

Colonial



Colonial – Paris Field Trip



MSCI



European Property  
Investment Awards  
WINNER 2018

IBEX 35



4 April 2019

By attending this presentation and receiving this document, you are agreeing to be bound by the following limitations. Any failure to comply with these restrictions may constitute a violation of applicable securities laws and/or may result in civil, administrative or criminal liabilities.

This document is strictly confidential and is being furnished to you solely for your information. It may not be reproduced, or redistributed to any other person, and it may not be published, in whole or in part, for any purpose.

The information contained in this presentation (“Presentation”) has been prepared by **Inmobiliaria Colonial, SOCIMI S.A. (the “Company”)** and has not been independently verified and will not be updated. No representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions contained herein and nothing in this Presentation is, or shall be relied upon as, a promise or representation. None of the Company nor any of its employees, officers, directors, advisers, representatives, agents or affiliates shall have any liability whatsoever (in negligence or otherwise, whether direct or indirect, in contract, tort or otherwise) for any loss howsoever arising from any use of this Presentation or its contents or otherwise arising in connection with this Presentation.

This Presentation is for information purposes only and is incomplete without reference to, and should be viewed solely in conjunction with, the oral briefing provided by the Company and the Company’s publicly available information. The information and opinions in this presentation are provided as at the date hereof and subject to change without notice. It is not the intention to provide, and you may not rely on these materials as providing, a complete or comprehensive analysis of the Company’s financial or trading position or prospects.

This Presentation does not constitute investment, legal, accounting, regulatory, taxation or other advice and does not take into account your investment objectives or legal, accounting, regulatory, taxation or financial situation or particular needs. You are solely responsible for forming your own opinions and conclusions on such matters and for making your own independent assessment of the Company. You are solely responsible for seeking independent professional advice in relation to the Company. No responsibility or liability is accepted by any person for any of the information or for any action taken by you or any of your officers, employees, agents or associates on the basis of such information.

This Presentation contains financial information regarding the businesses and assets of the Company. Such financial information may not have been audited, reviewed or verified by any independent accounting firm. The inclusion of such financial information in this Presentation or any related presentation should not be regarded as a representation or warranty by the Company, its affiliates, advisors or representatives or any other person as to the accuracy or completeness of such information’s portrayal of the financial condition or results of operations by the Company and should not be relied upon when making an investment decision. . Certain financial and statistical information in this document has been subject to rounding off adjustments. Accordingly, the sum of certain data may not conform to the expressed total.

Certain statements in this Presentation are forward-looking. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions which could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These include, among other factors, changing economic, business or other market conditions, changing political conditions and the prospects for growth anticipated by the Company’s management. These and other factors could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this Presentation and based upon past trends or activities should not be taken as a representation that such trends or activities will continue in the future. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The market and industry data and forecasts included in this Presentation were obtained from internal surveys, estimates, experts and studies, where appropriate as well as external market research, publicly available information and industry publications. The Company, its affiliates, directors, officers, advisors and employees have not independently verified the accuracy of any such market and industry data and forecasts and make no representations or warranties in relation thereto. Such data and forecasts are included herein for information purposes only. Accordingly, undue reliance should not be placed on any of the industry or market data contained in this Presentation.

NEITHER THIS DOCUMENT NOR ANY OF THE INFORMATION CONTAINED HEREIN CONSTITUTES AN OFFER OF PURCHASE, SALE OR EXCHANGE, NOR A REQUEST FOR AN OFFER OF PURCHASE, SALE OR EXCHANGE OF SECURITIES, OR ANY ADVICE OR RECOMMENDATION WITH RESPECT TO SUCH SECURITIES.





## 01 Performance Review 2018

### Solid top line growth driving results

- > Total Annual Shareholder Return 19%
- > Net Asset Value of 10.03€/share +17%
- > Recurring Earnings of €101m, +22%

Total Annual Return - € per share	2018	Return
<b>TOTAL SHAREHOLDER RETURN</b>		<b>19%</b>
EPRA NAV - €/share	10.03	17%
Dividend paid in 2018	0.18	2%

Strong Capital Value Growth (GAV)	2018	YoY Var
<b>Group like-for-like</b>	€11,348m	<b>+8%</b>
Madrid like-for-like		+12%
Barcelona like-for-like		+19%
Paris like-for-like		+5%

Profit & Loss - €m	2018	YoY Var
Gross Rental Income	€347m	+23%
EBITDA Recurring	€280m	+22%
Recurring Net Profit	€101m	+22%
<b>Recurring EPS</b>	<b>0.223€/share</b>	<b>+4%</b>
<b>Proposed DPS<sup>1</sup></b>	<b>0.20€/share<sup>1</sup></b>	<b>+11%</b>

Balance sheet - €m	2018	YoY Var
GAV Group	€11,348m	+22%
EPRA NAV	€5,098m	+36%

A solid capital structure	12/18
LTV	39%
Liquidity	€1,793m
Rating S&P	BBB+

(1) DPS subject to AGM approval

# 01 Performance Review 2018

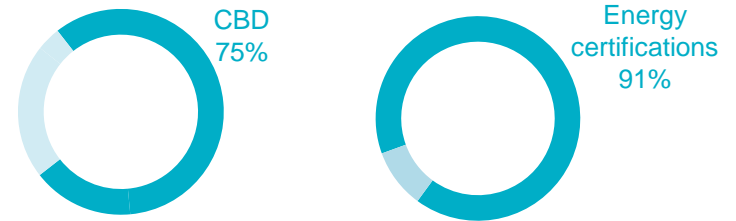
## Solid top line growth driving results

- > Outstanding GRI Like for Like growth of +5%
- > Double digit Release Spread & Superior Rental Growth
- > Low vacancy of 4% with strong fundamentals

Solid Fundamentals	2018
<b>EPRA Vacancy</b>	<b>4%</b>
Volume of sq m signed	175,054
# transactions signed	103

Outstanding GRI like for like	2018	YoY Var
<b>Group like-for-like<sup>3</sup></b>	<b>€347m</b>	<b>+5%</b>
Madrid like-for-like <sup>3</sup>		+4%
Barcelona like-for-like <sup>3</sup>		+4%
Paris like-for-like <sup>3</sup>		+5%

### Unparalleled Prime Positioning



### Capturing Rental Price Increases

<b>Double-digit release Spread<sup>1</sup></b>	<b>+26%</b>
Barcelona	+23%
Madrid	+29%
Paris	+14%
<b>Strong rental growth<sup>2</sup></b>	<b>+8%</b>
Barcelona	+10%
Madrid	+8%
Paris	+5%

(1) Rental prices signed vs previous rents  
 (2) Rental prices signed vs ERV 12/17  
 (3) EPRA like-for-like variance base on EPRA BPR methodology

- > ESG excellence at the Core of Strategy
- > #1 Portfolio for Responsible Real Estate Investment in Europe
- > Strong performance on Governance & Building Certificates

