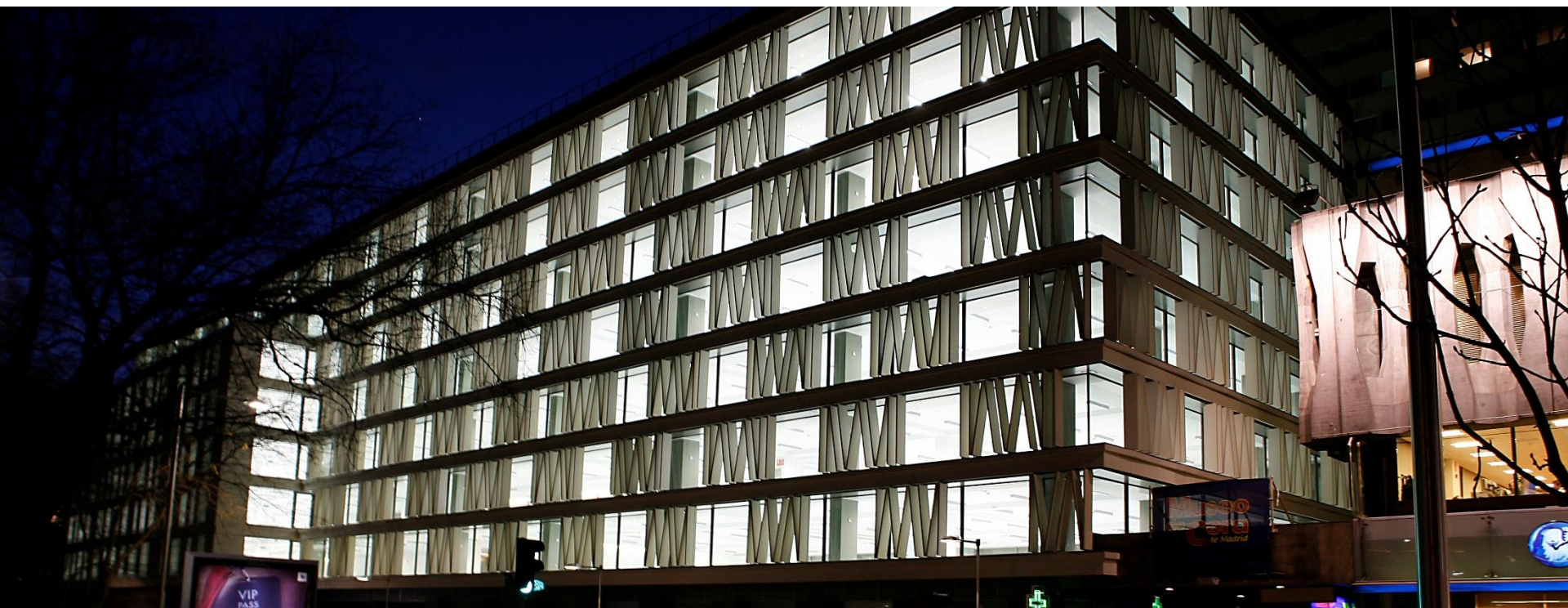




Annual Results 2016

March 2017



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- 01 Highlights
- 02 Market
- 03 Operational performance
- 04 Financial performance
- 05 Growth drivers
- 06 Conclusion

PRESENTING MANAGEMENT TEAM



Pere Viñolas
Chief Executive Officer



Carmina Ganyet
Corporate Managing Director



Carlos Krohmer
Chief Corporate Development Officer





AN EXCELLENT SET OF RESULTS

- > **Total Shareholder Return 2016: +20%**
- > EPRA NAV of 7.25€/share: +18% year on year
- > Gross Rental Income, +7% like for like
- > Net Rental Income, +10% like for like
- > Recurring Net Income, +83%
- > Gross Asset Value, +9% like for like
- > Net Profit of €274m

STRONG OPERATIONAL PERFORMANCE

- > More than 116,000 sq m let with top tier clients
- > Outstanding occupancy levels at 97%
- > Solid delivery of rental price increases
- > Execution of value added strategies
- > Delivery on acquisition program

FIRM DELIVERY ON FINANCIALS

- > Superior risk adjusted return for shareholders
- > Strong top & bottom line performance
- > Successful tapping of debt markets
- > Enhancement of credit profile through active liability management

Successful delivery of growth strategy

A year with excellent financial results

- > Total Shareholder Return + 20%
- > EPRA NAV of 7.25€/share: +18% y-o-y growth
- > Strong Like for Like growth in rental income : +7% GRI and +10% NRI
- > Significant increase of Recurring Earnings: +83%

Return - € per share	2016	YoY Var
TOTAL SHAREHOLDER RETURN 2016		+20%
EPRA NAV per share	7.25	+18%
EPS Recurring ²	0.20	+73%
FFO per share ^{2 3}	0.22	+61%
DPS	0.165 ¹	+10%
Profit & Loss - €m	2016	YoY Var
Gross Rental Income	€271m	+7% LFL
EBITDA Recurring	€220m	+10% LFL
Recurring Net Profit	€68m	+83%
Net Profit	€274m	na
Balance Sheet - €m	2016	YoY Var
GAV	€8,069m	+9% LFL
Group LTV	41.4%	(4pp)
Maturity Group	5 years	0.2 years
Cost of Debt	1.96%	(31bp)

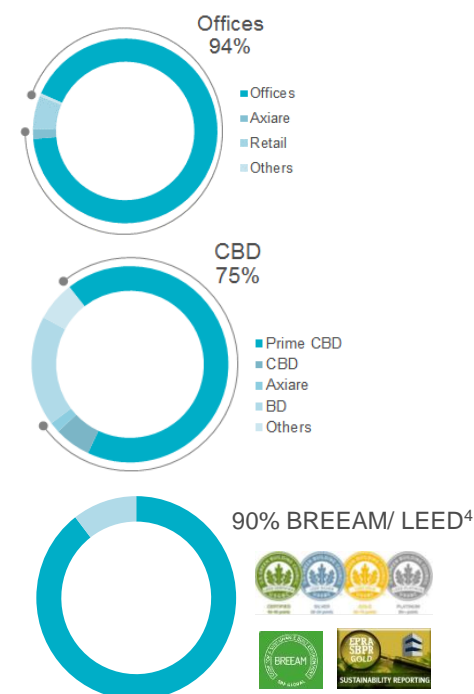
(1) Subject to AGM approval

(2) Recurring EPS & FFO per share based on average NOSH

(3) Recurring FFO: Recurring Net Profit excluding amortisations and accrual of share remunerations

(4) Portfolio in operation

BUSINESS MIX – GAV GROUP



Rating Standard & Poors
BBB- Stable Outlook

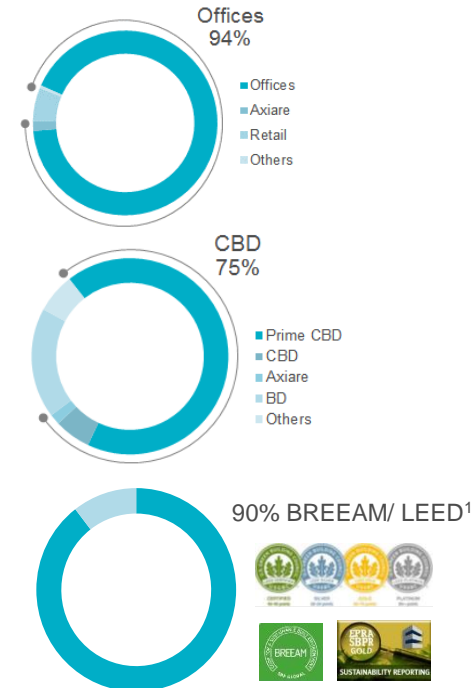
Successful delivery of growth strategy

A year of outstanding operational performance

- > High volume of letting transactions
- > Strong occupancy ratio, clearly above market
- > Solid delivery on rental price increases
- > Delivery on acquisitions maintaining investment discipline

OPERATIONAL PERFORMANCE	2016
# Transactions signed	93
Volume of sq m signed	116,045
.....	
Financial Occupancy	97%
Rental prices signed vs ERV 12/15 - Barcelona	+6%
Rental prices signed vs ERV 12/15 - Madrid	+9%
Rental prices signed vs ERV 12/15 - Paris	+3%
.....	
Capex on portfolio	€86m
Alpha I – Project ^{2 3}	€580m

BUSINESS MIX – GAV GROUP



Rating Standard & Poors
BBB- Stable Outlook

(1) Portfolio in operation
 (2) Total expected investment amount: acquisition price + capex of future development projects
 (3) Includes acquisition of 15.1% stake in Axiare



Macroeconomic context

Macro outlook remains solid

- > Fundamentals remain attractive despite increased uncertainty
- > Still early to assess long term impacts of Brexit vote

MARKET TRENDS

WORLD & EU

- ✓ Global growth remains stable: +3.1% in 2016
- ✓ Euro area consolidating growth at moderate levels
- ✓ Significant Brexit impacts still pending
- ✓ ECB's QE programme maintains attractiveness of Prime Commercial Real Estate

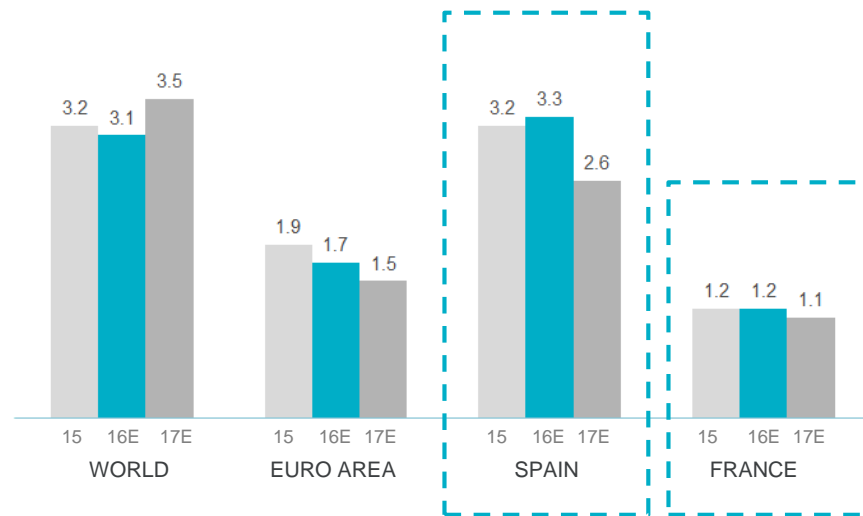
SPAIN

- ✓ The economy growing above World and EU average: +3.3% in 2016
- ✓ 525,000 jobs created in 2016
- ✓ Improvement of private consumption and exports

FRANCE

- ✓ GDP growth with increasing momentum in 2016
- ✓ Improvement of private consumption
- ✓ Elections causing overall uncertainty however

GDP GROWTH



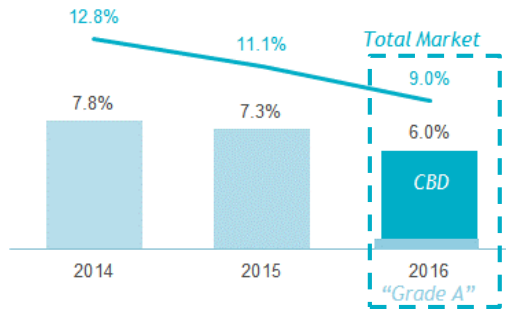
Source: January Monthly report "la Caixa"

Stable take-up faces scarcity of Grade A product in CBD

- > Vacancy in CBD far below total market ratio
- > Paris CBD at historical lows
- > Grade A product in CBD almost inexistent

