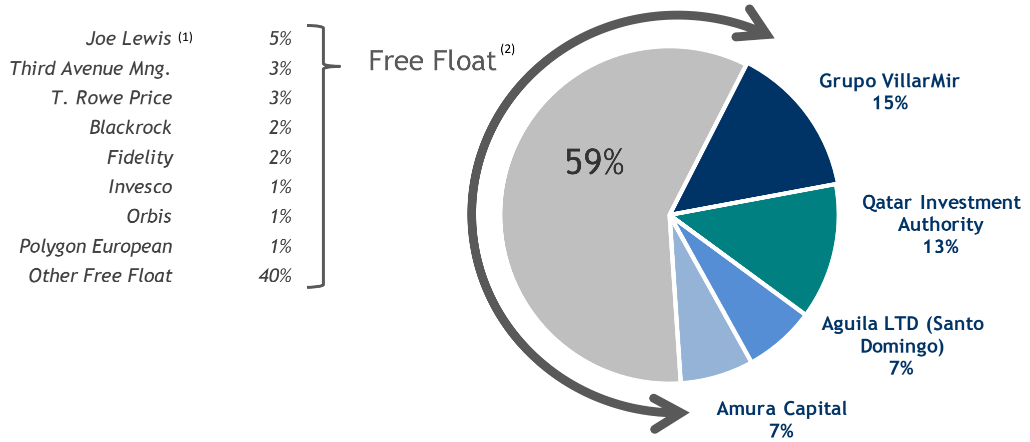
Colonial is part of two EPRA indices: the FTSE EPRA/NAREIT Developed Europe and the FTSE EPRA/NAREIT Developed Eurozone. In addition, it is part of the Global Property Index 250 (GPR 250 Index), as well as the Ibex Medium Cap index. These indices are benchmarks for international listed property companies.

In addition, Colonial is included in the Morgan Stanley Capital International (MSCI) index, a global property benchmark index for profitability.

Company shareholder structure

Colonial's shareholder structure is as follows:

Shareholder structure at 20/01/2016 (*)



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

(1) Through Joseph Charles Lewis
(2) Free float: shareholders with minority stakes and without representation in the Board of Directors

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
Sheikh Ali Jassim M. J. Al-Thani	Director	QIA			
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 - €m	2015	2014
Earnings per IFRS Income statement	**415**	**492**
Earnings per IFRS Income statement - Euros cents per share	*13*	*16*
Adjustments to calculate EPRA Earnings, exclude:		
(i) Changes in value of investment properties, development properties held for investment and other interests	(718)	(332)
(ii) Profits or losses on disposal of investment, development properties held for investment and other interests	(1)	(8)
(iii) Profits or losses on sales of trading properties including impairment changes in respect of trading properties	0	0
(iv) Tax on profits or losses on disposals	0	0
(v) Negative goodwill / goodwill impairment	0	120
(vi) Changes in fair value of financial instruments and associated close-out costs	51	33
(vii) Acquisition costs on share deals and non controlling joint venture interests	0	0
(viii) Deferred tax in respect of EPRA adjustments	43	26
(ix) Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation	0	6
(x) Minority interests in respect of the above	242	98
EPRA Earnings	**33**	**435**
EPRA Earnings per Share (EPS) - Euros cents per share	*1*	*14*
Colonial specific adjustments:		
(a) Discontinued operations	0	(701)
(b) Extraordinary expenses	6	49
(c) Non recurring financial result	(2)	90
(d) Tax credits	0	143
Company specific adjusted EPRA Earnings	**37**	**17**
Company adjusted EPRA Earnings per Share (EPS) - Euros cents per share	*1.2*	*0.5*

6.1 Appendix – EPRA Ratios (cont.)

2) EPRA NAV

EPRA Net Asset value - €m	12/2015	12/2014
NAV per the Consolidated financial statements	**1,837**	**1,423**
Include:		
(i.a) Revaluation of investment properties (if IAS 40 cost option is used)	8	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	17	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	4	9
(v.a) Deferred tax	100	73
(v.b) Tax credits on balance	-	-
Include/exclude:		
Adjustments (i) to (iii) above in respect of joint ventures interests	na	na
EPRA NAV - €m	**1,966**	**1,521**
EPRA NAV - Euros cents per share	***61.6***	***47.7***
Nº of shares (m)	*3,189*	*3,189*

3) EPRA NNNAV

EPRA Triple Net Asset value (NNNAV) - €m	12/2015	12/2014
EPRA NAV	**1,966**	**1,521**
Include:		
(i) Fair value of financial instruments	(4)	(9)
(ii) Fair value of debt	(27)	(32)
(iii) Deferred tax	(100)	(71)
EPRA NNNAV - €m	**1,835**	**1,408**
EPRA NNNAV - Euros cents per share	***57.5***	***44.2***
Nº of shares (m)	*3,189*	*3,189*

