

# *Colonial*

## First Half Results 2015



*Colonial*

29 July 2015

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1

# HIGHLIGHTS



# 1 HIGHLIGHTS FIRST HALF 2015

*Strong performance of first half*

## Strong performance of first half 2015

	1H 2015	Variance 12 months	Variance 6 months
Gross Asset Value	€6,291m	+13% LFL	+8% LFL
CBD Exposure	75%		
EPRA NAV (cts.€/share)	54.5 cts €/sh.	+21%	+14%
EPRA Occupancy - Offices	86%	+233 bps	+134 bps
EPRA Proforma Occupancy - Offices <sup>(1)</sup>	93%	+935 bps	+835 bps
Gross Rents	€111m	+5% LFL	
Recurring EBITDA	€80m	+6% LFL	
Recurring Net Profit	€11m	+39%	
Net Profit <sup>(2)</sup>	€202m	+€347m <sup>(2)</sup>	
Acquisitions & Portfolio Repositioning	€241m	➔ Acquisitions 100% CBD	
Parent LTV	34%		
Rating Standard & Poor's	BBB- Stable Outlook		

(1) Includes new contract signed on the In&Out building, which will enter into operation in September 2015

(2) Before discontinued operations divested in 2014



# 2

# OPERATING PERFORMANCE

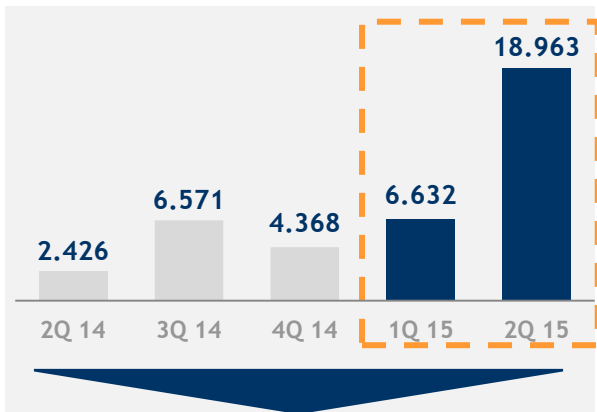


## 2 OPERATING PERFORMANCE - FIRST HALF 2015

*Strong letting activity*

- Letting activity with very strong momentum in all markets
- Paris with “record volume” of new contracts

**Barcelona > 25,500 sq m let**



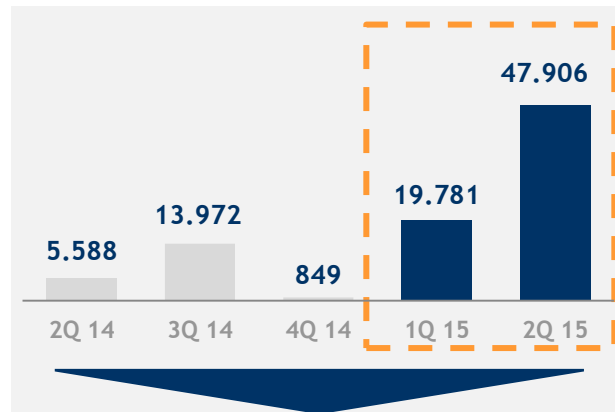
- ✓ More than 25,500 sq m let
- ✓ Outstanding performance of 2nd quarter 2015
- ✓ More than 29 contracts signed
- ✓ Huge volume of new contracts

**Madrid > 14,400 sq m let**



- ✓ More than 14,400 sq m let
- ✓ Increasing quarterly momentum during 2015
- ✓ Proven performance of prime