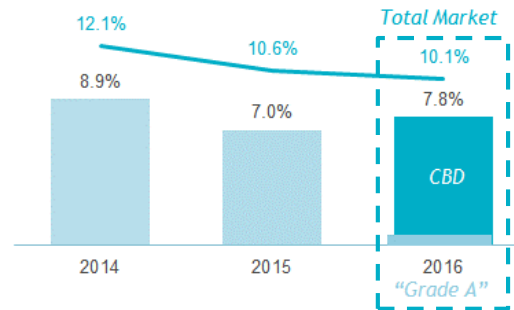
BARCELONA

VACANCY %



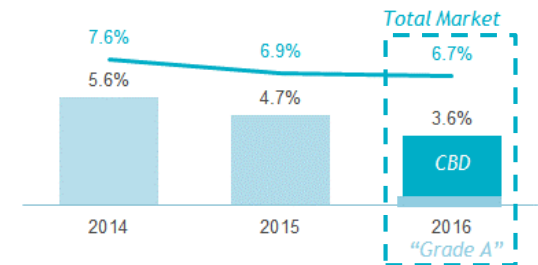
MADRID

VACANCY %

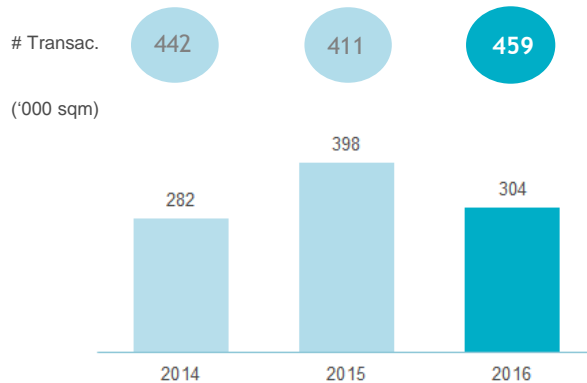


PARIS CBD

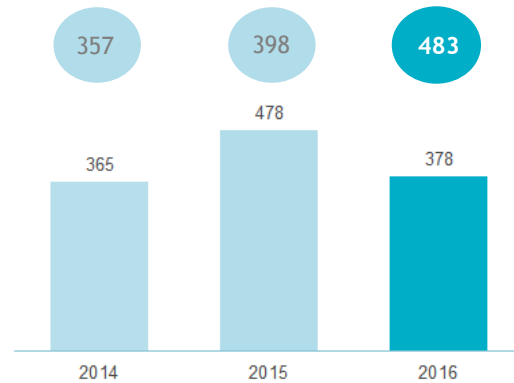
VACANCY %



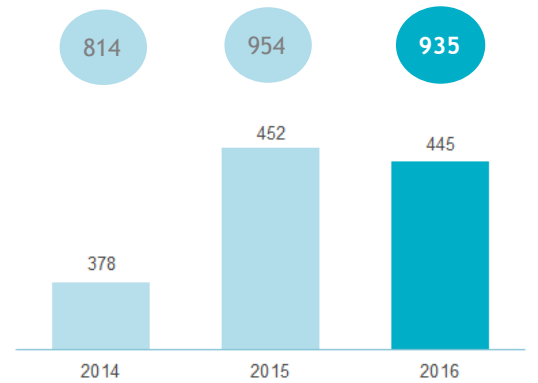
TAKE UP



TAKE UP



TAKE UP



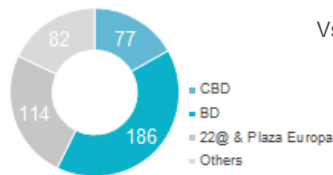
Prime Product in City Center as key driver to capture selective demand and rental growth

- > Growth potential in prime rents underpinned by solid fundamentals
- > Prime rents with positive momentum in the three markets
- > Barcelona with strongest growth YTD

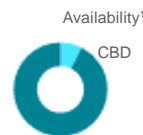
TAKE UP ANALYSIS 2016

of transactions

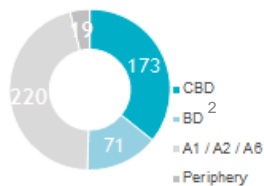
BARCELONA



Vs.



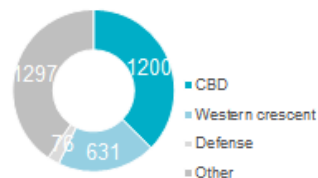
MADRID



Vs.



PARIS



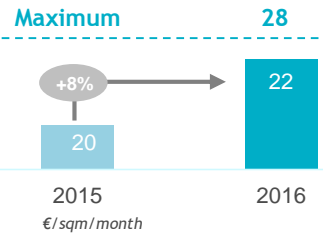
Vs.



Source: CBRE

- (1) Availability in sq m
- (2) Inside M-30

PRIME RENTS YTD



Source: JLLS

HIGHLIGHTS 2016

Strong year with more than 300,000sq m signed

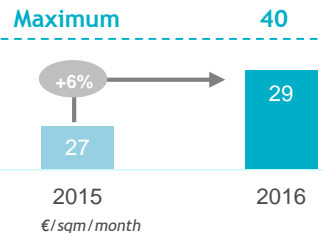
- > Stands out demand from IT companies
- > Almost 60% of take-up in City Center
- > Decreasing vacancy, especially in CBD
- > Lack of future supply as main driver for the market

Prime Rents benefit from strong fundamentals

Total market take-up weaker than 2015, CBD remains solid

- > CBD and City Center remain strong markets
- > Product quality & location gain momentum as key drivers
- > Obsolescence of CBD stock as source for opportunities

Rents for Grade A buildings in CBD with positive momentum: decreasing incentives and ongoing increase in facial rents
Rents in Secondary locations still almost flat



Increase of take up, lowest vacancy rate since 2008

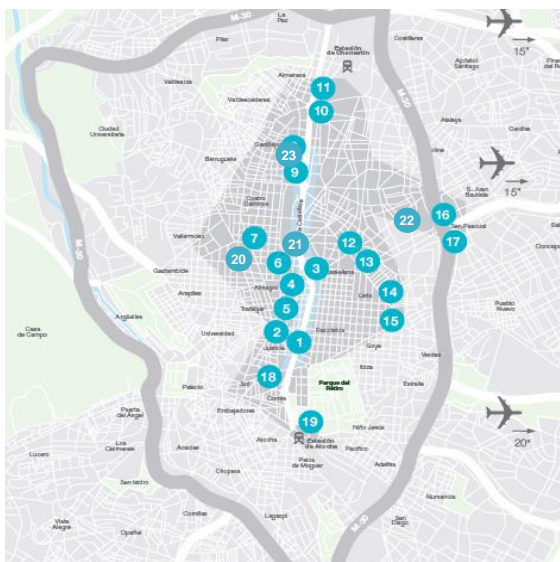
- > Increase of take-up
 - +21% YoY in Paris CBD-Opera
 - + Record levels of large transactions in South Paris
- > Scarcity of high quality product pushing prime rents
 1. Availability of high quality product at 10 year low
 2. Decrease of rent incentives in CBD
 3. Significant increase of transactions above 750€/sq m/year

Colonial – Unparalleled leadership in the city center

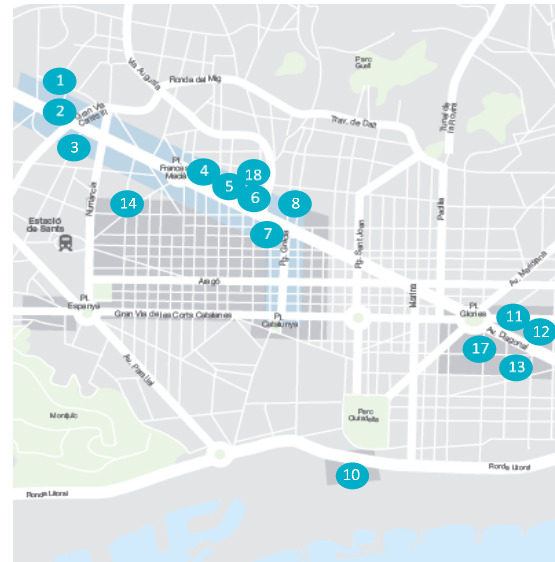
Colonial as largest property owner in offices in the city center of Madrid, Barcelona and Paris

- > Strong market share increases negotiation power
- > Colonial best positioned to capture the rental cycle in its markets

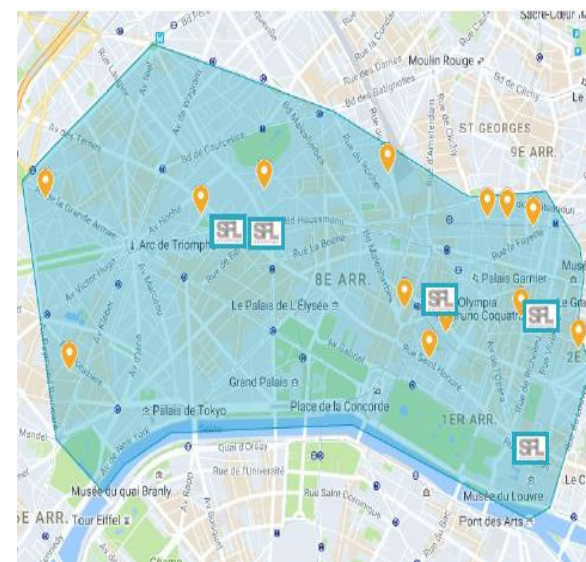
Madrid City Center (inside M30)



Barcelona City Center



Paris CBD



Top Property owners inside M30

	Assets	GLA (sq m)
Colonial	23	257,625
Peer 1	12	255,313
Peer 2	11	252,743
Peer 3	18	245,251
Peer 4	15	185,434
Peer 5	16	136,346

Top Property owners in city center

	Assets	GLA (sq m)
Colonial	16	186,127
Peer 1	8	127,274
Peer 2	4	28,418
Peer 3	1	15,351

Major business centres in Paris CBD

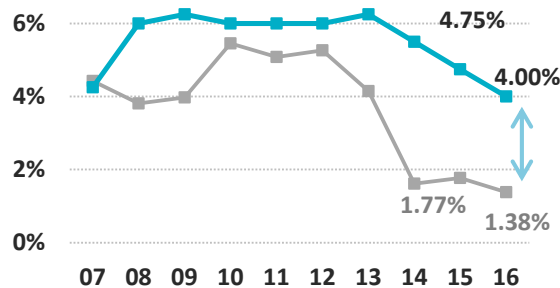
Edouard VII		Opéra Victorie
Washington Plaza		Solstys
Capital 8		Vendome Saint - Honoré
Paris Trocadéro		PSA headquarters
Louvre Saint - Honoré		Cézanne Saint - Honoré
Centorial		Le Madeleine
Paris Bourse		Cambon Capucines
#Cloud.Paris		Le Lafayette
Paris Victorie		Eloite St Honoré

Investment markets 2016 remain strong, but below 2015 due to the lack of product

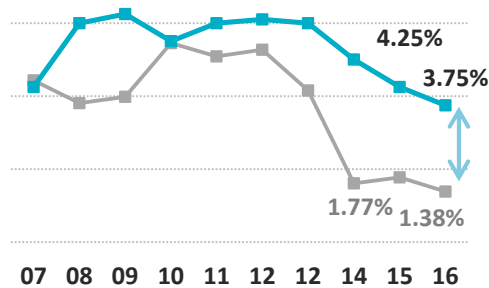
- > General market volatility increases “flight to quality”
- > Spread vs reference rates remain at very attractive levels
- > Increasing importance of rental growth for further capital value growth

PRIME YIELDS (1)