**BENCHMARK / INDEX**

**ACHIEVEMENT / RATING**



- > **GRESB / BREEAM 2019 Award for Responsible Real Estate Investment**
- > #1 in the Large Portfolio Category (more than €1bn)
- > 91% of portfolio with highest energy standards



- > **AA Rating (up from BBB)**
- > One of the highest ratings in Europe
- > Strong scoring on Governance



- > **Gold 3rd year in a row**
- > Gold since 2016
- > First mover in Spain



- > **Green Star 2nd year in a row**
- > Strong performance on building certificates
- > Gresb member



FTSE4Good

- > **“Good practice” rating**
- > Index inclusion 2018
- > Strong performance on Governance & Supply Chain

---

## Performance vs Peers

---

## 01 Performance Review 2018

### Outperformance through prime positioning

- > Solid outperformance on every metric
- > GRI LFL the highest in the sector
- > Solid price increases as driver for value

<u>KPI's 2018 FULL YEAR RESULTS</u>	<u>COLONIAL</u>	<u>AVERAGE PEERS<sup>1</sup></u>
NAV GROWTH	+17%	+8%
GROSS ASSET VALUE - Like-for-Like	+8%	+7%
GROSS RENTAL INCOME - EPRA LFL	+5%	+3%
RELEASE SPREAD	+26%	+6%
EPRA VACANCY	4%	5%

(1) Peers Eurozone, Source: - Companies results releases, comparison elaborated by Colonial



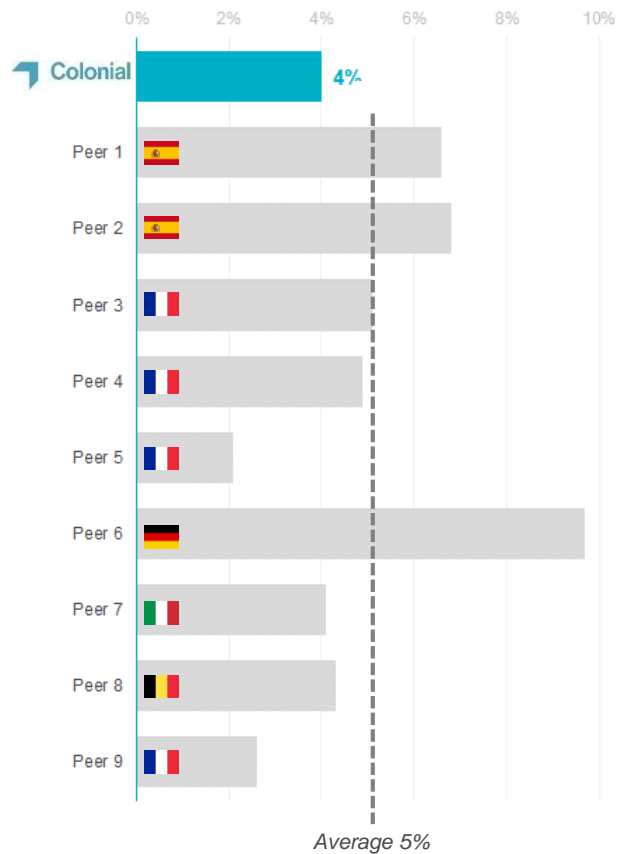
# 01 Performance Review 2018

## Healthy vacancy levels

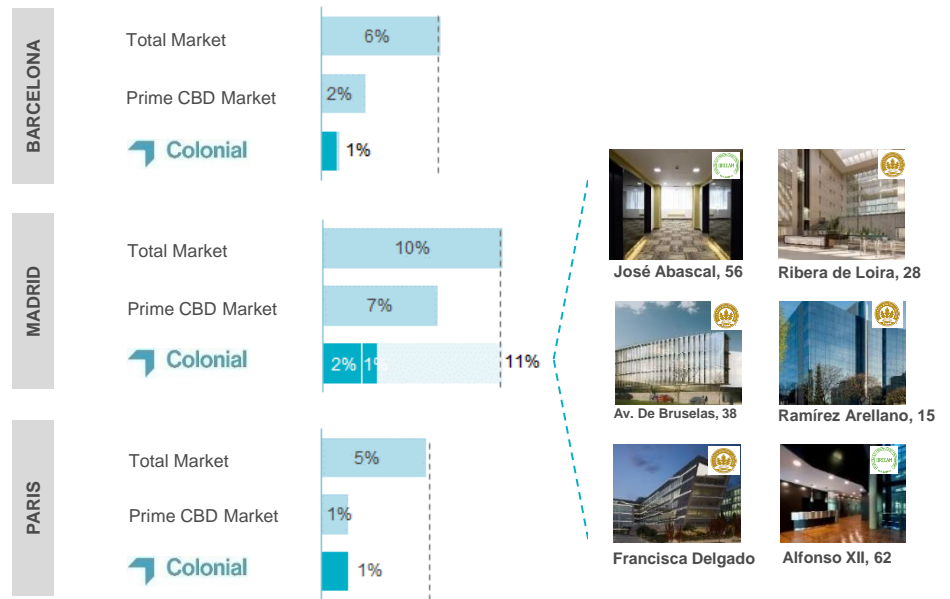
- > Colonial strongly positioned vs market average
- > Colonial Group's vacancy profile strong vs. peer group
- > A solid base to capture rental growth

### EPRA VACANCY

#### VACANCY 2018 vs PEERS (TOTAL PORTFOLIO)



#### VACANCY COLONIAL vs MARKET 2018



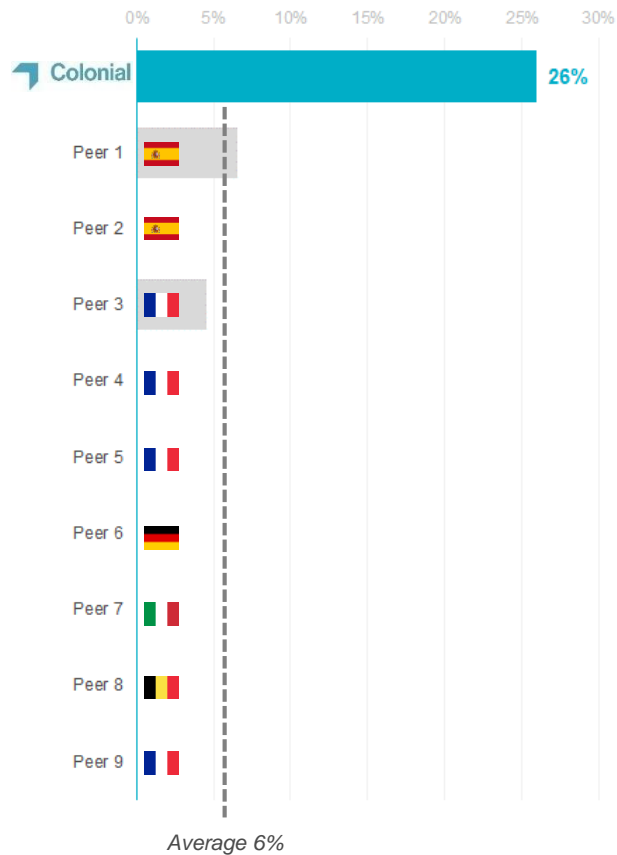
# 01 Performance Review 2018

## Strong delivery on rental Price increases

- > Highest release spread among peers
- > High double digit positive release spreads
- > Solid release spreads in every city