**Paris > 67,600 sq m let**

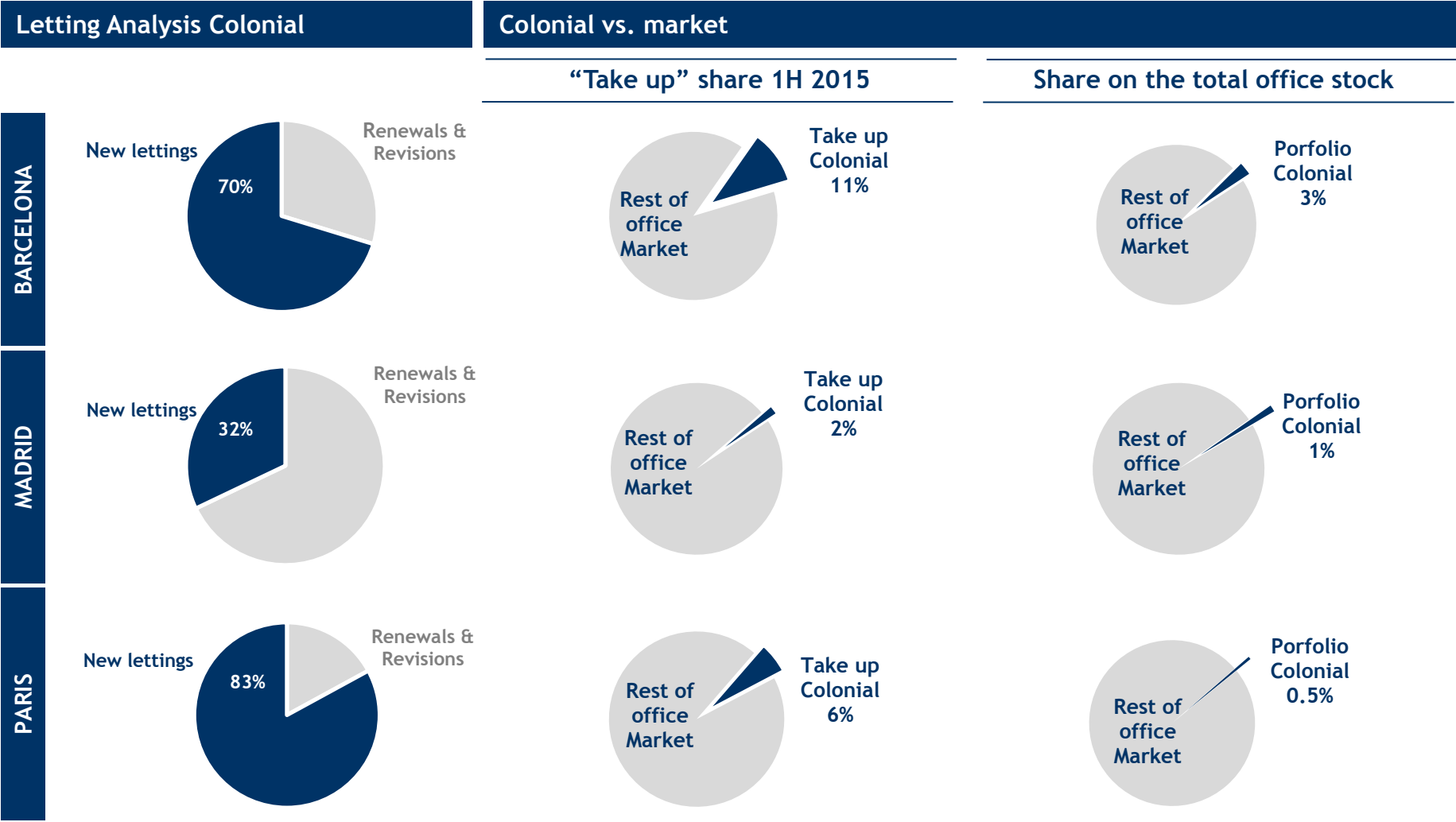


- ✓ More than 67,600 sq m let
- ✓ First half with record volume of lettings
- ✓ Biggest transaction in 2015 in the entire Paris market
- ➔ 35,000 sq m to OCDE in IN/OUT

## 2 OPERATING PERFORMANCE - FIRST HALF 2015

### New contracts - Take -Up Share

- Take-up share of Colonial clearly above Colonial’s share on total stock
- Prime Positioning permits superior performance