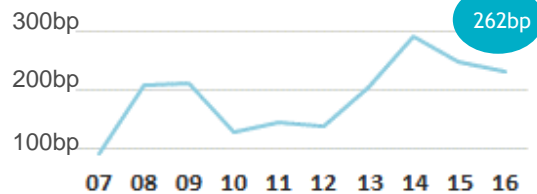
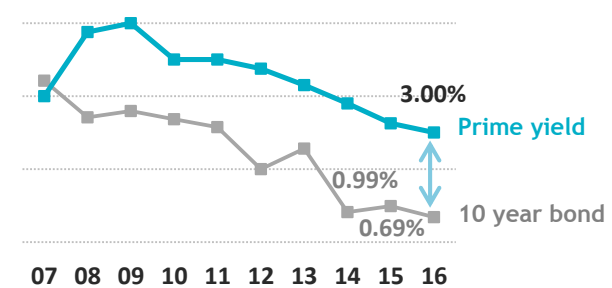
BARCELONA



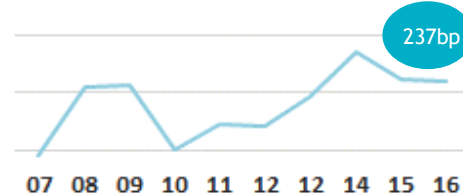
MADRID



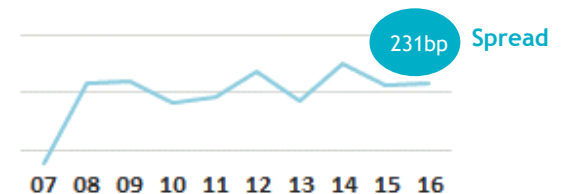
PARIS



Investment Volume YTD: €520m



Investment Volume YTD: €2,240m



Investment Volume YTD: €19,600m

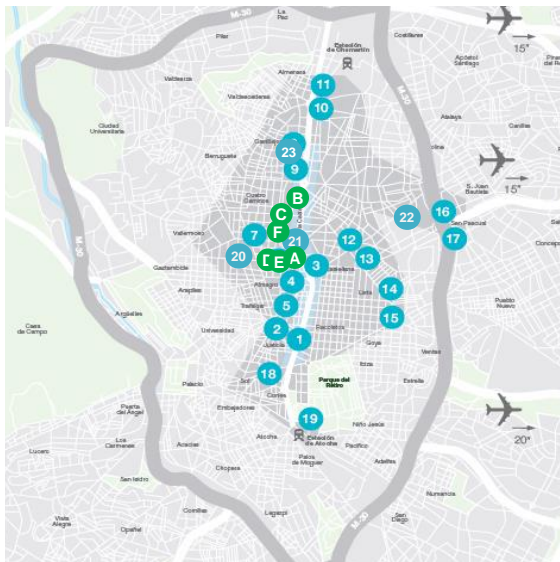
(1) Market consultants in Spain report gross yields and in France they report net yields

Source: JLL & Bloomberg

Investor interest for prime product remains strong

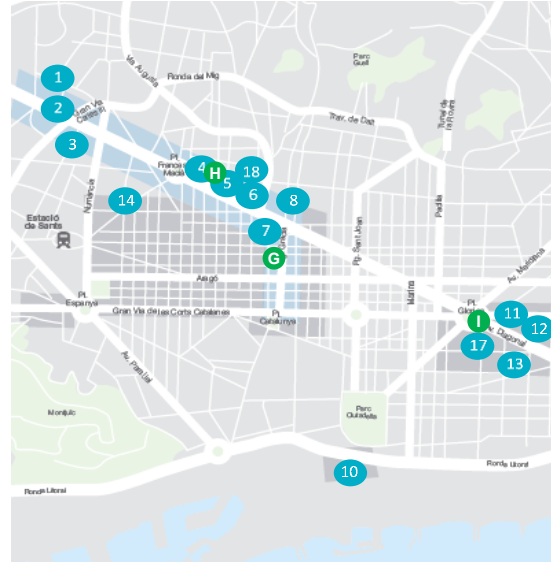
- > Significant price increases in Q4 2016 and at the beginning of 2017
- > CBD assets most sought after

Madrid City Center (inside M30)



Latest investment transactions inside M30

Barcelona City Center



Latest investment transactions in city center

Paris CBD



Latest investment transactions in Paris CBD

	Price	Cap. Value
A Plaza de Colón, 1 ⁽¹⁾	58	14.834
B Paseo de la Castellana, 55	60	10.667
C Calle Almagro, 9	124	8.215
D Miguel Ángel, 23 ⁽¹⁾	53	6.645
E Calle Sagasta 31-33	42	5.926
F Calle José Abascal, 41 ⁽¹⁾	20	5.674
CBD Transactions - Average	357	8.660

	Price	Cap. Value
G Passeig de Gracia, 81 ⁽¹⁾	30	9.458
H Travessera de Gracia, 47-49	41	4.587
I Av. Diagonal, 211 - Torre Agbar ⁽¹⁾	142	3.775
CBD Transactions - Average	213	5.940

	Price	Cap. Value
J Place Vendôme, 9	1.000	37.313
K Rue Leroux, 4	32	19.482
L Boulevard Haussmann, 69	128	17.297
M Av. Hoche, 24	20	15.924
N Rue de Lisbonne, 32	40	12.821
O Rue Leon Jost, 4	55	11.848
CBD Transactions - Average	1.274	19.114

Source: Savills and public information

⁽¹⁾ Assets with significant Capex to be implemented

03 Operational performance



Letting activity with strong momentum

Prime positioning ensures strong letting performance

- > More than 116,000 sq m signed in 93 transactions
- > Close to €40m of annual gross rents secured
- > Solid occupancy level across all segments

		# CONTRACTS	SQM SIGNED	GRI SECURED ¹	FINANCIAL OCCUPANCY ²
BARCELONA		37	62,090	€11m	97%
MADRID		23	19,953	€6m	97%
PARIS		33	34,002	€22m	97%
TOTAL		93	116,045	€39m	97%

(1) Annualised figures of signed contracts

(2) Financial occupancy calculated according to EPRA vacancy methodology

03 Operational performance

Letting activity with strong momentum

Prime positioning captures top tier clients paying maximum rents

- > High quality premises attract and retain top tier tenants
- > Colonial captures rental prices at the top of the market

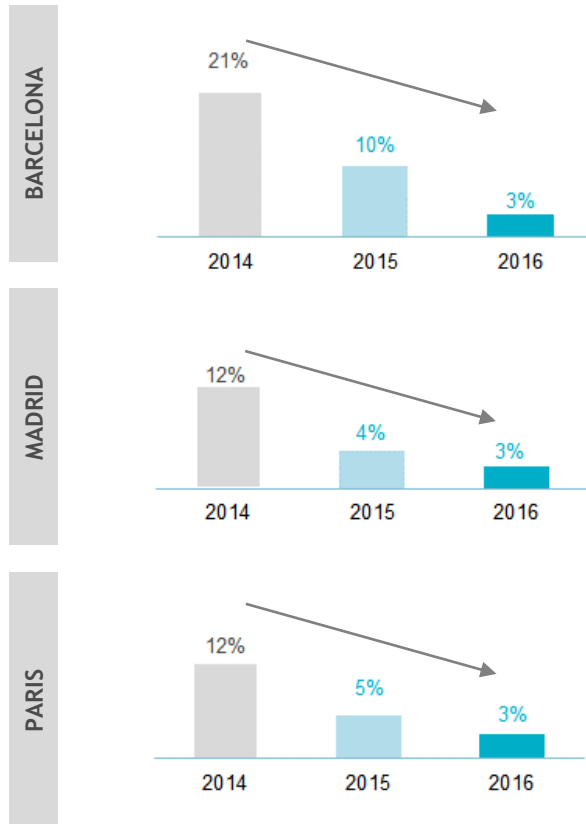
		# CONTRACTS	MAX. RENT SIGNED	CAPTURING & RETAINING TOP TIER CLIENTS			
BARCELONA		37	20 €/sqm/month	ZARA	gasNatural fenosa	sacem	EXANE
				IBERIA	Hudson	facebook	ALLEN & OVERY
				H&M	CBRE GLOBAL INVESTORS	Gamesa	ashurst
MADRID		23	34 €/sqm/month	MISYS	GrDF	SwissLife	CANDRIAM
				AG2R LA MONDIALE	promod	Bla Bla Car	accenture
				BOSS	affinity	Freshfields	Bird & Bird
				Lagarde	KLEPIERRE	Pretty Simple	NATIXIS
				NBCUniversal	European Foundation for Information Society	CaixaBank	MOBILELEAKS
PARIS		33	765 €/sqm/year	BSIS Business Services for Information Systems, S.A.	TV5MONDE	Apax PARTNERS	IBM
				OCDE	Grant Thornton		

Outstanding Occupancy levels beating the markets

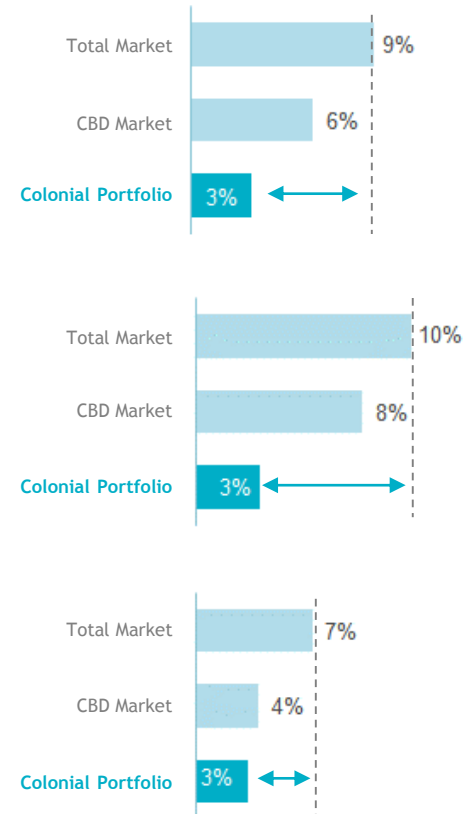
Prime positioning with top quality product ensures successful letting-up

- > EPRA vacancy at 3% (272 bps) YoY
- > Colonial's vacancy clearly beats the market

EPRA VACANCY



VACANCY COLONIAL VS. MARKET

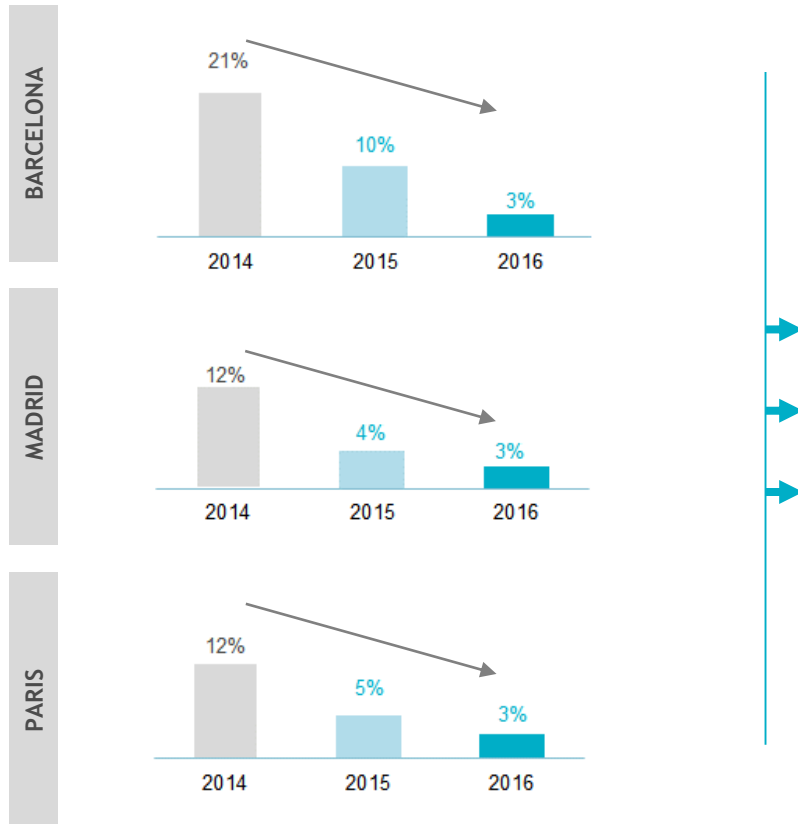


Outstanding Occupancy levels drive rental growth

Colonial as leading market indicator for rental price recovery

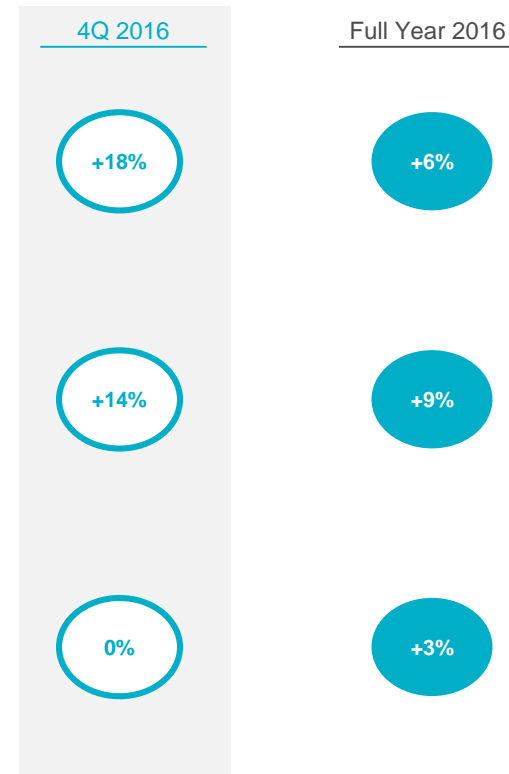
- > Prime positioning with low occupancy enhances negotiation power
- > Solid rental price increases across the full portfolio
- > Significant acceleration of rental price increases in 4Q 2016