6.1 Appendix – EPRA Ratios (cont.)

4) EPRA Yield and Topped-up yield

D. EPRA yield & "Topped-Up" yield		Barcelona	Madrid	Paris	Total 2015	Total 2014
Figures in €m						
Investment property - wholly owned		689	981	5,242	6,913	5,757
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)	(75)	(233)	(321)	(597)
Completed property portfolio	**E**	**676**	**906**	**5,010**	**6,591**	**5,160**
Allowance for estimated purchasers' costs		20	28	261	309	252
Gross up completed property portfolio valuation	**B**	**695**	**934**	**5,271**	**6,900**	**5,412**
Annualised cash passing rental income		29	38	151	218	215
Property outgoings		(2)	(3)	(6)	(12)	(15)
Annualised net rents	**A**	**27**	**35**	**145**	**206**	**199**
Add: notional rent expiration of rent free periods or other lease incentives		2	1	53	55	16
"Topped-up" net annualised rent	**C**	**28**	**36**	**198**	**262**	**215**
EPRA Net Initial Yield	**A/B**	**3.8%**	**3.7%**	**2.8%**	**3.0%**	**3.7%**
EPRA "Topped-Up" Yield	**C/B**	**4.1%**	**3.8%**	**3.8%**	**3.8%**	**4.0%**
Gross Rents 100% Occupancy	F	35	42	218	294	254
Property outgoings 100% Occupancy		(0)	(2)	(3)	(5)	(8)
Annualised net rents 100% Occupancy	**D**	**34**	**40**	**215**	**289**	**246**
Net Yield 100% Occupancy	**D/B**	**4.9%**	**4.3%**	**4.1%**	**4.2%**	**4.6%**
Gross Yield 100% Occupancy	**F/E**	**5.1%**	**4.6%**	**4.3%**	**4.5%**	**4.9%**

5) EPRA Vacancy Rate

EPRA Vacancy Rate - Offices Portfolio

€m	2015	2014	Var. %
BARCELONA			
Vacant space ERV	3	7	
Portfolio ERV	31	30	
EPRA Vacancy Rate Barcelona	11%	22%	*(12 pp)*
MADRID			
Vacant space ERV	2	3	
Portfolio ERV	38	33	
EPRA Vacancy Rate Madrid	4%	10%	*(6 pp)*
PARIS			
Vacant space ERV	12	23	
Portfolio ERV	185	159	
EPRA Vacancy Rate Paris	6%	14%	*(8 pp)*
TOTAL PORTFOLIO			
Vacant space ERV	17	33	
Portfolio ERV	255	221	
EPRA Vacancy Rate Total Portfolio	6%	15%	*(8 pp)*

EPRA Vacancy Rate - Total Portfolio

€m	2015	2014	Var. %
BARCELONA			
Vacant space ERV	3	7	
Portfolio ERV	33	31	
EPRA Vacancy Rate Barcelona	10%	21%	*(11 pp)*
MADRID			
Vacant space ERV	2	4	
Portfolio ERV	40	35	
EPRA Vacancy Rate Madrid	4%	12%	*(7 pp)*
PARIS			
Vacant space ERV	12	23	
Portfolio ERV	222	199	
EPRA Vacancy Rate Paris	5%	12%	*(6 pp)*
TOTAL PORTFOLIO			
Vacant space ERV	17	34	
Portfolio ERV	295	265	
EPRA Vacancy Rate Total Portfolio	6%	13%	*(7 pp)*

Annualized figures

6.1 Appendix – EPRA Ratios (cont.)

6) EPRA Cost Ratios

E. EPRA Cost Ratios		12/2015	12/2014
Figures in €m			
(i) Administrative/operating expense line per IFRS income statement (1)		35	35
(ii) Net service charge costs/fees		23	21
(iii) Management fees less actual/estimated profit element		0	(1)
(iv) Other operating income/recharges intended to cover overhead expenses less any related profits		(0)	(0)
(v) Share of Joint Ventures expenses		0	2
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		(5)	(2)
EPRA Costs (including direct vacancy costs)	**A**	**52**	**54**
(ix) Direct vacancy costs		(9)	(9)
EPRA Costs (excluding direct vacancy costs)	**B**	**43**	**45**
(x) Gross Rental Income less ground rent costs - per IFRS		231	211
(xi) Less: service fee and service charge costs components of Gross Rental Income (if relevant)		(6)	(3)
(xii) Add: share of Joint Ventures (Gross Rental Income less ground rent costs)		0	9
Gross Rental Income	**C**	**225**	**217**
EPRA Cost Ratio (including direct vacancy costs) (A/C)	**A/C**	**23.3%**	**25.1%**
EPRA Cost Ratio (excluding direct vacancy costs) (B/C)	**B/C**	**19.1%**	**20.9%**

(1) 2015: 32,9€m refer to administrative expense and 1,9€m refer to extraordinary operating expenses
2014: 32,3€m refer to administrative expense and 2,2€m refer to extraordinary operating expenses

6.2 Appendix -Consolidated balance sheet

Consolidated balance sheet

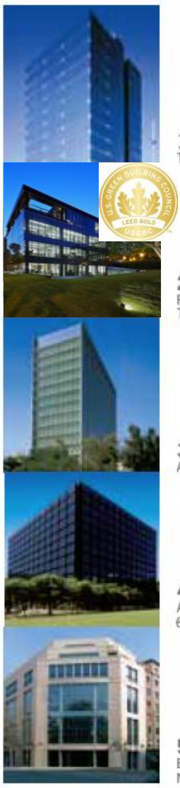
€m	2015	2014
ASSETS		
Property investments	6,743	5,663
Other non-current assets	46	47
Non-current assets	**6,789**	**5,710**
Debtors and other receivables	85	71
Other current assets	242	128
Assets available for sale	13	17
Current assets	**340**	**215**
TOTAL ASSETS	7,130	5,925
LIABILITIES		
Share capital	*797*	*797*
Reserves and others	*625*	*134*
Profit (loss) for the period	*415*	*492*
Equity	1,837	1,423
Minority interests	1,612	1,376
Net equity	**3,449**	**2,799**
Bond issues and other non-current issues	2,539	1,196
Non-current financial debt	442	1,401
Deferred tax	244	197
Other non-current liabilities	114	124
Non-current liabilities	**3,339**	**2,918**
Bond issues and other current issues	176	9
Current financial debt	54	68
Creditors and other payables	73	93
Other current liabilities	38	39
Current liabilities	**341**	**209**
TOTAL EQUITY & LIABILITIES	7,130	5,925