### SOLID INCREASE IN RENTAL PRICES

#### RELEASE SPREAD 2018 vs PEERS



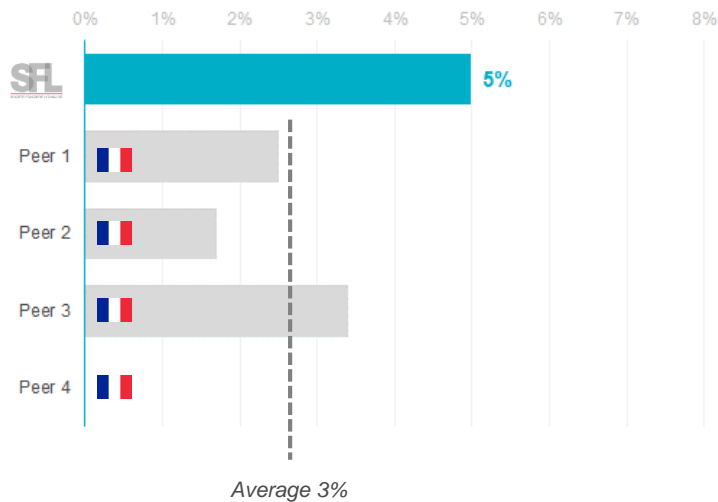
#### RELEASE SPREAD BREAKDOWN COLONIAL<sup>1</sup>



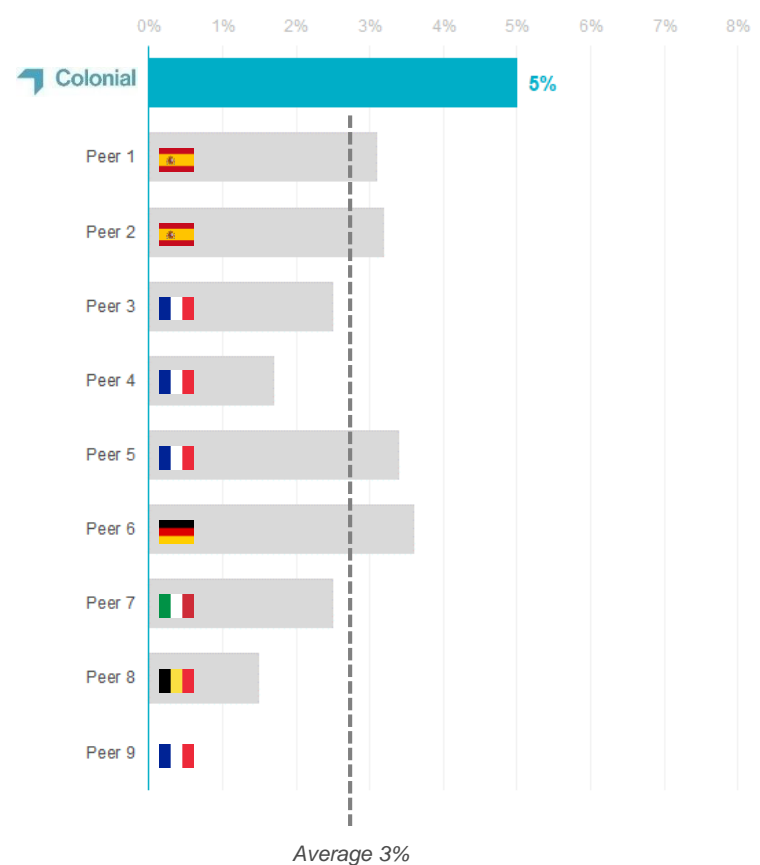
- > Highest GRI EPRA LFL in the sector
- > SFL clearly outperforming peers in France
- > Colonial leading the sector in Europe

**GROSS RENTAL INCOME - EPRA LFL**

GRI SFL LFL 2018 vs PEERS



GRI COLONIAL GROUP LFL 2018 vs PEERS



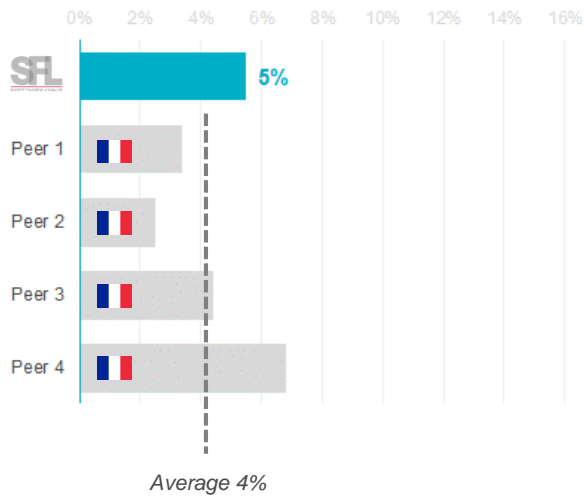
# 01 Performance Review 2018

## Capital Value Growth outstanding

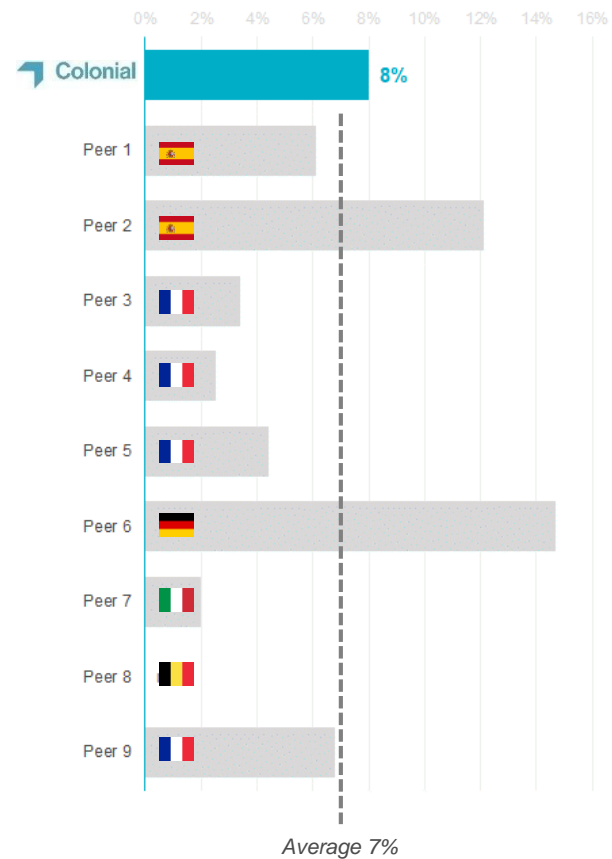
- > GAV LFL above average
- > SFL with above average growth
- > Colonial among the highest in Europe