EPRA VACANCY



SOLID INCREASE IN RENTAL PRICES

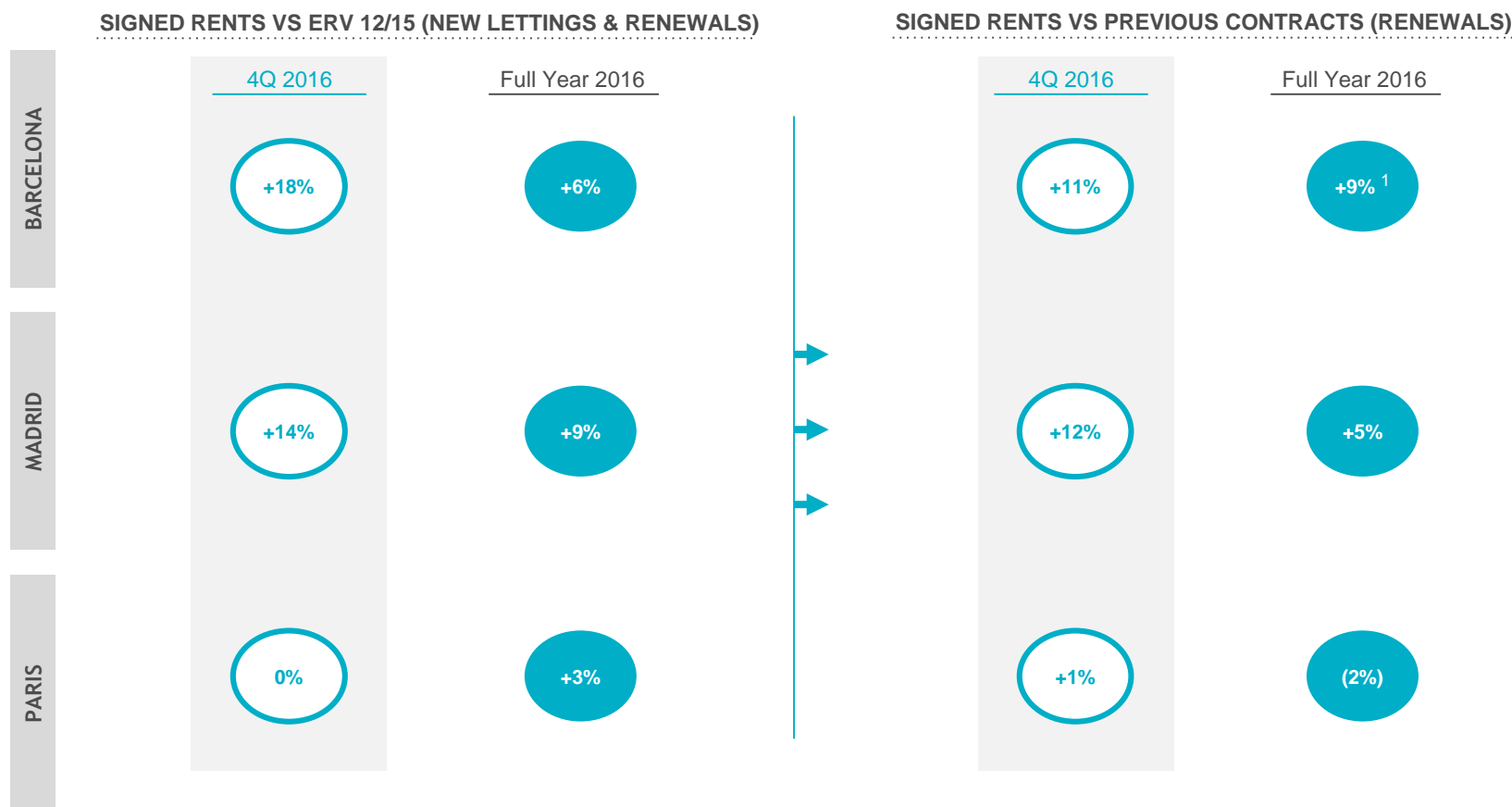
SIGNED RENTS VS ERV 12/15 (NEW LETTINGS & RENEWALS)



Colonial as leading market indicator for rental price recovery

- > Solid 2016 rental price increases enhance reversion in renewals
- > Acceleration of positive momentum in renewals, especially in 4Q 2016

SOLID INCREASE IN RENTAL PRICES



(1) Excluding Gas Natural Contract signed in 1Q 2016

03 Operational performance

Strong delivery on rental price increases

Colonial as a leading indicator for rental price recovery

- > Strong rental price increases across the portfolio
- > Rents signed at high end levels

Barcelona, Madrid & Paris – 2H 2016 Letting Performance

Av. Diagonal, 682 - CBD



+3%
vs ERV 12/15

+13%
vs previous

18
€/sqm/month

Max Rent signed

Recoletos, 37-41 - CBD



+10%
vs ERV 12/15

+12%
vs previous

29
€/sqm/month

Max Rent signed

José Abascal, 45 - CBD



+15%
vs ERV 12/15

24
€/sqm/month

Max Rent signed

P. Castellana, 52 - CBD



+9%
vs ERV 12/15

+18%
vs previous

25
€/sqm/month

Max Rent signed

Via Augusta, 21-23 - CBD



+20%
vs ERV 12/15

18
€/sqm/month

Max Rent signed

Agustín de Foxá, 29 - BD



+18%
vs ERV 12/15

16
€/sqm/month

Max Rent signed

(1) ERV= Estimated Rental value: market rent

03 Operational performance

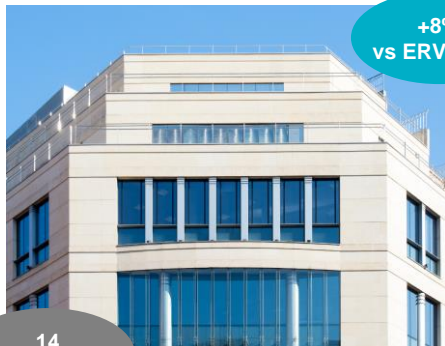
Strong delivery on rental price increases

Colonial as a leading indicator for rental price recovery

- > Strong rental price increases across the portfolio
- > Rents signed at high end levels

Barcelona, Madrid & Paris – 2H 2016 Letting Performance

Berlín / Numancia - BD



+8%
vs ERV 12/15

14
€/sqm/month

Max Rent signed

Serrano, 73- CBD



+17%
vs ERV 12/15

Parc Glòries - BD



+31%
vs ERV 12/15

Washington Plaza - CBD



+11%
vs ERV 12/15

765
€/sqm/year

Max Rent signed

9 Percier - CBD



+12%
vs ERV 12/15

623
€/sqm/year

Max Rent signed

Louvre Saint Honoré - CBD



+3%
vs ERV 12/15

653
€/sqm/year

Max Rent signed

(1) ERV= Estimated Rental value: market rent

03 Operational performance

Successful execution of value added strategies

Real estate transformation as base for value creation

- > Strong delivery on value added initiatives
- > Created ERV uplifts & yield compression
- > New initiatives underway - more than 20,000 sq m

VALUE ADDED INITIATIVES

- ✓ Refurbishment & modernization of floors
- ✓ Optimization of layouts/technical floors & ceilings
- ✓ Renewal of façades
- ✓ Reorganization & renovation of common spaces
- ✓ Repositioning of parkings

Delivery of Value Added initiatives on a significant part of the portfolio



José Abascal 45



José Abascal 56



P Castellana 52



López de Hoyos



Berlín Numancia



9 Percier



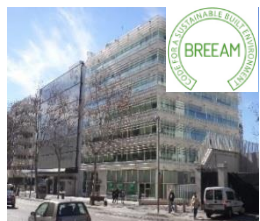
Cézanne Saint Honoré



Santa Engracia

Identification of new value added initiatives – more than 20,000 sq m to be refurbished

Created ERV uplifts
Created Yield compression



Serrano 73 – 4,242 sqm



Castell. 43 – 5,998 sqm



W. Plaza – 3,775 sqm



Cézanne SH – 5,465 sqm



Grenelle 103 – 874 sqm

Successful execution of value added strategies

Sustainability and energy efficiency: a “must” for prime product

- > Clear leadership in Spain and France
- > Relevant competitive advantage in a selective market

LEADER IN SUSTAINABILITY

✓ 90% of the portfolio in operation with LEED and/or Breeam certificates

✓ Big projects with double & triple certificates



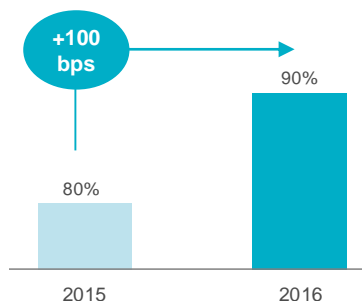
✓ Colonial the only Spanish company with EPRA sustainability rating

✓ Most improved EPRA sustainability award

✓ GRESB Green Star label for French subsidiary

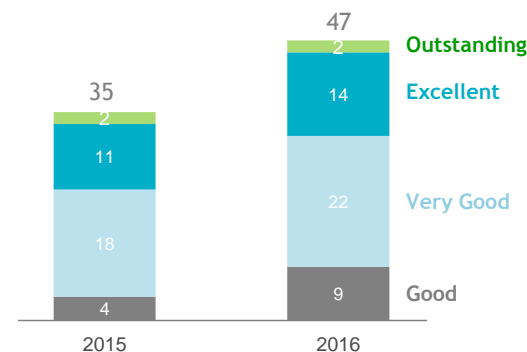
SIGNIFICANT YoY PROGRESS

PORTFOLIO WITH LEED/ BREEAM CERTIFICATE



SIGNIFICANT INCREASE FOR BREEAM IN USE

of certificates

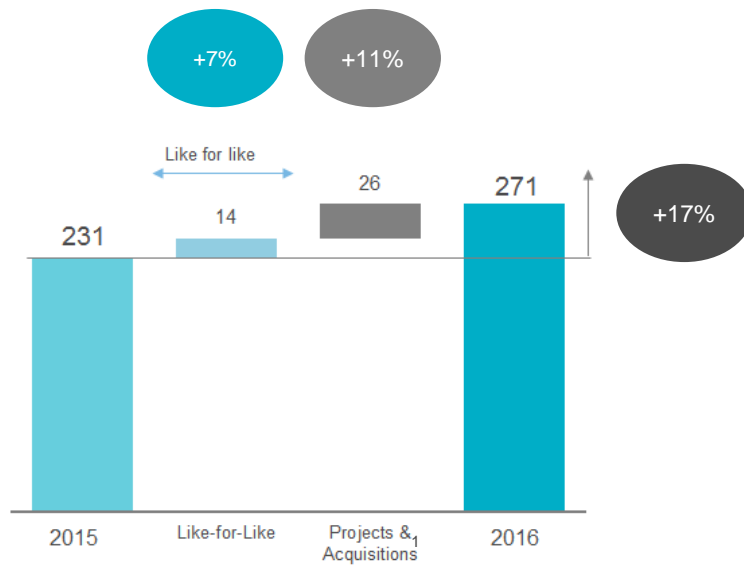




Successful execution of growth strategy as base for double digit GRI increase

- > Strong underlying like for like growth: +7%
- > Additional rental growth from value added strategies & acquisitions: +11%