MARKET VALUE RECONCILIATION	€m
Tangible fixed assets - own use [(1)]	30
Real estate investment (w/o advances on fixed assets) [(2)]	6,743
Non-current assets held for sale - Investment properties [(3)]	13
Value accounted on balance	**6,786**
Unrealised capital gains - own use	18
Not appraised	(0)
Fiscal adjustments	49
Rent free periods	59
Adjustments	**127**
Appraisal value according to external appraisers	**6,913**

(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

6 TRAVESSERA DE GRÀCIA 11

7 AMIGÓ 11-17

8 AV. DIAGONAL 530-532

9 AV. DIAGONAL 409

10 VIA AUGUSTA 21-23

11 TORRE MARENOSTRUM

12 AUSIÀS MARC 148

13 DIAGONAL GLÒRIES

14 COMPLEJO DE OFICINAS PARC CENTRAL

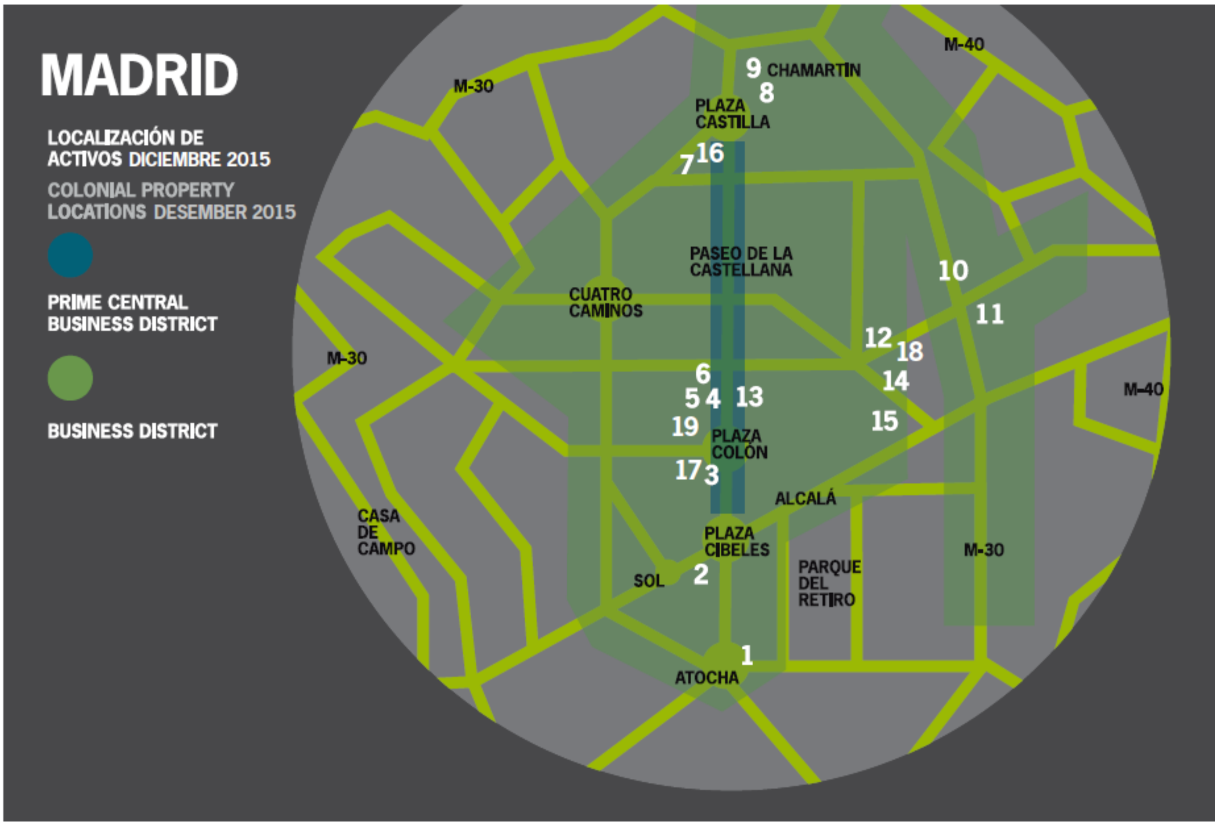
15 COMPLEJO DE OFICINAS ILLACUNA

16 COMPLEJO DE OFICINAS SANT CUGAT NORD

17 PLAZA EUROPA 42-44

6.3 Appendix - Asset portfolio - Locations (cont.)

Madrid



6.3 Appendix - Asset portfolio - Locations (cont.)

Paris

The entire Paris portfolio has energy certificates


1 LDE-LDA


2 WASHINGTON PLAZA


3 GALERIE DES CHAMPS-ÉLYSÉES

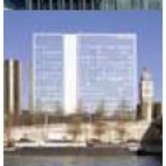

4 90 CHAMPS-ÉLYSÉES


5 92 CHAMPS-ÉLYSÉES- OZONE


6 CÉZANNE SAINT-HONORÉ


7 EDOUARD VII


8 176 CHARLES DE GAULLE


9 RIVES DE SEINE


10 IN/OUT


11 96 IENA


12 131 WAGRAM


13 103 GRENELLE


14 104-110 HAUSSMANN


15 6 HANOVRE


16 ILOT RICHELIEU


17 LE VAISSEAU


18 112 WAGRAM


19 4-8 RUE CONDORCET


20 9 AV. PERCIER

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.	Hotel				
AV. DIAGONAL, 409	**3,680**	851			**4,531**	0	**4,531**	
AV. DIAGONAL, 530	**9,226**	2,555			**11,781**	4,708	**16,489**	**99**
AV. DIAGONAL, 609-615 (DAU)	**21,381**				**21,381**	18,839	**40,220**	**438**
AV. DIAGONAL, 682	**8,372**	250			**8,622**	1,795	**10,417**	**50**
PEDRALBES CENTRE	**0**	5,558			**5,558**	1,312	**6,870**	
AUSIAS MARCH / LEPANT	**5,060**	1,370			**6,430**	1,521	**7,951**	**64**
BERLIN, 38-48/NUMANCIA, 46	**9,644**	3,173			**12,817**	3,780	**16,597**	**99**
GLORIES - DIAGONAL	**11,672**				**11,672**	536	**12,208**	**40**
ILLACUNA	**19,639**	812			**20,451**	13,620	**34,071**	**480**
TILOS, 2-6	**5,143**				**5,143**	3,081	**8,224**	**79**
VIA AUGUSTA, 21-23	**4,620**	218			**4,838**	0	**4,838**	
TRAVESSERA DE GRACIA, 11	**4,105**	410			**4,515**	1,994	**6,509**	**61**
AMIGÓ	**2,960**	620			**3,580**	1,766	**5,346**	**88**
PLAZA EUROPA 42-44	**4,869**				**4,869**	2,808	**7,677**	**68**
TORRE BCN	**9,600**	235			**9,835**	3,398	**13,233**	**88**