### GROSS ASSET VALUE - LFL

#### GAV SFL LFL 2018 vs PEERS



#### GAV COLONIAL GROUP LFL 2018 vs PEERS



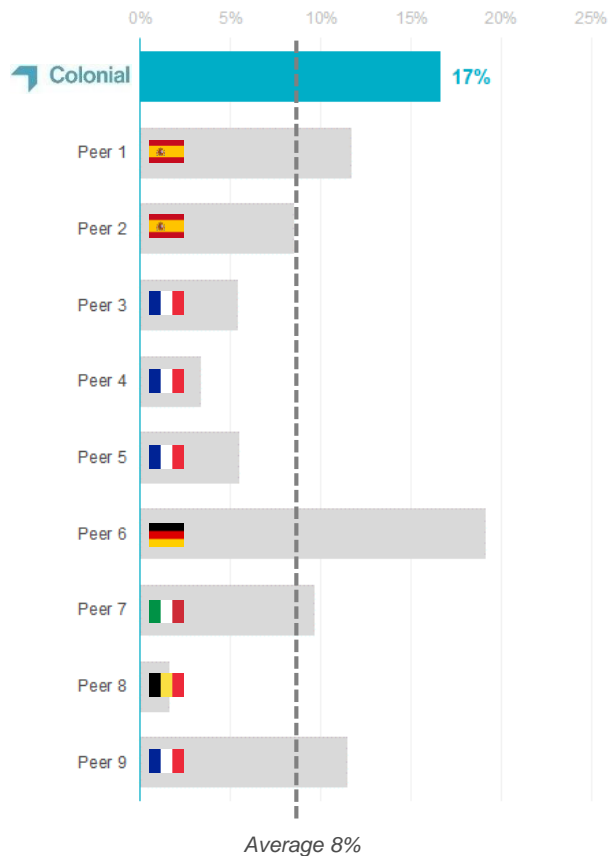
# 01 Performance Review 2018

## Superior Total Return for Shareholders

- > Unparalleled risk adjusted return
- > 4<sup>th</sup> year in a row with high double digit NAV growth
- > NAV growth relies on Alpha

### SUPERIOR TOTAL RETURN FOR SHAREHOLDERS

#### NAV ANNUAL GROWTH 2018 vs PEERS



#### HIGHEST RETURN IN SPAIN

MSCI rated Colonial as the best performing specialist fund for Spain.

Colonial obtained the **highest total annualized return in the last 3 years as at 31 December 2018** compared to the property sector benchmark.



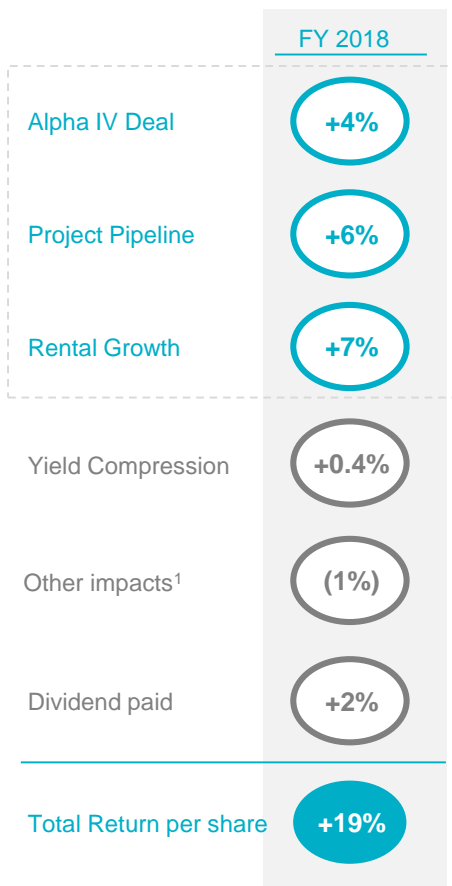
European Property  
Investment Awards  
**WINNER 2018**



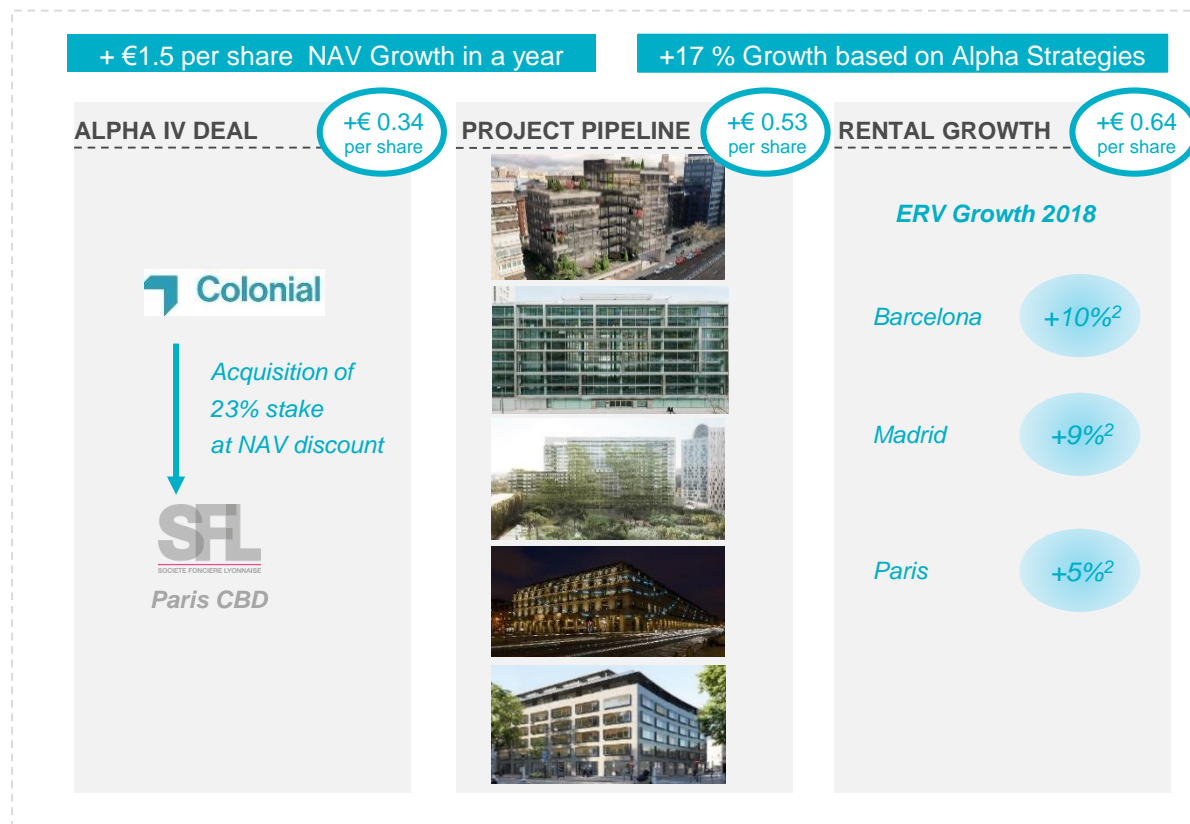
“Alpha” as significant driver in value creation