GROSS RENTAL INCOME - €M



	<u>Like for like</u>	<u>Projects & Acquisitions</u> ¹	<u>TOTAL</u>
BCN	+10%	+2%	+12%
MADRID	+3%	+18%	+22%
PARIS	+7%	+10%	+17%
TOTAL	+7%	+11%	+17%

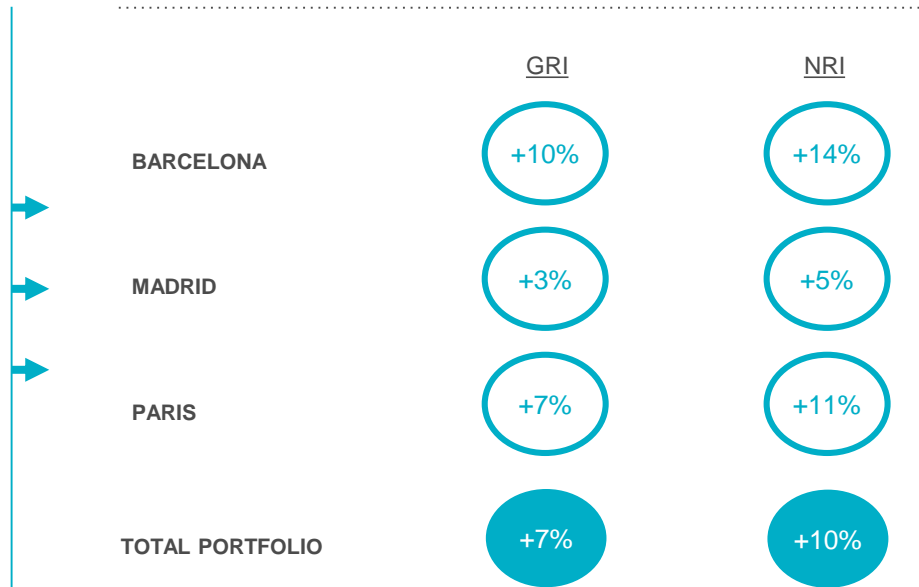
Like for Like calculated following EPRA BPR recommendations
(1) Includes indemnities of tenant rotation

Strong underlying growth in every market

- > Gross Rental Income +7% like for like
- > Net Rental Income + 10% like for like

LIKE FOR LIKE VARIANCE¹ – GRI & NRI

- ✓ Strong positioning in the market with top quality product
- ✓ Solid letting up of the portfolio
- ✓ Capturing maximum rental price levels in the market



Prime CBD positioning that delivers superior rental growth

¹ Like for like variance calculation based on EPRA best practice methodology

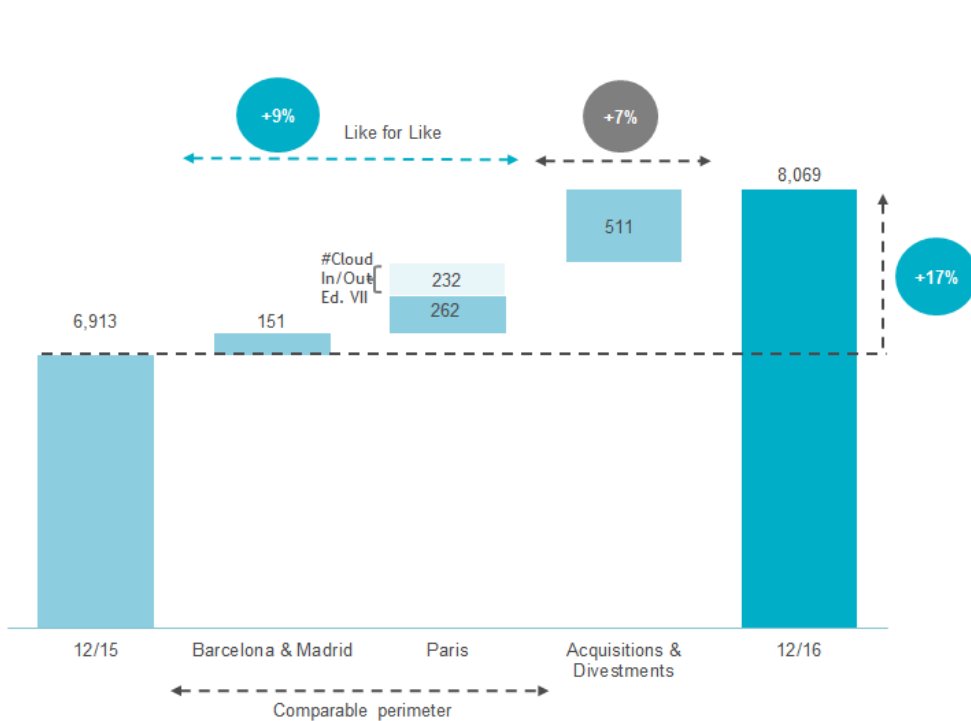
GRI= Gross Rental Income NRI= Net Rental Income

Strong underlying growth in Gross Asset Values

Gross Asset Value of €8,069m (€8,478m including transfer costs)

- > +9% like for like growth
- > Solid growth rates in every segment
- > Significant value growth through real estate transformation

GAV 2016 YoY GROWTH



Includes 15.1% Axiare stake valued at 6/2016 NAV.

GAV VARIANCE

	1H	2H	Full year
BARCELONA	+5%	+3%	+8%
MADRID	+5%	+4%	+10%
PARIS	+5%	+4%	+9%
LIKE FOR LIKE	+5%	+4%	+9%
ACQUISITIONS & DIVESTMENTS	+4%	+3%	+7%
TOTAL VARIANCE	+9%	+7%	+17%

Value creation through active balance sheet management

- > Successful liability management improving financial structure
- > Share buy back programme on track

ACTIVE BALANCE SHEET MANAGEMENT

LIABILITY MANAGEMENT

1. Set up of an €3,000m Euro Medium Term Note Programme (ETM)
2. Successful issuance of €600m senior unsecured notes in October 2016
3. €50m private placement in November 2016
4. Repurchase of €375m of bonds maturing in 2019
5. Maturity extension of €350m syndicated facility from 2019 to 2021

	<u>12/15</u>	<u>12/16</u>
Cost of Debt	2.27%	1.96%
Debt Maturity - years	4.8 years	5.0 years
Short term due debt ¹	€516m	€396m

SHARE BUY BACK PROGRAMME

1. Objectives
 - ✓ Management compensation plan
 - ✓ Corporate purposes
 - ✓ Other uses of corporate interest approved by the Board of Directors
2. Maximum Amount: acquisition of a 2.8% stake of treasury shares
 - ✓ Maximum amount: €68m
 - ✓ Maximum number of shares: 10,000,000
3. Timing: 6 months, starting the 15 of November until the 15 of May 2017

Stake acquired YTD	2.07%
Capital deployed YTD	€49m
Average price vs. 12/16 NAV	(9%)

¹ Debt maturity in next 24 months

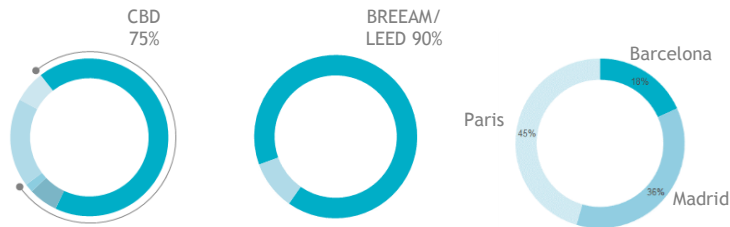
A high quality collateral underpinned with a solid financial structure

- > An unparalleled high quality collateral diversified in three cities
- > A solid finance structure with competitive financing costs

A FIRST CLASS COLATERAL

More than €8bn of high quality assets

1. Strong CBD exposure with prime product
2. Highest sustainability standards
3. Adequate diversification



Strong credit profit with investment grade rating

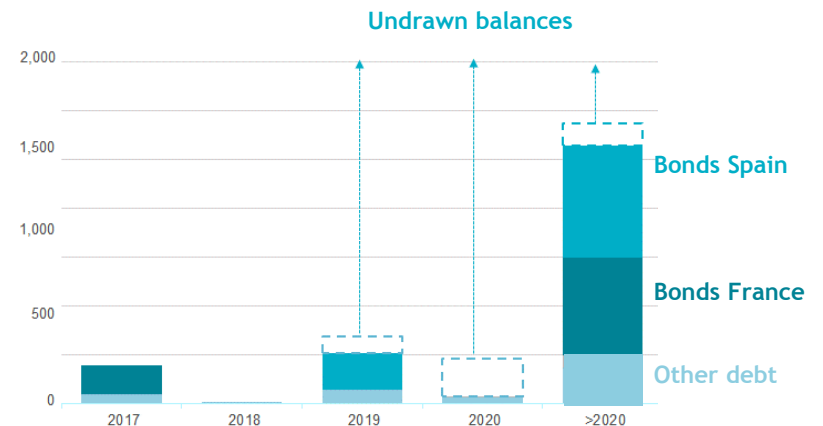


Rating Standard & Poors
BBB- Stable Outlook

¹ Firepower= Cash & undrawn credit lines

A SOLID FINANCIAL STRUCTURE

<u>Capital Structure</u>	<u>31/12/2015</u>	<u>31/12/2016</u>
Cost of Debt Spain	2.14%	1.96%
Cost of Debt Group	2.27%	1.96%
Maturity Spain	5.0 years	6.0 years
Maturity Group	4.8 years	5.0 years
Firepower ¹ Spain	€488m	€314m
Firepower ¹ Group	€1,110m	€873m
Group LTV	41.8%	41.4%

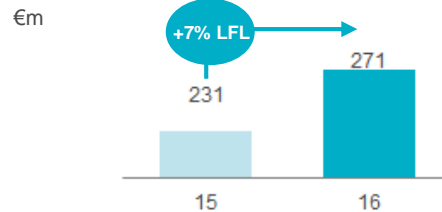


Significant increase in Recurring Net Profit through

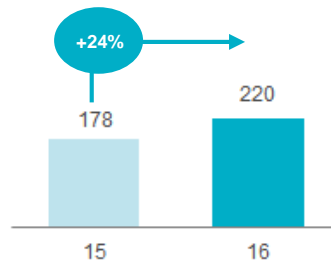
- > Delivery of strong Gross Rental Income increase based on successful growth strategy
- > Savings in financing costs due to active liability management