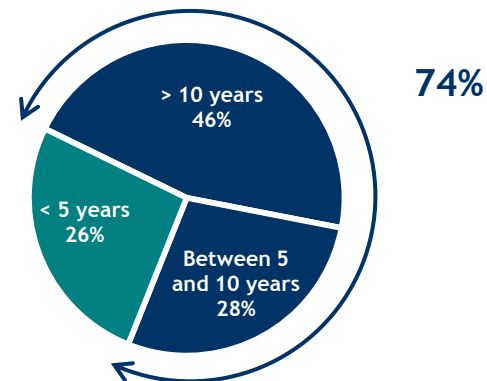


## 2 OPERATING PERFORMANCE - FIRST HALF 2015 Renewals & Tenant Analysis

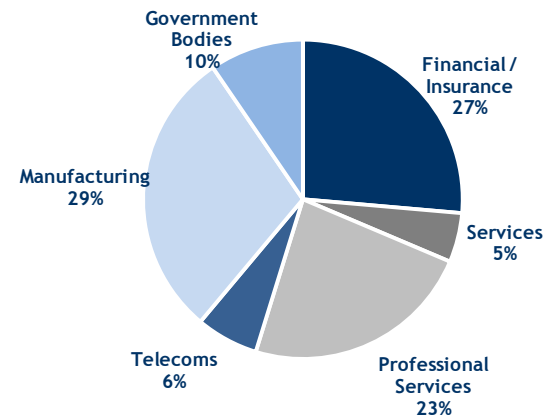
- High quality premises attract and retain top tier tenants
- A well diversified tenant base



### Length of time the tenants stay



### Breakdown by economic sector





## 2 OPERATING PERFORMANCE - FIRST HALF 2015

### Letting activity - Main Actions

Paris more than 67,600 sq m let



OCDE

32,614 sqm

breeam

NF HOE

U.S. GREEN BUILDING COUNCIL LEED GOLD USGBC

In&Out



EXANE

10,827 sqm

breeam

NF HOE

U.S. GREEN BUILDING COUNCIL LEED GOLD USGBC

#Cloud



TV5MONDE

7,549 sqm

breeam

131 Wagram



REVOLUTION 9

6,026 sqm

breeam

Le Vaisseau



Proparco

GRUPE AGENCE FRANÇAISE DE DÉVELOPPEMENT

3,994 sqm

breeam

Louvre Saint Honoré



2,024 sqm

breeam

Edouard VII

## 2 OPERATING PERFORMANCE - FIRST HALF 2015

### Letting activity - Main Actions

Barcelona & Madrid more than 40,000 sq m let



6,002 sqm

Recoletos, 37-41



3,005 sqm

Jose Abascal, 56



2,045 sqm

Lopez de Hoyos, 35



11,748 sqm

Sant Cugat



2,550 sqm

Ausias Marc



3,790 sqm

Diagonal, 609-615 (DAU)



2,035 sqm

Diagonal, 409



1,509 sqm

Berlín-Numància



1,127 sqm

Diagonal, 682

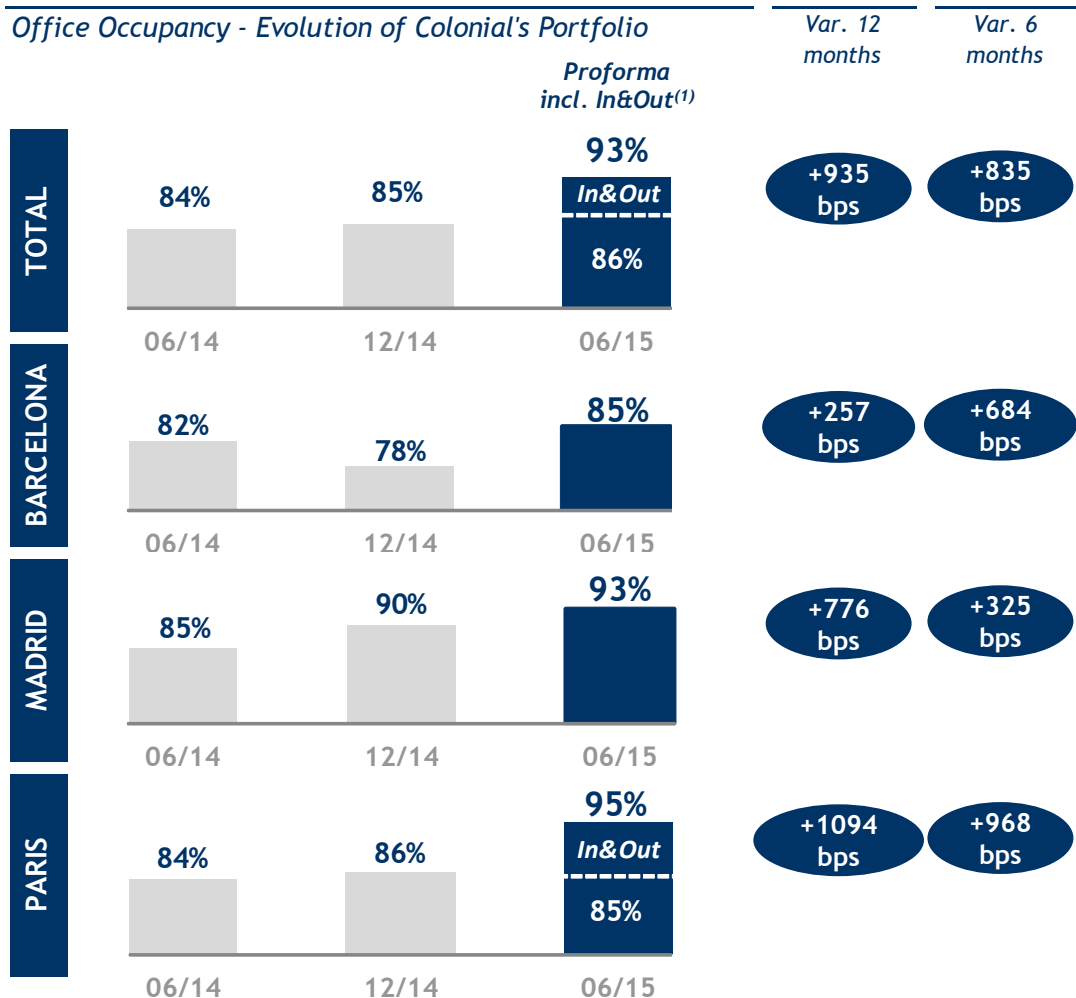
## 2 OPERATING PERFORMANCE - FIRST HALF 2015