- > Total Shareholder Return relies on “Alpha”
- > More than half of the NAV growth per share through “Alpha” strategies
- > NAV growth driven by successful project deliveries, accretive deals and rental price increases

TOTAL SHAREHOLDER RETURN



TOTAL RETURN WITH STRONG “ALPHA” COMPONENT



1- Includes SFL dividend payment to minority shareholders in France; MTMs Liability management, Exceptional items, One-off tax optimization costs, net of EPS  
 2- Signed rents vs 12/17 ERV (new lettings & renewals)



*A stronger platform for future growth*





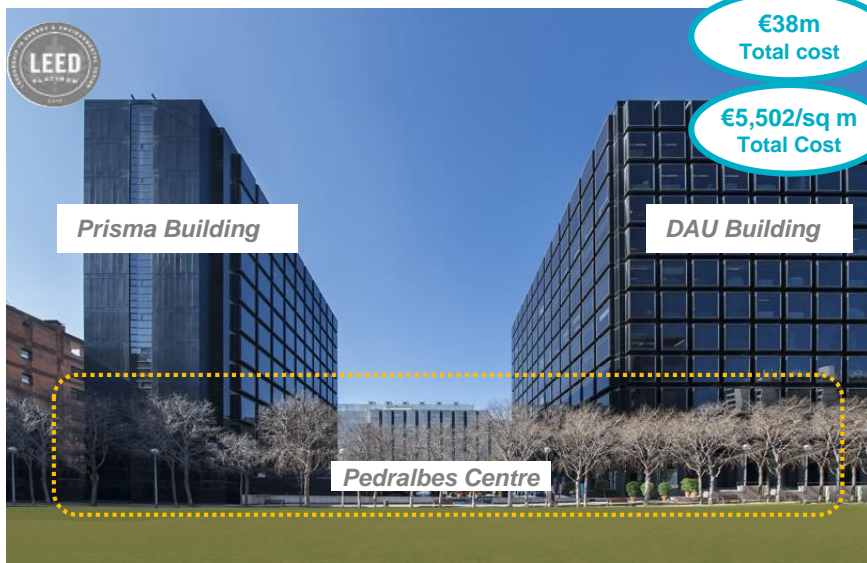
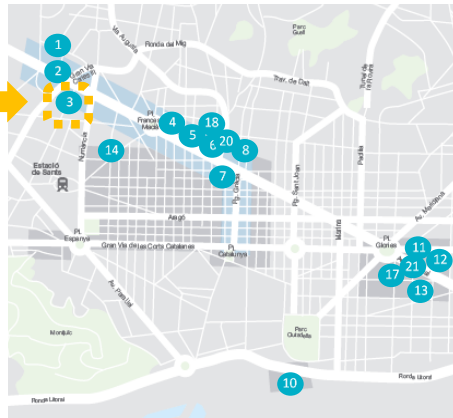
## FUTURE VALUE CREATION

---

- 1 Leadership in Prime Offices through merger with Axiare
- 2 €1.3bn of project pipeline
- 3 Capturing reversion in rents
- 4 Strong investment market
- 5 Disciplined capital allocation

## Diagonal 609 - Pedralbes Centre

- > Full redevelopment of 6,917 sq m premium commercial scheme
- > Significant improvement of recurring cash flow
- > GLA above ground 97% pre-let



### SUB-OPTIMAL RETAIL ASSET

- > More than 45 small shops with low rents and high complexity
- > Inefficient lay-out, a lot of GLA in common areas
- > High Opex:
  - Low level of re-invoiced costs
  - High administration and marketing costs attached

### THE OPPORTUNITY

- > Focus on big schemes – Flagship store
- > Reorganization of common areas c.+27% GLA
- > Improved access:
  - Direct access from Diagonal
  - Enhanced visibility and bigger entrance
  - Significant improvement of office lobby



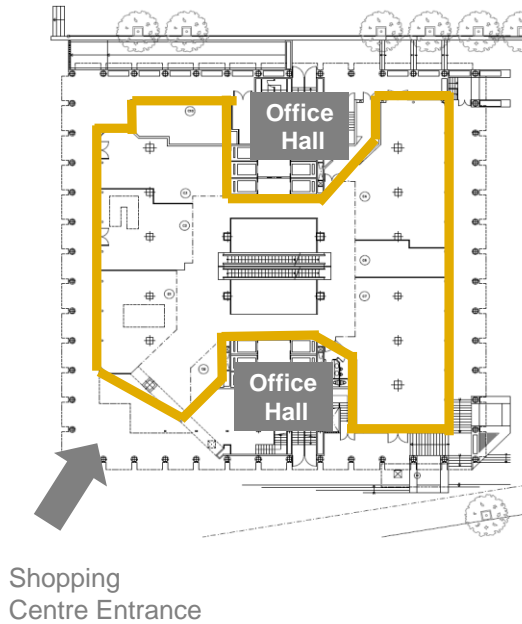
- > Higher GLA and more efficiency
- > Higher rents and NAV growth