STRONG TOP & BOTTOM LINE PERFORMANCE

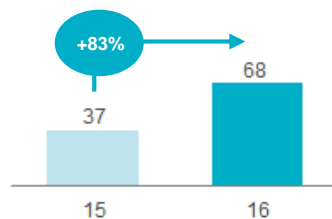
GROSS RENTAL INCOME



RECURRING EBITDA



RECURRING EARNINGS



PROFIT & LOSS ACCOUNT

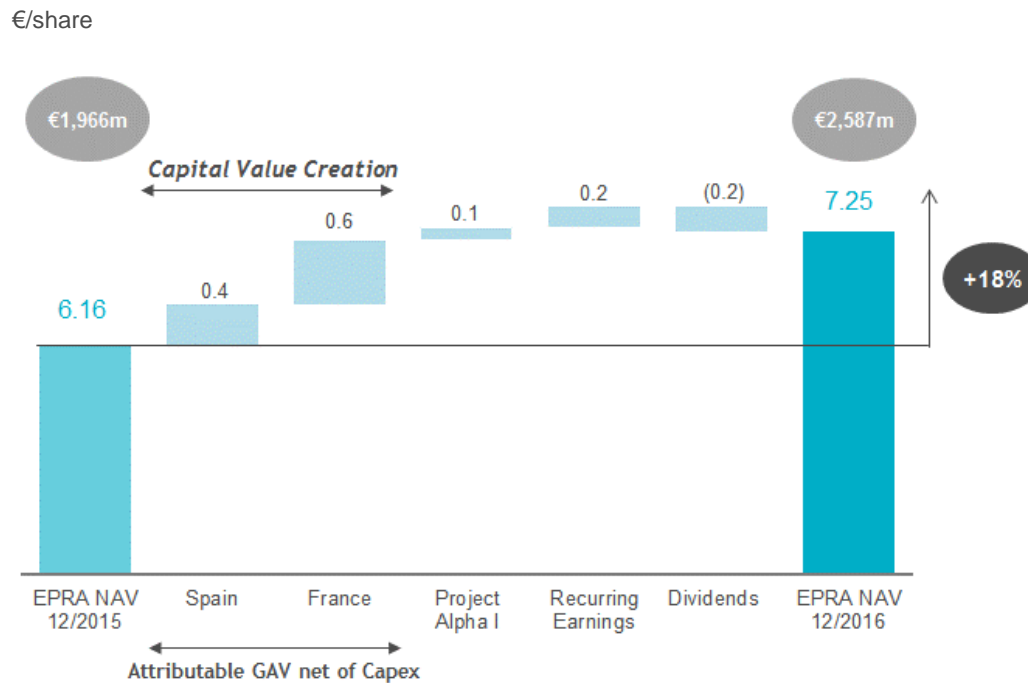
Results analysis - €m	2016	2015
Gross Rents	271	231
Net operating expenses ⁽¹⁾	(15)	(20)
Overheads	(36)	(33)
Recurring EBITDA	220	178
Recurring financial result	(80)	(83)
Income tax expense & others - recurring	(12)	(12)
Minority interests - recurring	(61)	(46)
Recurring Earnings	68	37
Variance asset values & provisions	554	715
Non-recurring financial result & MTM	(25)	(48)
Income tax & others - non-recurring	(98)	(47)
Minority interests - non-recurring	(225)	(242)
Profit attributable to the Group	274	415

(1) Includes other income

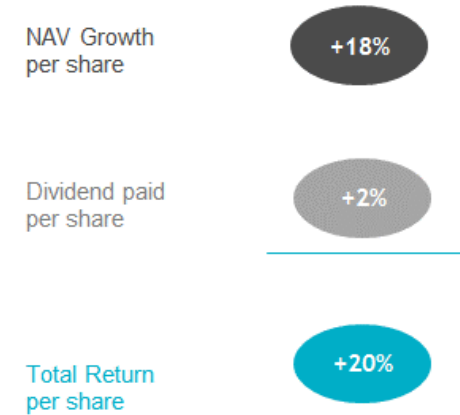
20% Total Shareholder Return in 2016

- > +18% year-on-year NAV per share growth
- > Return among the highest in the sector
- > Value creation with strong “Alpha component” through real estate transformation

STRONG MOMENTUM IN NAV GROWTH



TOTAL SHAREHOLDER RETURN



Total Shareholder Return= NAV growth + dividends

05 Growth drivers





SOURCES OF FUTURE GROWTH

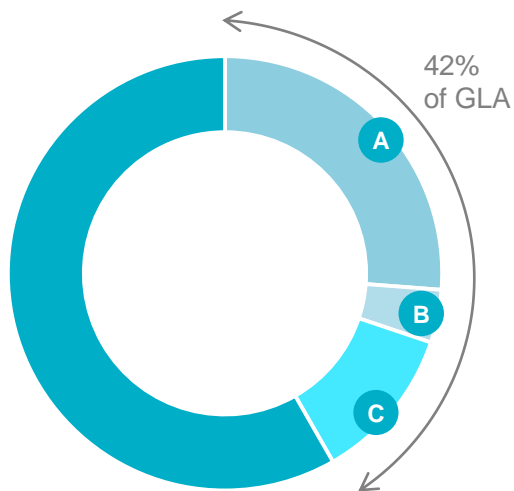
- 1 Capturing reversion in current portfolio
- 2 Delivery on value added & prime factory projects
- 3 Implementation of selective acquisition programme

A portfolio with growth potential

More than 370,000 sq m of GLA with growth potential

- > Capturing rental increases with top products
- > Executing value added repositioning projects
- > Delivering the project development pipeline

GLA ABOVE GROUND



MAIN ASSETS

A Capture Reversion
236,683 sq m

- > Av. Diagonal, 609-615
- > P. Castellana, 52
- > Miguel Ángel 11
- > Berlín/Numancia
- > Santa Engracia
- > Jose Abascal, 45
- > 9 Percier
- > 103 Grenelle

B Value Added Initiatives
35,622 sq m

- > Serrano, 73
- > P. Castellana, 43
- > Cezanne Saint-Honoré
- > Washington Plaza

C Prime Factory Projects
104,391 sq m

- > Discovery Building
- > Príncipe de Vergara, 112
- > Parc Glòries
- > P. Castellana, 163
- > Plaza Europa, 46-48
- > Louvre Saint-Honoré
- > Emile Zola

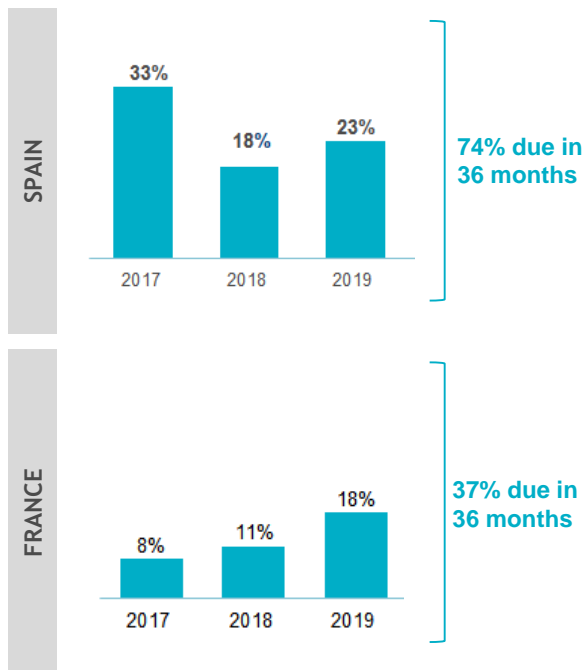
1 Capturing reversion of current portfolio

Colonial well positioned to capture rental growth

- > Attractive rent roll profile – 74% of the Spanish contract portfolio due in 36 months
- > Contract portfolio currently underrented in every market
- > Strong positioning in attractive European growth markets: Barcelona, Madrid & Paris CBD

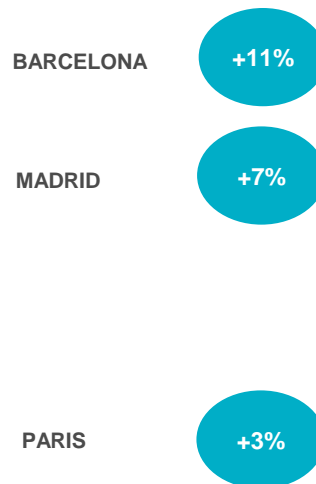
COMMERCIAL LEASE EXPIRY DATES

First potential exit

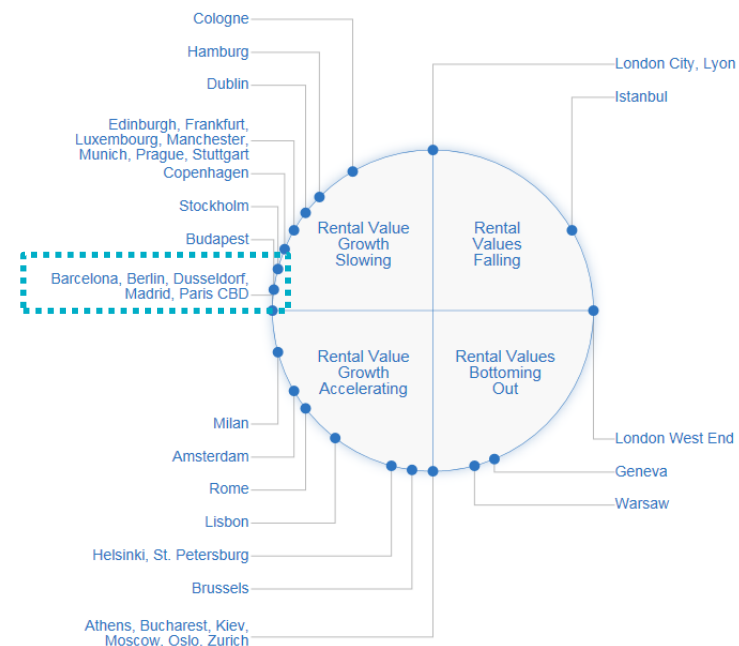


PORTFOLIO UNDERRENTED

Market rents vs current passing rents



SOLID POSITIONING IN GROWING MARKETS



Source: JLL Q4 2016 data

2 Delivery on value added & prime factory projects

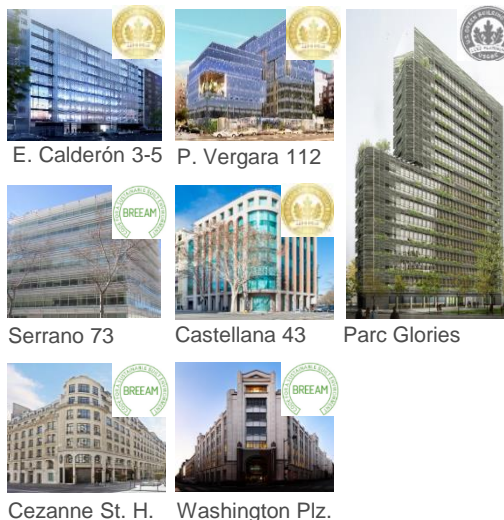
A very attractive Project pipeline

- > Significant amount of additional rental income for the coming years
- > Additional value creation through created yield compression
- > Top product at optional market timing

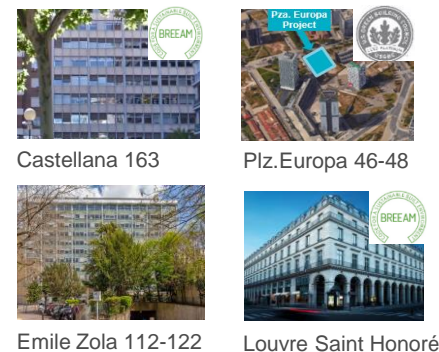
PROJECTS AND REFURBISHMENTS

	GLA ²
Discovery Building	10,152
Príncipe de Vergara, 112	11,368
Parc Glòries	24,551
Louvre Saint Honoré	16,000
Plaza Europa, 46 – 48	14,000
112 – 122 Avenue Emile Zola	20,340
Castellana, 43	5,998
Serrano, 73	4,242
Cezanne Saint Honoré	5,465
Washington Plaza	3,775
Castellana, 163 ¹	10,910
Parc Central 22@	14,737
Other Areas	8,621
Total	150,159