TORRE MARENOSTRUM	**22,750**				**22,750**	19,370	**42,120**	**609**
SANT CUGAT NORD	**27,904**				**27,904**	20,627	**48,531**	**690**
P. CASTELLANA, 52	**6,496**	1,027			**7,523**	2,615	**10,138**	**49**
RECOLETOS, 37	**13,642**	3,560			**17,202**	5,340	**22,542**	**175**
CASTELLANA, 43	**5,999**				**5,999**	2,441	**8,440**	**81**
MIGUEL ANGEL, 11	**5,370**	930			**6,300**	2,231	**8,531**	**81**
JOSE ABASCAL, 56	**10,857**	1,468			**12,325**	6,437	**18,762**	**219**
GÉNOVA, 17	**3,638**	1,038			**4,676**	2,601	**7,277**	**70**
ALCALA, 30-32	**8,573**	515			**9,088**	1,700	**10,788**	**52**
ALFONSO XII, 62	**13,135**				**13,135**	2,287	**15,422**	**78**
SANTA ENGRACIA	**13,430**				**13,430**	5,562	**18,992**	**181**
FRANCISCO SILVELA, 42	**5,725**				**5,725**	3,654	**9,379**	**105**
ORTEGA Y GASSET 100	**6,870**	922			**7,792**	2,563	**10,355**	**96**
CAPITAN HAYA	**13,685**	2,330			**16,015**	9,668	**25,683**	**295**
LOPEZ DE HOYOS, 35	**7,140**				**7,140**	4,105	**11,245**	**111**
AGUSTÍN DE FOXA, 29	**5,826**	831			**6,657**	2,557	**9,213**	**158**
CENTRO NORTE HOTEL	**0**	385		8,073	**8,458**	11,089	**19,547**	
MARTINEZ VILLERGAS, 49	**24,135**				**24,135**	14,746	**38,881**	**437**
RAMIREZ DE ARELLANO, 37	**5,988**				**5,988**	4,923	**10,911**	**160**
HOTEL MARINA DE LA TORRE	**0**			11,519	**11,519**	0	**11,519**	
RENTAL PORTFOLIO	**321,134**	**29,058**		**19,592**	**369,783**	183,673	**553,457**	**5,301**
OTHER SMALL RETAIL UNITS		969			**969**	350	**1,319**	
PORFOLIO IN OPERATION SPAIN	**321,134**	**30,027**		**19,592**	**370,752**	184,023	**554,776**	**5,301**
PARC CENTRAL	**14,737**				**14,737**	14,737	**29,474**	**184**
ESTÉBANEZ CALDERÓN, 3-5	**9,244**	1,214			**10,458**	3,196	**13,654**	**110**
PRÍNCIPE DE VERGARA, 112	**11,308**				**11,308**	3,646	**14,955**	**110**
ORENSE	**0**	5,010			**5,010**	1,384	**6,394**	**51**
REST OF ASSETS	**1,203**				**1,205**	2,247	**3,452**	
PROJECTS UNDERWAY SPAIN	**36,492**	**6,226**			**42,718**	25,210	**67,929**	**455**
TOTAL SPAIN	**357,626**	**36,253**		**19,592**	**413,471**	**209,234**	**622,704**	**5,756**
BARCELONA	***185,977***	*16,157*			***202,134***	*115,321*	***317,455***	***3,137***
MADRID	***171,649***	*19,230*		*8,073*	***198,951***	*93,563*	***292,514***	***2,619***
OTHERS		*866*		*11,519*	***12,385***	*350*	***12,735***	

Note: In order to facilitate the analysis of the portfolio, a breakdown of retail GLA for every office building has been specified (generally the ground floor of many office assets has retail use).