**Sourcing of opportunities in current portfolio**

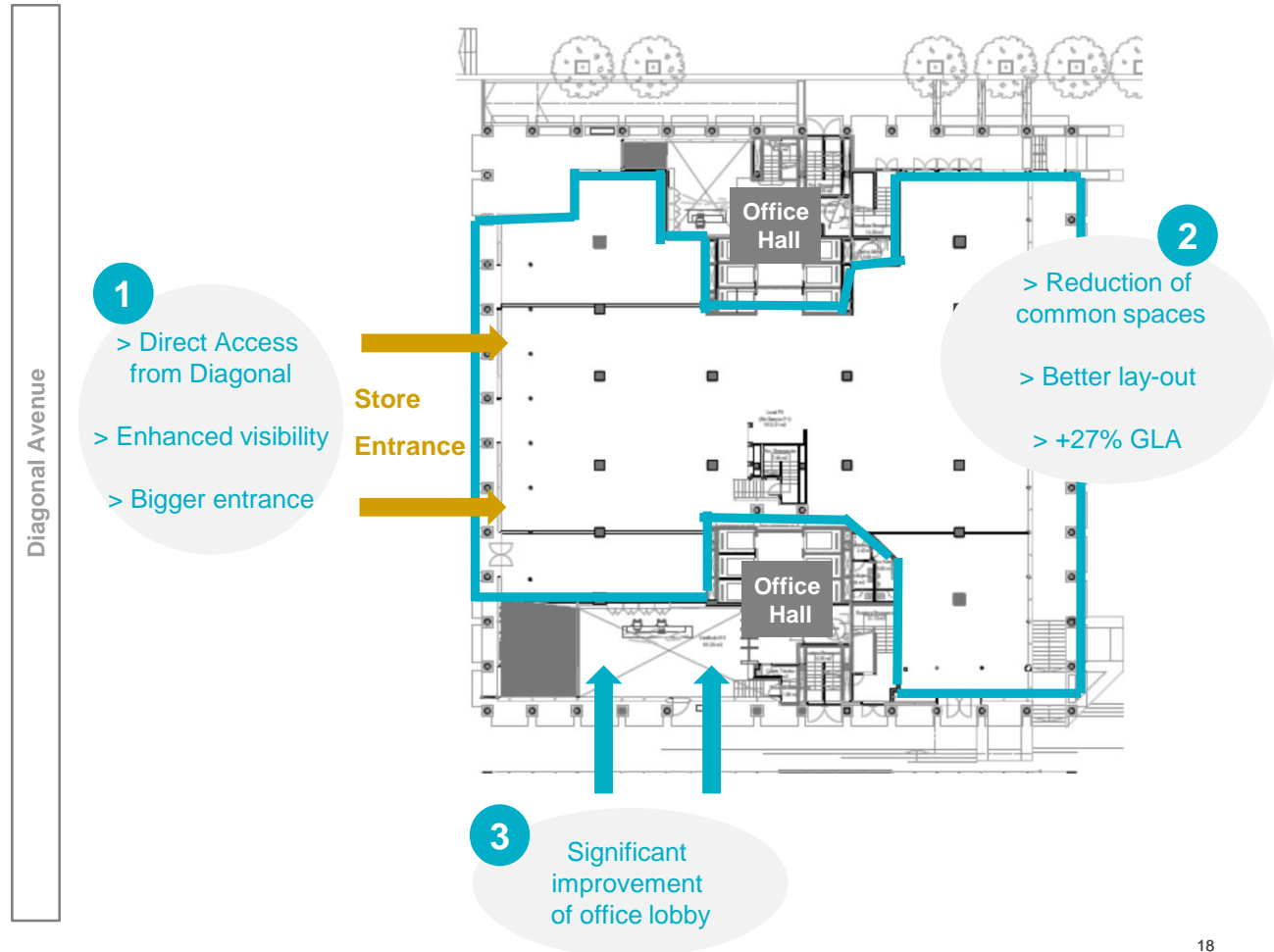
# Diagonal 609 - Pedralbes Centre

- > Direct access from Diagonal with enhanced visibility
- > Reorganization of common areas c.+27% GLA
- > Improved office lobby

Initial lay-out



Pedralbes Project - New Scheme





## Diagonal 609 - Pedralbes Centre

- > 97% of GLA above ground pre-let – UNIQLO flagship store
- > Strong metrics of the asset increasing its value
- > De-risking of project pipeline



### PRELET WITH UNIQLO



- > UNIQLO flagship store
- > 17 year contract signed
- > Blended rent of €46sq m /month, €63 sq m/month for ground floor
- > UNIQLO a strong anchor tenant
  - 1,600 sq m above ground signed with UNIQLO
  - 347 sq m above ground signed with other tenants
  - GLA below ground floor under advanced negotiations



- > 97% of GLA above ground pre-let
- > EBITDA efficiency increase of +624 bp
- > NRI + 59% vs previous

Strong value uplift to be captured in the short term

## 02 Growth drivers

### €1.3bn of CBD Project Pipeline

- > Successful delivery of projects initiated in 2015/2016
- > Important future value creation to be crystallized
- > Very attractive Yield on Cost

Project	City	% Group	Delivery	GLA (sqm)	Total Cost €m <sup>1</sup>	Total Cost €/ sqm <sup>1</sup>	Yield on Cost
1 Pedralbes Center	Barcelona CBD	100%	1H 19	6.917	38	5.502	6,3%
2 Gala Placidia / Utopic_us	Barcelona CBD	100%	1H 19	4.312	17	3.922	7,0%
3 Miguel Angel 23	Madrid CBD	100%	2H 20	8.036	64	7.999	5,8%
4 Castellana, 163	Madrid CBD	100%	2020 / 21	10.910	52	4.803	6,5%
5 Diagonal 525	Barcelona CBD	100%	1H 21	5.710	37	6.460	6,0%
6 Emile Zola / Destination XV	Paris City Center	82%	2H 21	24.500	280	11.428	5,0%
7 Iena 96	Paris CBD	82%	1H 21	9.300	147	15.801	5,0%
8 Velazquez Padilla 17	Madrid CBD	100%	1H 21	17.239	113	6.532	6,5%
9 Plaza Europa 34	Barcelona	50%	2H 21	14.306	32	2.257	7,0%
10 Mendez Alvaro Campus	Madrid CBD South	100%	2H 22	89.871	287 <sup>2</sup>	3.188	7,5%
11 Sagasta 27	Madrid CBD	100%	2H 22	4.481	23	5.044	6,5%
12 Louvré SaintHonoré	Paris CBD	82%	2023	16.000	205	12.831	7,3%
<b>TOTAL OFFICE PIPELINE</b>				<b>211.582</b>	<b>1.295</b>	<b>6.119</b>	<b>6,3%</b>

Total Cost	€m
Acquisition cost / Asset Value pre project	827
Capex	468
<b>TOTAL COST</b>	<b>1,295</b>



<sup>1</sup> Total Cost Finished Product = Acquisition Cost/ Asset Value pre Project + future Capex

<sup>2</sup> Upper part of the range: €3,032/sq m - €3,188/sq m and €273m - €287m



PROJECT PIPELINE

**BARCELONA**

€0.24/  
share<sup>1</sup>



Pedralbes Centre



Gala Placidia



Plaza Europa



Diagonal 525

**MADRID**

€1.06/  
share<sup>1</sup>



Miguel Angel 23



Méndez Alvaro C.