2017 - 18



2019 - 22



Additional Gross Rental Income³ €26m
 Yield on cost Spain > 7% → Final Product

Additional Gross Rental Income³ €30m
 Yield on cost Spain > 7% → Final Product
 Yield on cost France > 6.5% → Final Product

Created rental uplift & created yield compression

Prime product to capture market recovery

(1) Investments materialized in December 2016

(2) GLA above ground

(3) Annual figures

2 Delivery on value added & prime factory projects

Solid progress on execution of project pipeline

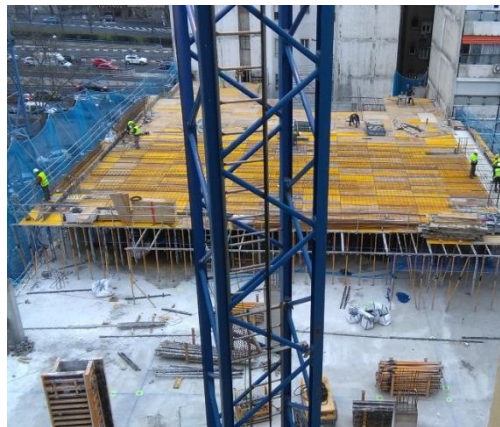
- > Project works on track
- > Strong interest in the rental market

DISCOVERY BUILDING

Initial Acquisition



Current Status



Final Project

GLA: 10,152 sq m



Capital Value¹
4,130 €/sq m

Yield on Cost
7-8%

Ungeared 10Y IRR
> 10%



PRÍNCIPE DE VERGARA 112

Initial Acquisition



Current Status



Final Project

GLA: 11,368 sq m



Capital Value¹:
3,983 €/sq m

Yield on Cost
7-8%

Ungeared 10Y IRR
> 10%



¹ Capital value of final product including Project Capex

2 Delivery on value added & prime factory projects

Real Estate transformation as ongoing principle

- > Repositioning of Serrano 73 to enhance asset value
- > 100% pre-let to top tier client

Initial Acquisition



Current Status



SERRANO 73

From Core product to Value-Add and back to Core ...

- > 0% occupancy after acquisition 6/16
- > Repositioning of asset
 - ✓ New lobby, floor plans and common areas
 - ✓ State of the Art new facade with high visibility in Serrano
- > Asset fully pre let to top tier law firm
- > Signed rents at high end of Madrid market

Project Proposal

GLA: 4,242 sq m

Signed Rent +17% vs 12/15 ERV

UNEP GREEN BUILDING CONVENTION
LEED GOLD
v4.0

Ungearred 10Y IRR > 6%

ALLEN & OVERY

2 Delivery on value added & prime factory projects

Looking for the better site

- > Finding the right market segment to capture growth with the best product
- > Strong positioning as guarantee for commercial success

PARC GLORIES



¹ Capital value of final product including project capex

CASTELLANA 163



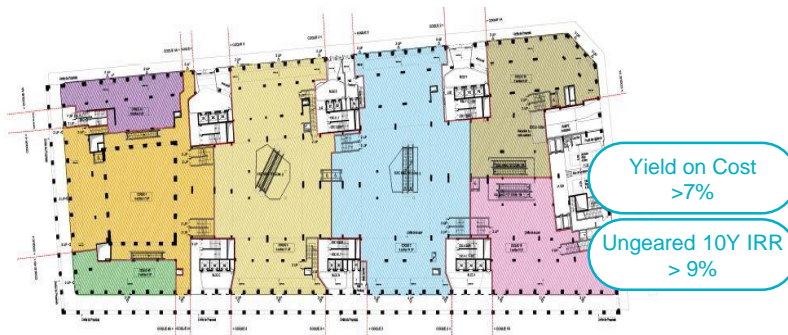
Project Proposal

2 Delivery on value added & prime factory projects

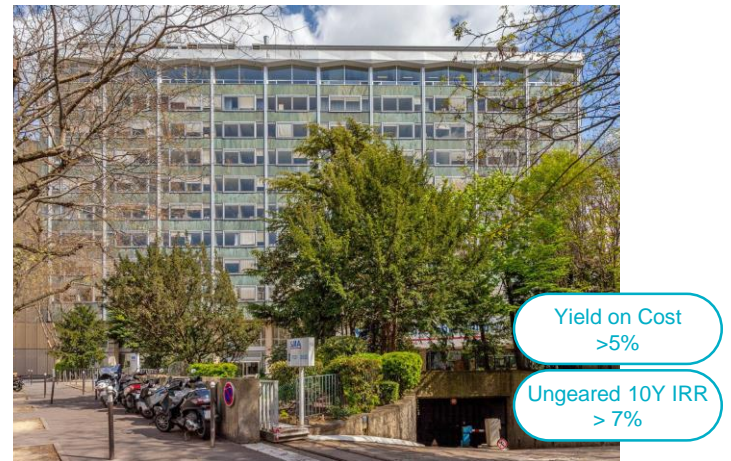
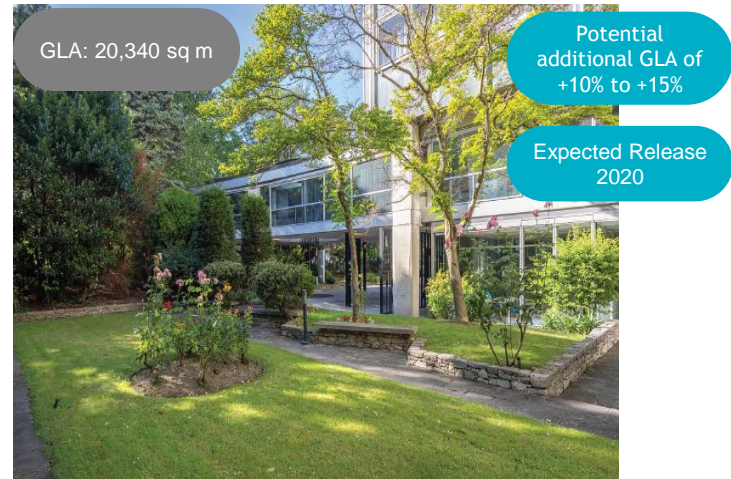
Capturing solid growth in the centre of Paris

- > Developing prime products with unique positioning
- > Identifying market segments with solid fundamentals

LOUVRE DES ANTIQUAIRES



112-122 AVENUE ÉMILE ZOLA



3 Implementation of selective acquisition programme

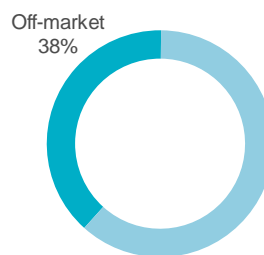
Firm delivery of growth plan

- > Sourcing prime sites with unique market positioning
- > Unlocking value through real estate transformation
- > Strong commitment to investment discipline

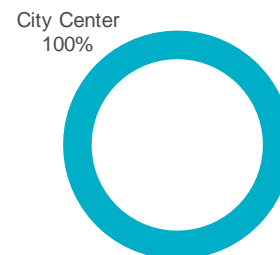
INVESTMENTS SINCE 2015

	Price - €m	IRR ²
Condorcet ¹	230	6%
Plaza Europa ¹	10	>7%
Discovery Building	43	>10%
Príncipe Vergara 112	45	>10%
Génova 17	36	7%
Percier	68	6%
Santa Engracia	67	7%
Acquisitions 2015	499	

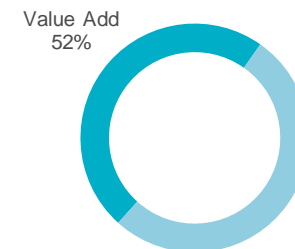
OFF MARKET



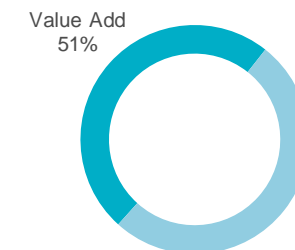
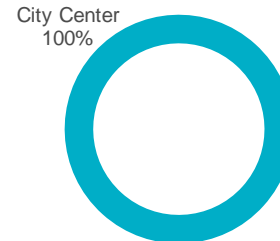
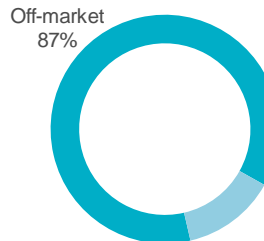
CITY CENTER



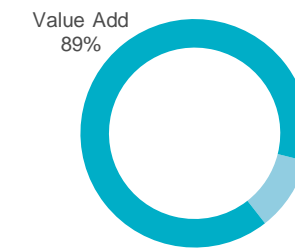
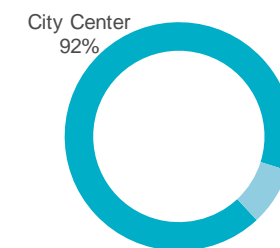
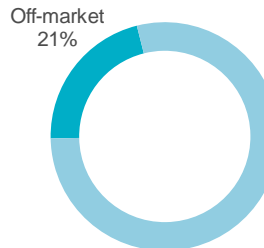
VALUE ADDED



José Abascal 45	35	>6%
Parc Glories	77	>9%
Serrano 73	48	6%
Santa Hortensia	154	>7%
4.4% Stake SFL	106	6.5%
1.0% Stake SFL	24	6.5%
15% Stake in Axiare	136	Discount on NAV
ALPHA I	579	



Paseo Castellana 163	51	>9%
Travessera Gracia 47-49	41	>6%
Plaza Europa 46-48	32	9%
112-122 Av. Emile Zola	265	>7%
ALPHA II	389	



(1) Investments materialized in November and December 2014 respectively

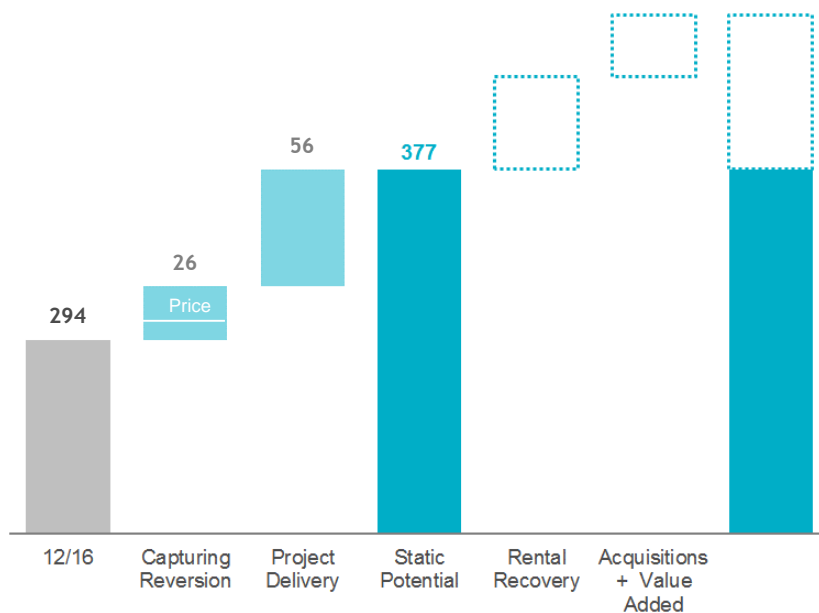
(2) 10 year ungeared asset IRR

Superior risk adjusted returns

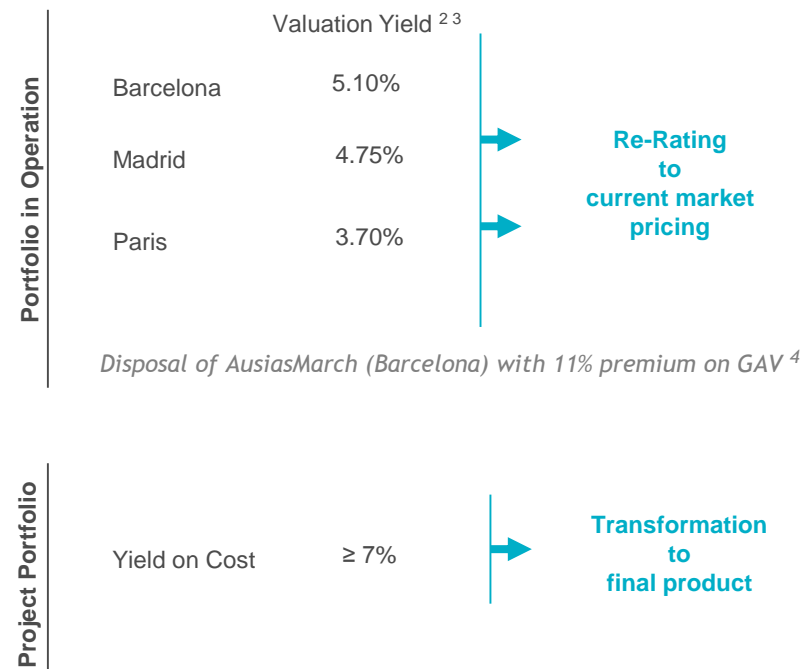
A solid base for high quality growth

- > Capturing reversion with the best positioned office platform
- > Unlocking value through real estate transformation
- > Delivery on acquisition programme with investment discipline