6.4 Appendix – Asset portfolio - Details (cont.)

France

RENTAL PORTFOLIO PARIS	Floor space above ground				Floor space above ground	Floor space below ground	Total surface	Parking units
	Offices	Retail	Resid.	Hotel & others				
LOUVRE DES ANTIQUAIRES	24,897	410		2,134	27,441	5,730	33,172	236
EDOUARD 7	26,645	15,998	4,509	4,237	51,389	5,043	56,431	523
HANOVRE LB	3,325				3,325	1,246	4,571	0
ILOT RICHELIEU	28,192			1,860	30,051	6,668	36,720	99
CONDORCET	20,376		1,562	1,301	23,239	2,457	25,696	50
GALERIES C. ELYSEES 8288	0	4,067			4,067	3,789	7,856	125
C. ELYSEES 90	7,912	981			8,893		8,893	
C. ELYSEES 92 (OZONE)	4,110	3,089			7,199		7,199	
CEZANNE SAINT HONORE	24,411	1,849	0		26,261	3,337	29,598	128
PRONY-WAGRAM	7,100			449	7,549	3,119	10,668	124
96 IENA	7,505				7,505	4,711	12,217	264
108-112 WAGRAM	4,470	892			5,362	546	5,908	29
WASHINGTON PLAZA	38,708	416		2,214	41,339	13,125	54,463	662
HAUSSMANN 104-110	11,683	791			12,474	2,650	15,124	104
PERCIER	3,759				3,759	419	4,177	14
176 CHARLES DE GAULLE	5,749	389			6,138	2,739	8,876	145
IN & OUT	32,614				32,614	14,567	47,181	581
RIVES DE SEINE	20,270			1,760	22,030	6,589	28,619	366
103 GRENELLE	13,564	258		1,052	14,873	1,872	16,745	100
SAINT DENIS	0		60		60	16	76	1
CARTERA EN EXPLOTACIÓN	**285,289**	**29,140**	**6,132**	**15,007**	**335,567**	**78,622**	**414,190**	**3,551**
LOUVRE DES ANTIQUAIRES	3,606	6,270			9,876	8,462	18,339	
LE VAISSEAU	6,026				6,026	2,321	8,347	124
PERCIER	2,187				2,187	553	2,740	
RESTO ACTIVOS	3,655	531			4,186	17,660	21,846	
PROYECTOS & REHABILITACIONES	**15,473**	**6,802**			**22,275**	**28,997**	**51,272**	**124**
TOTAL FRANCIA	**300,761**	**35,942**	**6,132**	**15,007**	**357,842**	**107,620**	**465,461**	**3,675**
TOTAL GRUPO COLONIAL	**658,387**	**72,195**	**6,132**	**34,598**	**771,313**	**316,853**	**1,088,166**	**9,431**

6.5 Appendix – Project portfolio & New acquisitions

1 Projects underway & new acquisitions

Estébanez Calderón – Madrid *(Project underway)*

Property acquired in May 2015, located at Estébanez Calderón 3-5, just a few metres from Paseo de la Castellana. The transaction involves demolishing the current building to build a new unique property, which will incorporate the latest technologies and innovation in materials. The property will obtain the most prestigious environmental and sustainability certificates. The new office building will provide a total of 10,500 sq m of surface area above ground, with optimal space efficiency on all floors, enabling it to obtain the “LEED Gold” energy certificate.

Príncipe de Vergara – Madrid *(Project underway)*

Property acquired in July 2015, located at Príncipe de Vergara, 112, Madrid. The transaction involves demolishing the current property to build a unique new building, which will incorporate the latest technologies and innovation in materials. The property will receive the most prestigious environmental and sustainability certificates. The new office building will provide a total of 11,400 sq m surface area above ground, with optimal space efficiency on all floors, enabling it to obtain the “LEED Gold” energy certificate.

9 Avenue Percier – París Prime CBD:

In June 2015 Colonial acquired, through its subsidiary Société Foncière Lyonnaise (SFL), an office building of 6,000 sq m, located at number 9 Avenue Percier in the 8th district of Paris, for the amount of €68m (price includes transfer costs). This new Art Deco style building, located in the central business district, provides flexible and efficient office floors and has the best features which define a prime quality building in the French capital.

6.5 Appendix – Project portfolio & New acquisitions (cont.)

1 Projects underway and new acquisitions

Santa Engracia – Madrid CBD

In December 2015, Colonial acquired the "Core" office building located in the CBD area of Madrid for the amount of €68m (price including acquisition costs). The property has a surface are above ground of almost 13,500 sq m of offices and 178 parking spaces. Currently it is 95% occupied by NH Hoteles (head office) and Zeltia, among others.

Génova 17 – Madrid Prime CBD:

Colonial acquired an office building of almost 5,000 sq m, located at Génova, 17 in Madrid, for the amount of €36m. The property has recently been fully refurbished and has obtained the BREEAM Very Good certificate. The building is currently 100% occupied.