### EPRA Occupancy

Important increase of EPRA Occupancy, +935 bps in 12 months

### EPRA Financial Occupancy

Office Occupancy - Evolution of Colonial's Portfolio



### EPRA Occupancy Office Portfolio

#### Barcelona

- ✓ +257 bps in 12 months up to 85%
- ✓ Strong 2Q, +684 bps

#### Madrid

- ✓ +776 bps in 12 months
- ✓ Occupancy at 93%

#### Paris

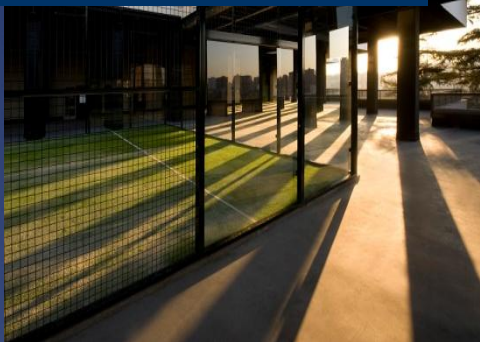
- ✓ 86% Occupancy
- ✓ 95% Proforma incl. In&Out<sup>(1)</sup>
- ✓ +1,094 bps in 12 months (incl. In&Out)

(1) Includes new contract signed on the In&Out building, which will enter into operation in September 2015