Passing GRI ¹ – Uplift Potential (€m)



Potential for Yield compression



¹Topped-up passing GRI

²Cap rate for exit value in 10Y DCF valuation

³Market analysts in Spain report gross yields and in France net yields

⁴Disposal of asset in September 2016, premium on GAV 6/2016

Superior risk adjusted returns

Resilient share price performance in volatile capital markets

- > Ongoing positive momentum in analyst coverage and share price performance in 2017
- > Colonial shares offer a “flight to quality” play with attractive risk adjusted returns

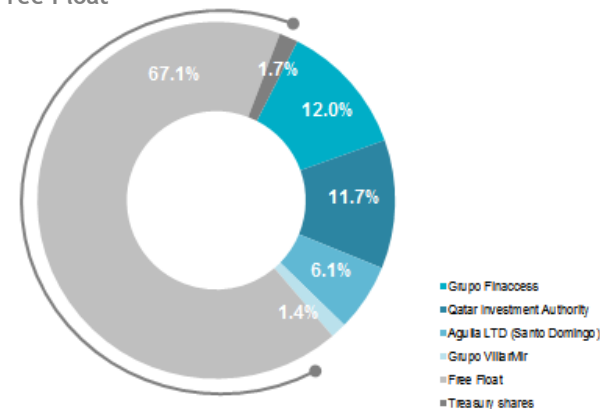
COLONIAL VERSUS PEERS SPAIN - 2016



	Performance 2016	Standard Deviation
Peer 3	+5%	0.70
Colonial	+3%	0.34
Peer 2	-8%	0.59
Peer 1	-11%	0.48
Peer 4	-17%	0.65

HIGH QUALITY SHAREHOLDER STRUCTURE AND GOOD LIQUIDITY

Free Float







ABOVE AVERAGE DELIVERY IN OPERATIONS

- > Strong letting momentum capturing top tier clients
- > High occupancy levels, outperforming the market
- > Capturing maximum rental prices in every market
- > Solid delivery of rental price increases
- > Successful delivery of value added strategies
- > Superior value creation through real estate transformation

STRONG FINANCIALS

- > Total Shareholder Return 2016: +20%
- > Superior like-for-like growth in rental income
- > High like-for-like growth in asset values
- > Strong delivery on acquisitions maintaining investment discipline
- > Strong top & bottom line performance

CONFIDENT OUTLOOK

- > CBD markets and Colonial portfolio with solid growth perspectives
- > Colonial best positioned to capture rental cycle
- > Value creation through attractive project pipeline
- > High confidence on further delivery of acquisition plan
- > Strategy with superior risk adjusted returns



Total Shareholder Return since June 2014

Total Shareholder Return - Colonial (since June 2014)

Date	€/share			Return per share		
	NAV	Dividend	NAV+ Div.	NAV Growth	Dividend	Total Return
06-14	4.49	0	4.49	-	-	-
12-14	4.77	0	4.77	6%	-	6%
12-15	6.16	0	6.16	29%	-	29%
12-16	7.25	0.15	7.40	18%	2%	20%
Total Return since 6/14 (NAV per share growth + dividends)						65%

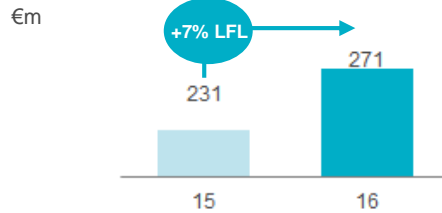
Positive momentum in earnings

Significant increase in Recurring Net Profit through

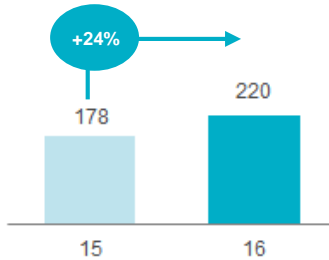
- > Delivery of strong GRI increase based on successful growth strategy
- > Savings in financing costs due to active liability management

STRONG TOP & BOTTOM LINE PERFORMANCE

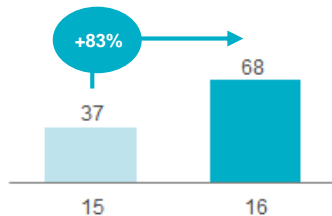
GROSS RENTAL INCOME



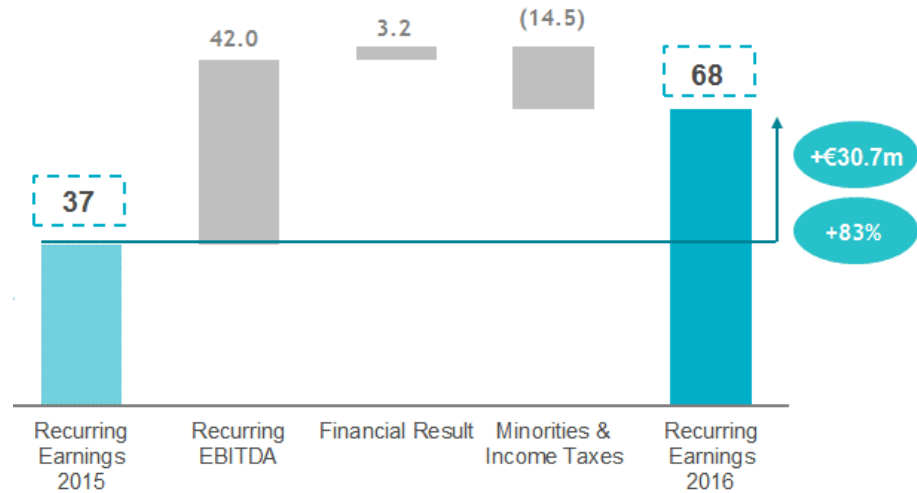
RECURRING EBITDA



RECURRING EARNINGS



PROFIT & LOSS ACCOUNT



Strong underlying growth in Gross Asset Values

Strong like for like growth

- > Significant value growth through real estate transformation
- > Combination of yield compression and rental growth
- > Full impact of 2016 rental growth still to come through

GAV 2016 YoY LFL VARIANCE

VALUATION YIELD

CAPITAL VALUE €/SQ M

	<u>Total</u>	<u>Yield</u>	<u>Price&Other¹</u>	<u>12/16</u>	<u>YoY var</u>	<u>12/16</u>
BARCELONA	+8%	+6%	+2%	5.10%	(44bp)	4,016
MADRID	+10%	+4%	+5%	4.75%	(16bp)	5,207
PARIS	+9%	+5%	+4%	3.70%	(38bp)	14,213

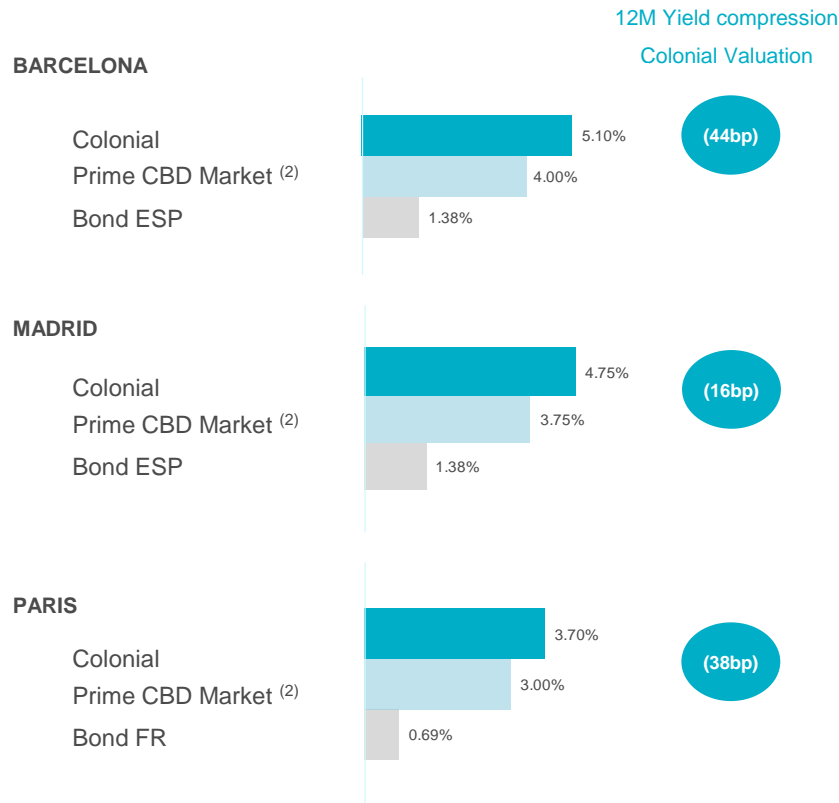
(1) Price + other impacts

Attractive valuation levels of current portfolio

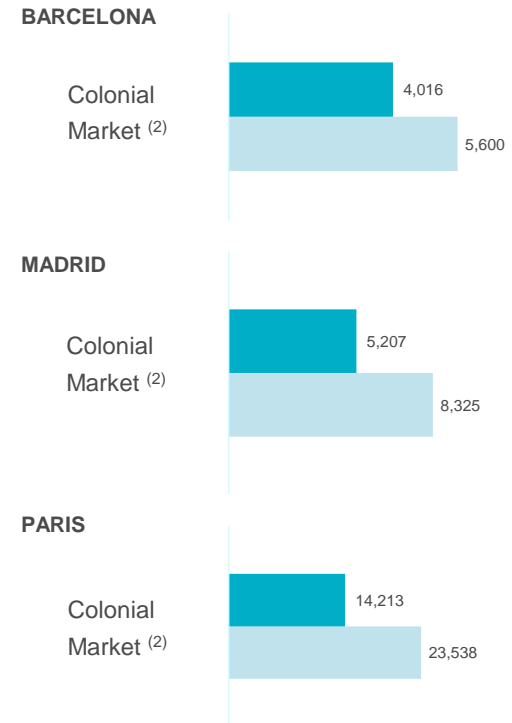
Important value potential through Re-Rating to current market

- > Colonial valuation yields still above market levels
- > Colonial capital values significantly below recent transactions evidence
- > Full impact of 2016 rental growth still to come through

VALUATION YIELDS ⁽¹⁾



CAPITAL VALUE 12/2016 - €/sq m



(1) Market consultants in Spain report gross yields and in France they report net yields

(2) Market data as of 12/2016

Colonial



www.inmocolonial.com

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