6.5 Appendix – Project portfolio & New acquisitions (cont.)

2 Recently delivered projects

#CLOUD (Rue Richelieu) – Paris



This building was acquired in April 2004 and in the last quarter of 2015 the comprehensive refurbishment project on the building was completed, which involved the creation of 33,000 sq m of individual offices for top tier clients in central Paris. This building entered into operation at the end of 2015, pre-let at approximately 90%. The property has the top energy certificates (HQE, BREEAM & LEED Gold) and currently represents the best high quality supply in the Paris CBD.

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. An office complex with state-of-the-art façades and an outstanding design. Office spaces ranging from 200 sq m to 540 sq m per floor. These high-quality and energy-efficient buildings and facilities have obtained the LEED Gold Pre-certification (“green building”).

6.5 Appendix – Project portfolio & new acquisitions (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. The current occupancy of this asset stands at 100%.

Paseo los Tilos



A new office building, 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. This building was delivered during the first quarter of 2015 and is 100% let.

90 Champs-Élysées



An office complex of more than 9,000 sq m located on top of the Champs-Elysées shopping centre. During the first quarter of 2015, it came into operation. The building was already pre-let by a top tier consulting firm.

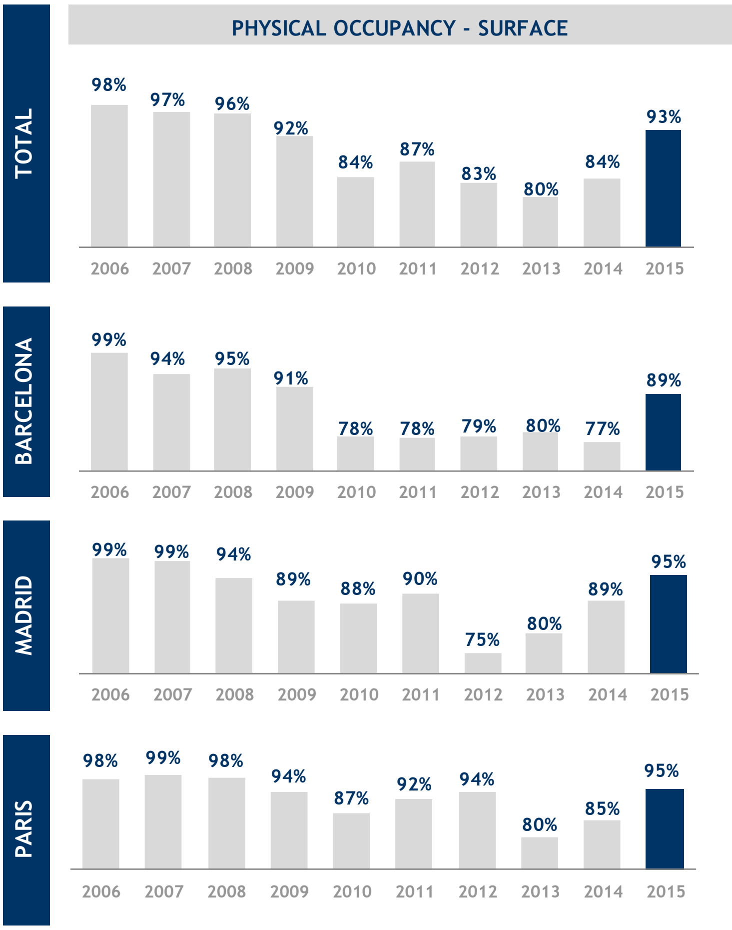
6.6 Appendix – Historical series

Historical series breakdown

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Barcelona												
Physical Offices Occupancy (%)	97%	100%	99%	94%	95%	91%	78%	78%	79%	80%	77%	89%
Rental income (€m)	55	53	56	60	51	49	39	32	31	28	28	27
EBITDA (€m)	53	51	55	58	49	47	37	28	27	25	23	23
Ebitda / Rental income (%)	95%	96%	97%	97%	96%	97%	93%	88%	89%	89%	85%	85%
Madrid												
Physical Offices Occupancy (%)	93%	98%	99%	99%	94%	89%	88%	90%	75%	80%	89%	95%
Rental income (€m)	37	44	68	70	56	50	47	45	44	35	32	35
EBITDA (€m)	34	42	66	66	52	46	42	41	40	30	28	31
Ebitda / Rental income (%)	93%	94%	96%	95%	92%	92%	90%	90%	90%	86%	85%	88%
Paris												
Physical Offices Occupancy (%)	97%	96%	98%	99%	98%	94%	87%	92%	94%	80%	85%	95%
Rental income (€m)	157	153	162	170	182	183	175	152	150	149	152	169
EBITDA (€m)	147	145	153	162	171	173	162	141	138	137	139	155
Ebitda / Rental income (%)	94%	95%	95%	95%	94%	94%	93%	93%	92%	92%	92%	92%

Evolution of physical office occupancy

Office Occupancy [(1)] – Evolution of Colonial's Portfolio



(1) Occupied surfaces / Surfaces in operation

6.7 Appendix – Financial structure – Details

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

1. Bonds issued in two tranches in June 2015 for a total amount of €1,250m according to the following breakdown:
   a) Issue of €750m, maturing in June 2019 with an annual fixed coupon of 1.863%.
   b) Issue of €500m, maturing in June 2023 with an annual fixed coupon of 2.728%.