Castell. 163



Velázquez 88



Sagasta 27

**PARIS**

€1.02/  
share<sup>1</sup>



Emile Zola



Iéna



Louvre St. Honoré

PENDING CAPEX

	€m
2019	4
2020-21	28
<b>Projects Barcelona</b>	<b>33</b>

	€m
2020-21	42
>2021	140
<b>Projects Madrid</b>	<b>182</b>

	€m
2020-21	145
>2021	73
<b>Projects Paris</b>	<b>218</b>

**PROJECT PIPELINE 433**

FINAL PRODUCTS - KPIs

Total Cost<sup>1</sup>

3,973  
€/sqm

Yield on Cost

6-7%

Total Cost<sup>1</sup>

4,124  
€/sqm

Yield on Cost

>7%

Total Cost<sup>1</sup>

12,696  
€/sqm

Yield on Cost

5-6%

MARKET REFERENCE

Capital Value

7,500 -  
8,000  
€/sqm

Prime Yield

3.75%

Capital Value

8,000-  
11,800  
€/sqm

Prime Yield

3.5%

Capital Value

22,000-  
27,000  
€/sqm

Prime Yield

3.0%

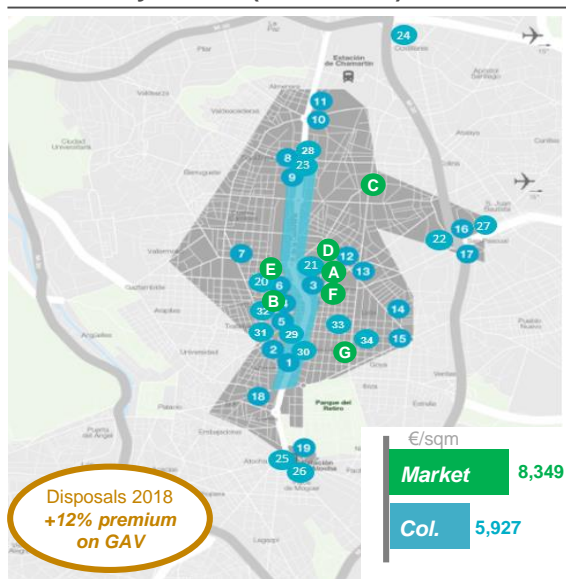
<sup>1</sup> Total cost of finished product in €/share  
Capex without including indemnities in Louvre



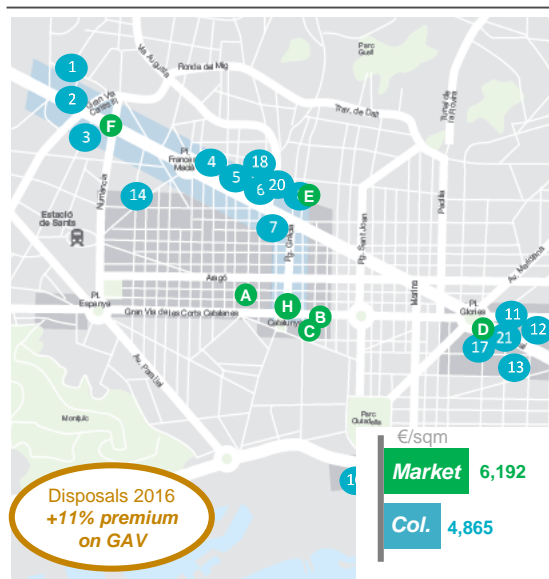
## Investment Market with strong support for Prime

- > Investor interest for prime product remains strong
- > Significant capital value increases in recent quarters
- > Colonial's assets with prudent appraisal values

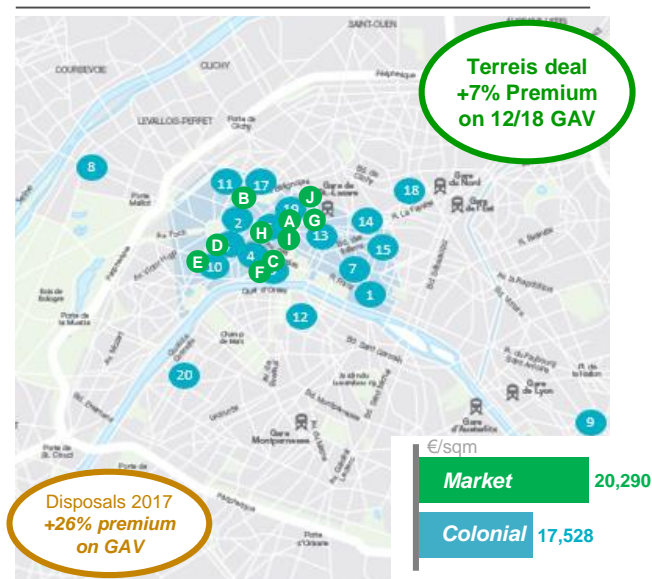
### Madrid City Center (inside M30)



### Barcelona City Center



### Paris CBD



### Latest investment transactions inside M30

	Price <sup>(2)</sup>	Cap Value <sup>(3)</sup>
A Velázquez, 108	30	7.143
B Fernando el Santo, 15	30	9.219
C Suero de Quiñones, 40-42 <sup>(1)</sup>	38	8.209
D Velázquez, 123 <sup>(1)</sup>	21	9.545
E Ríos Rosas, 24 <sup>(1)</sup>	24	7.357
F Velázquez, 94	46	8.498
G Goya, 36	30	8.472
<b>CBD Transactions - Average</b>	<b>219</b>	<b>8.349</b>
<b>Colonial Average (12/18 appraisal)</b>	<b>5,927</b>	

### Latest investment transactions in city center

	Price <sup>(2)</sup>	Cap Value <sup>(3)</sup>
A Enric Granados, 84	12	5.838
B Carrer de Fontanella, 9	20	6.030
C Carrer de Fontanella, 6-8	65	8.414
D Carrer Tanger, 66	90	5.294
E Avda. Diagonal, 595	30	5.254
F Ciutat de Granada, 121	20	4.545
G Avinguda Diagonal, 662 <sup>(1)</sup>	210	8.400
H Plaza de Cataluña, 9	9,5	5.765
<b>CBD Transactions - Average</b>	<b>456</b>	<b>6.192</b>
<b>Colonial Average (12/18 appraisal)</b>	<b>4,865</b>	

### Latest investment transactions in Paris CBD

	Price <sup>(2)</sup>	Cap Value <sup>(3)</sup>
A Rue La Boetie, 83	63	19,319
B Rue Mederic, 12-14	112	18,463
C Rue Francois 1Er, 26 Bis	252	22,909
D Avenue Kleber, 10	31	21,500
E Avenue Kleber, 30	75	21,500
F Rue Jean Goujon, 19-21	134	15,765
G Rue La Boetie, 49-51	222	20,182
H Rue Pierre Charron, 68	62	20,667
I Place De Rio De Janeiro, 2	125	17,857
J Boulevard Haussmann, 91	50	24,740
<b>CBD Transactions - Average</b>	<b>1,126</b>	<b>20,290</b>
<b>Colonial Average (12/18 appraisal)</b>	<b>17,528</b>	

<sup>(1)</sup> Assets with significant Capex to be implemented

<sup>(2)</sup> €m

<sup>(3)</sup> €/sqm

Source: Savills-Aguirre Newman and public information



## SUPERIOR 2018 PERFORMANCE

---

- > Solid fundamentals and CBD exposure key for success
- > Outstanding 2018 results in absolute terms
- > Strong outperformance of peers
- > Total return with strong Alpha component

## A STRONG PLATFORM FOR FUTURE GROWTH

---

- > Project Pipeline on track
- > Successful pre let in good terms
- > Office market with strong support for CBD assets
- > Confident outlook on growth