# 3

# FINANCIAL REVIEW



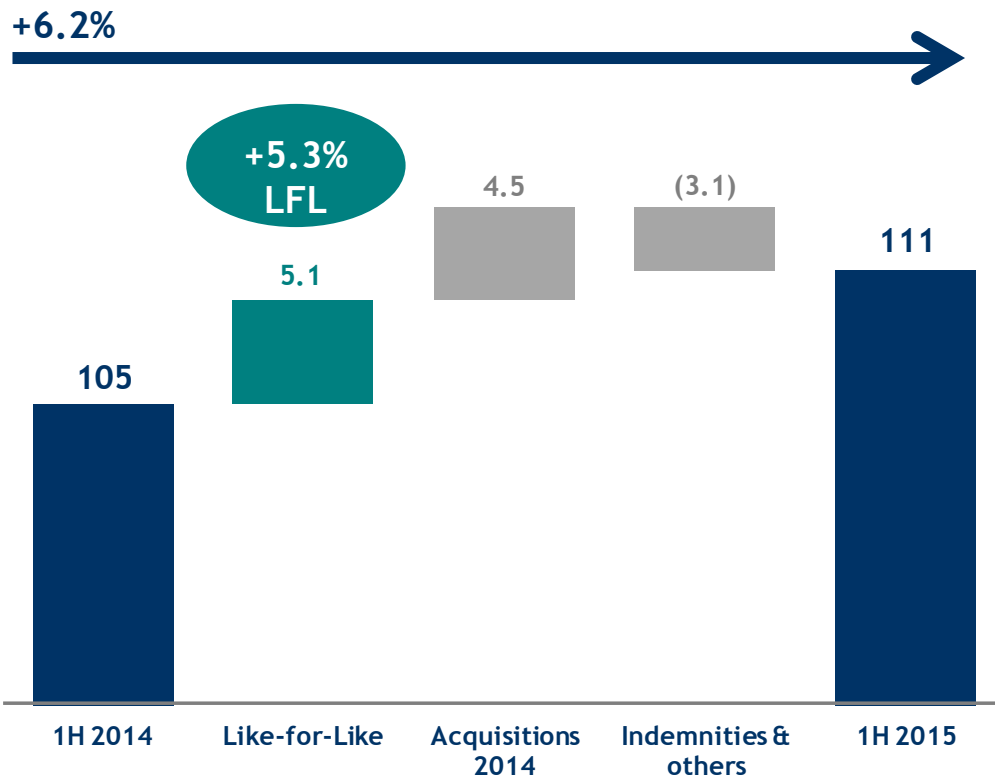
### 3 FINANCIAL REVIEW - FIRST HALF 2015

*Strong top line growth*

Strong top line growth driven by:

- Strong underlying growth of portfolio
- Additional rents from 2014 acquisitions

#### Gross Rental Income - €m



#### Gross Rental Growth

- + 6.2% Top line Growth
- + 5.3% Like for like
- + 4.3% Acquisitions 2014  
Condorcet & Plaza Europa
- 3.4% Indemnities received previous year & others

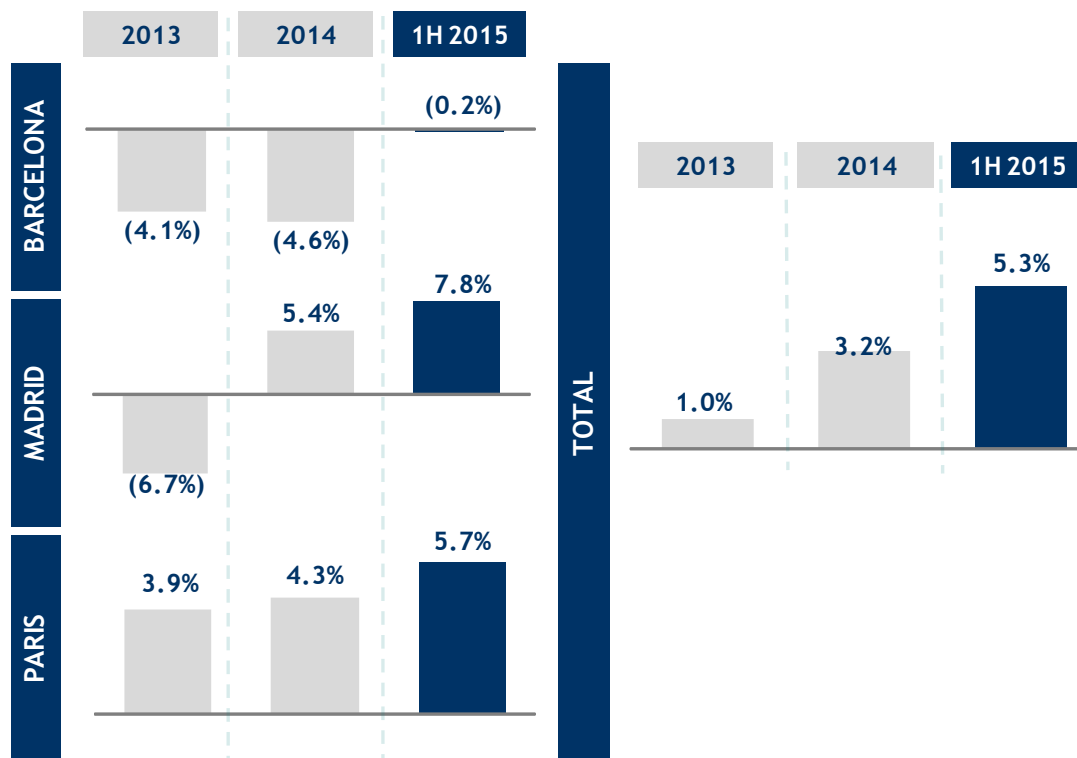
### 3 FINANCIAL REVIEW - FIRST HALF 2015