   These bonds are unsubordinated and non-preferential between them, and have been accepted for listing on the Main Securities Market of the Irish Stock Exchange.
2. Four SFL bond issues for €1,457m according to the following breakdown:
   a) Issue in May 2011 for the initial amount of €500m, maturing in May 2016. After the repurchases carried out in November 2014 and November 2015, the amount was reduced to €156m with an annual fixed coupon of 4.625%, maturing in May 2016.
   b) Issue in November 2012 of the initial amount of €500m, with pending amount after the repurchases carried out in November 2014 and November 2015 of €300.7m, 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%, maturing in November 2021.
   d) Issue in November 2015 for €500 with an annual fixed coupon of 2.25%, maturing in November 2022.

   These bonds are unsubordinated and non-preferential between them and have been accepted for listing on the regulated market of Euronext Paris.
3. Colonial's syndicate loan for a nominal value of €350m, of which the agent bank is Natixis S.A. Sucursal en España, with initial maturity in June 2019, extendible until November 2020. The objective of this syndicate loan is to finance possible acquisitions, as well as refurbishments and other investment needs (CAPEX). The interest rate of the loan has been fixed at Euribor plus 160 bp and the only guarantees provided have been corporate. This loan is subject to the fulfilment of certain financial ratios.

   At 31 December 2015 €67m was drawn.
4. 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 2020 with an applicable spread, subject to the LTV level. This loan is totally undrawn.
   b) A syndicate loan, the agent bank of which is "Natixis Banques Populaires" for a nominal amount of €150m, maturing in October 2019. The applicable spread varies depending on the LTV. At 31 December 2015 this loan was totally undrawn.

6.7 Appendix – Financial Structure – Details (cont.)

5. Bilateral loans with mortgage securities:
   a) The Colonial Group in Spain holds €39m in bilateral loans, with mortgage securities on various property assets. The average maturity of these loans is 5.1 years and the average financing spread is 80 bp.
   b) SFL holds a total of €234m in bilateral loans with various financial institutions, with mortgage securities on property assets. The average maturity of these loans is 5.6 years. In July 2015 SFL renegotiated €208m of these bilateral loans, postponing their maturity from July 2017 to July 2022.
6. Bilateral loans without mortgage securities:
   SFL holds various loans for the amount of €162m, with an average maturity of 2.9 years.

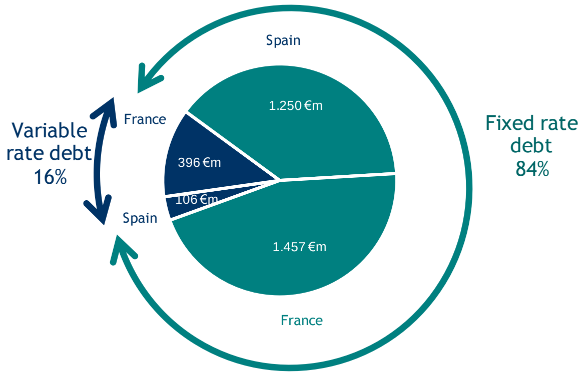
Hedging portfolio

The breakdown of the hedging portfolio at 31 December 2015 is the following:

December 2015 Financial instrument - €m	Spain	France	Total	%	MTM (Ex-coupon)
Total hedging portfolio (Variable - Fixed)	85	0	85	100%	(7)
Maturity (years)	4.0	0.0	4.0		
% Hedging portfolio / Gross debt	80%	0%	29%		
% Fixed rate or hedged debt vs/ Gross debt	98%	90%	93%		

The bond issues by Colonial and SFL and the conversion to a fixed rate of €208m of SFL's debt have resulted in 71% of the Group's debt being contracted at a fixed rate, although the drawn debt at 31 December 2015 was 91% at a fixed rate. In addition, the Group uses derivative financial instruments that enable it to manage its exposure to interest rate fluctuations. The objective of the risk management policy is to reduce exposure to interest rate volatility in order to limit and control the impact of interest rate fluctuations on the cash flow and results, maintaining an appropriate global cost of debt. In addition, the policy of the Group is to contract instruments that comply with the requirements established under the IFRS 39, allowing the variance in the market value (MTM) to be registered directly in net equity.