---

## “SAVE THE DATE”

*Don't miss our next events*

---

- > July 5: Field Trip - BARCELONA
- > Mid-October: Investor Day - MADRID



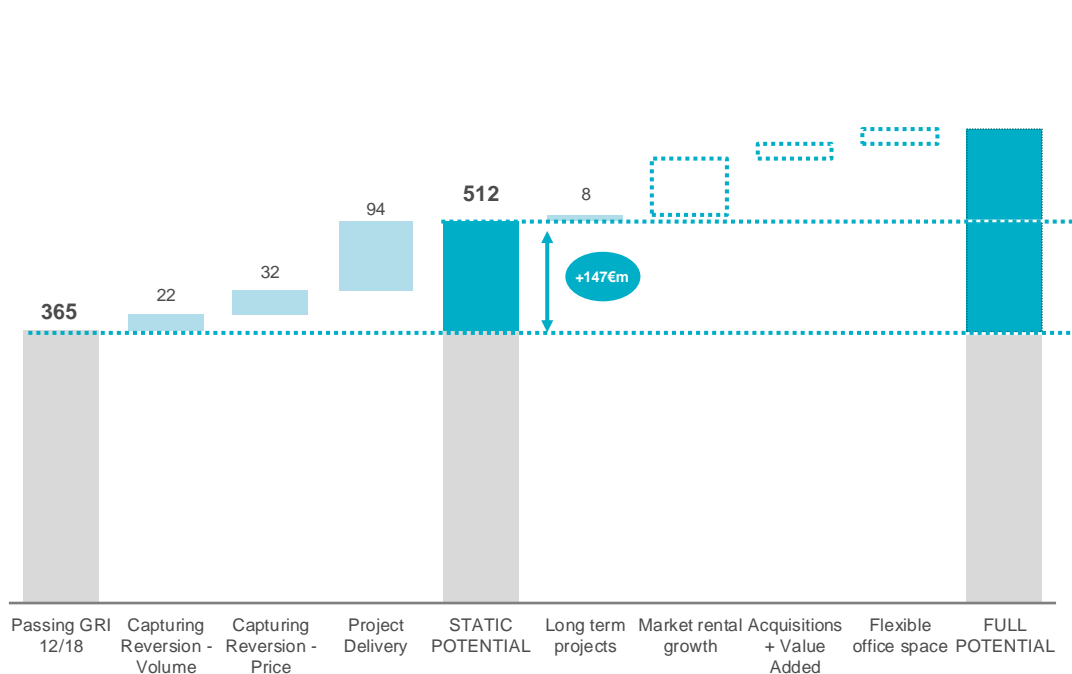
# Q&A



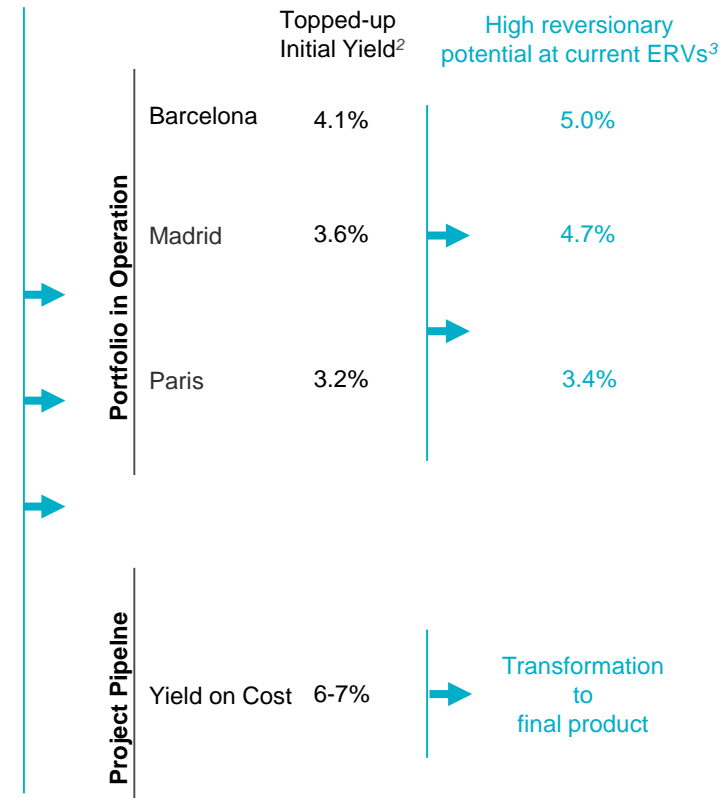
## A solid platform to capture future growth

- > Solid intrinsic growth profile of CBD portfolio
- > Colonial well-positioned to capture reversion
- > Significant future value creation through CBD Project pipeline

### Current Uplift Potential Passing GRI <sup>1</sup> – (€m)



### Potential for Yield compression & reversion



<sup>1</sup>Topped-up passing GRI

<sup>2</sup>Topped-up Initial Gross Yield for Spain & Net Yield for Paris

<sup>3</sup> 12/18 ERV Gross Yield for Spain & Net Yield for Paris with full reversion (100% occupied and at current market rent)



Barcelona Projects

Total Cost - Final Product of €0.24/share

Total Cost €124m (GLA of 31,245 sq m)



Pedralbes Centre



Gala Placidia



Diagonal 525



Plaza Europa



FINAL PRODUCTS - KPIs

Total Cost<sup>1</sup>

3,973  
 €/sqm

Yield on Cost

6-7%

MARKET REFERENCE

Capital Value

7,500 -  
 8,000  
 €/sqm

Prime Yield

3.75%

(1) Acquisition cost + Capex

**Madrid Projects**

Total Cost - Final Product of €1.06/share

Total Cost €538m ( GLA of 130,537 sq m)



*Miguel Ángel 23*



*Castellana 163*



*Velázquez 88*



*Méndez Álvaro Campus*



*Sagasta 27*



**FINAL PRODUCTS - KPIs**

---

**Total Cost<sup>1</sup>**      4,124 €/sqm

**Yield on Cost**      >7%

**MARKET REFERENCE**

---

**Capital Value**      8,000-11,800 €/sqm

**Prime Yield**      3.5%

(1) Acquisition cost + Capex



Paris Projects

Total Cost - Final Product of €1.02/share

Total Cost €632m ( GLA of 49,800 sq m)

*léna*



*Emile Zola*



*Louvre St. Honoré*



FINAL PRODUCTS - KPIs

Total Cost<sup>1</sup>

12,696  
 €/sqm

Yield on Cost

5-6%

MARKET REFERENCE

Capital Value

22,000-  
 27,000  
 €/sqm

Prime Yield

3.0%

(1) Acquisition cost or GAV at start of the project + Capex

Colonial



[www.inmocolonial.com](http://www.inmocolonial.com)

© Colonial