Breakdown of fixed rate and variable debt at 31/12/2015



6.7 Appendix – Financial Structure – Details (cont.)

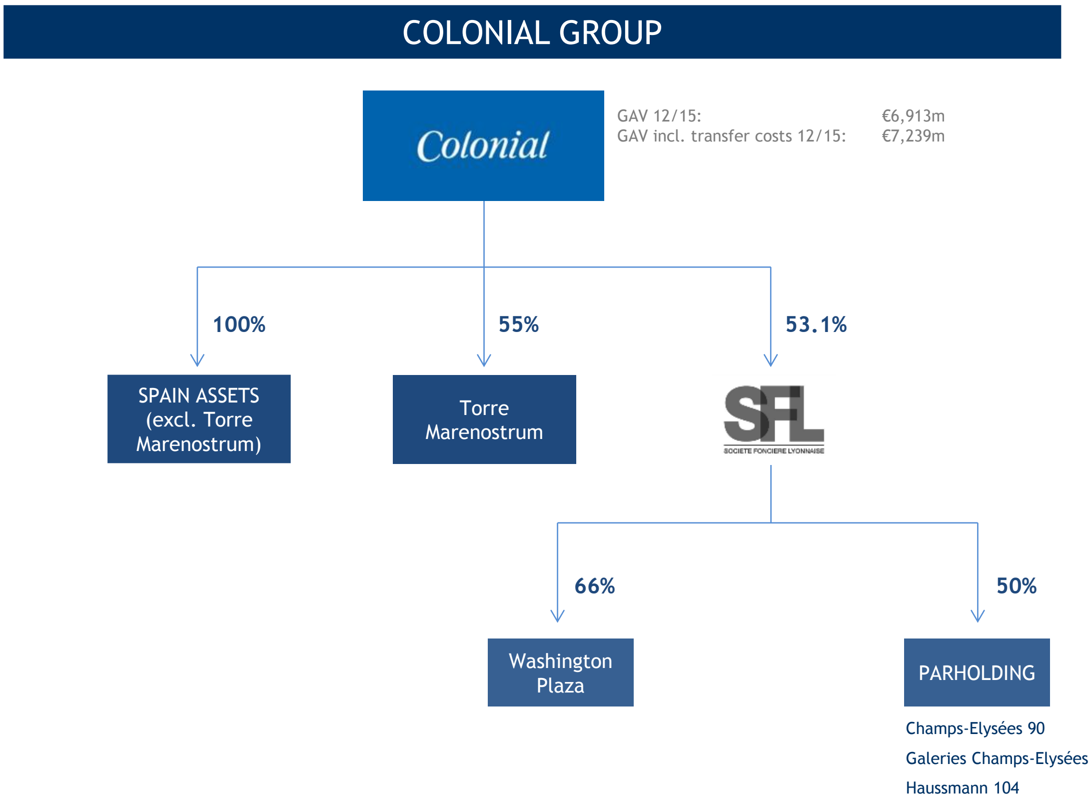
The Colonial Group has hedging instruments contracted for €85m.

In addition to the previous derivatives, Colonial also has €780m in CAPS, maturing in December 2018, at an average interest rate of 1.25% to comply with the provisions of the syndicate loan which was cancelled in 2015.

In Spain the effective hedging ratio was 80% because, as a result of the two bond issues carried out by Colonial, the debt is almost entirely at a fixed rate. In France, all hedging instruments in force were cancelled as a consequence of the renewal at a fixed rate of the associated debt.

At 31 December 2015, the total percentage of debt hedged or at a fixed rate over the total debt stood at 93% (98% in Spain and 90% in France).

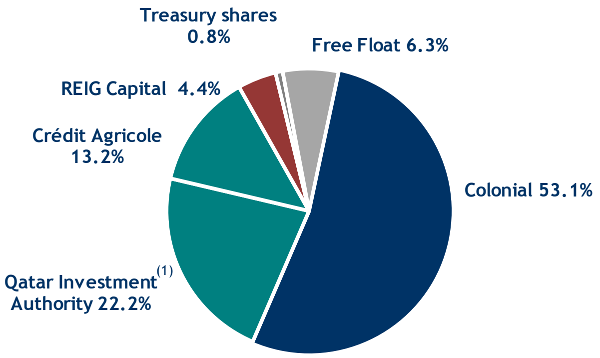
6.8 Appendix - Legal structure



6.9 Appendix – Subsidiaries - Details

▪ Shareholder structure and Board of Directors of SFL

***SFL** - Shareholder structure at 31/12/2015*



(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			
Pere Viñolas Serra	Vice-Chairman - Director	Colonial	Member	Member		
Carlos Fernández-Lerga Garralda	Director	Colonial			Chairman	
Carmina Ganyet Cirera	Director	Colonial	Member			
Angels Arderiu Ibars	Director	Colonial				
Carlos Krohmer	Director	Colonial				
Luis Maluquer Trepat	Director	Colonial				
Nuria Oferill Coll	Director	Colonial				
Ali Bin Jassim Al Thani	Director	QIA				
Adnane Moussanif	Director	QIA				
Jean-Jacques Duchamp	Director	Crédit Agricole Assurances	Member		Member	
Chantal du Rivau	Director	Crédit Agricole Assurances				
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

6.10 Appendix - Glossary

Earnings per share (EPS)	Profit from the year attributable to the shareholders divided by the number of shares
BD	Business District
Market capitalisation	The value of the company's capital obtained from its stock market value. It is obtained by multiplying the market value of its shares by the number of shares in circulation
CBD	Central Business District (prime business area)
Property company	Company with rental property assets
Portfolio (surface area) in operation	Property/surfaces with the capacity to generate rents at the closing date of the report
Asentia deconsolidation	Exit from the consolidation perimeter of the Colonial Group
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 Parent Company	Gross Asset Value of directly-held assets + NAV of the 55% stake in the Torre Marenostrum SPV + NAV of 53.1% stake in SFL

6.10 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.

Physical Occupancy 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).

6.10 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
Take-up	Materialized demand in the rental market, defined as new contracts signed
TMN	SPV of Colonial (55%) and Gas Natural (45%) related to the Torre Marenostrum building
Valuation Yield	Capitalization rate applied by the independent appraisers in the valuation
Yield on cost	Market rent 100% occupied/Market value at the start of the project net of impairment of value + invested capital expenditure
Yield occupancy 100%	Passing rents + vacant spaces rented at the market prices/market value
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 purchasing 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

6.11 Appendix – Contact details

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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), Global Property Index 250 (GPR 250 Index) & Index Ibex Medium Cap.

6.12 Appendix – Disclaimer

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