*Strong underlying growth of portfolio*

Strong recovery of gross rental income in all markets

- Gross rental income growth mainly volume driven
- Impact from price recovery still to come

#### "Like for Like" Rental Growth



#### Strong Recovery in all markets

- ✓ Madrid +8%
- ✓ Paris +6%
- ✓ Barcelona still flat but improving
- ✓ Total Portfolio +5%

*Prime Positioning that delivers superior rental growth*

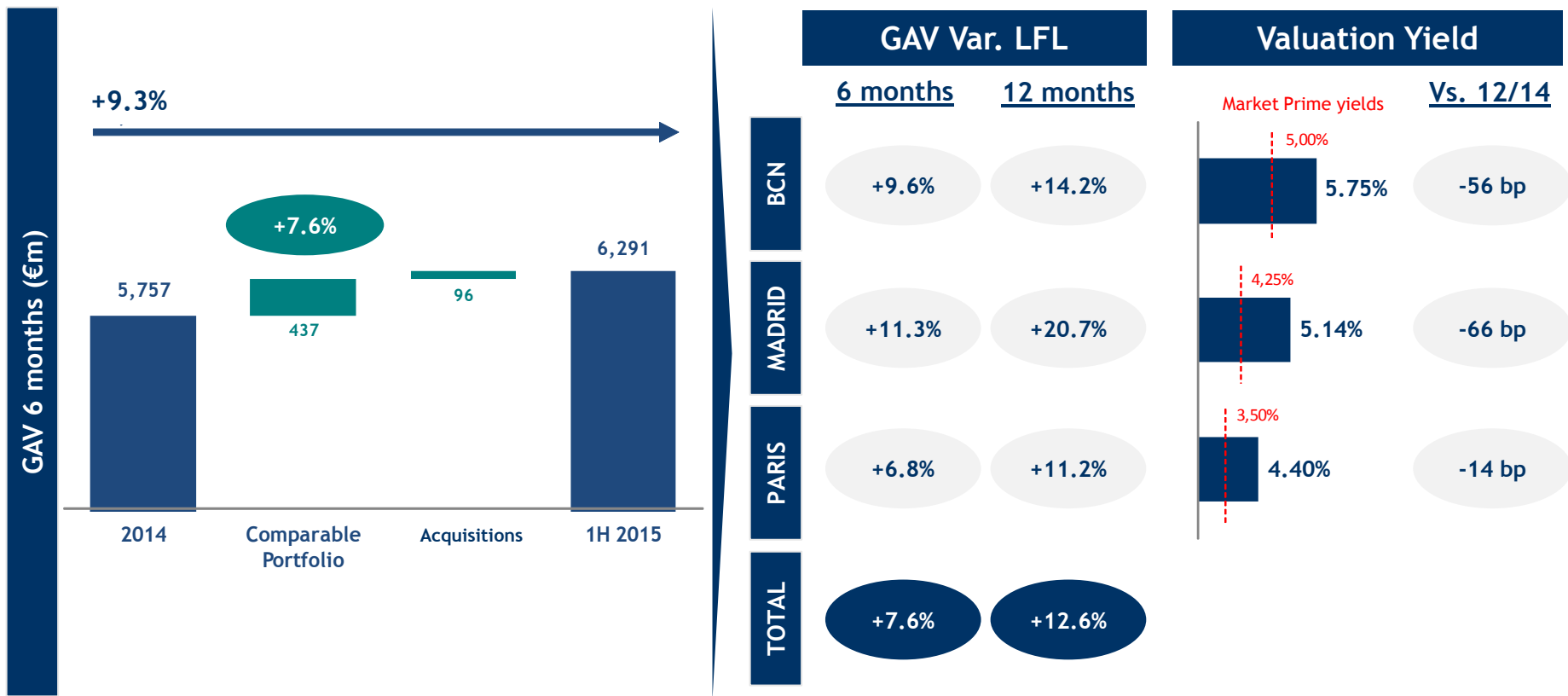


### 3 FINANCIAL REVIEW - FIRST HALF 2015

Strong underlying growth in Gross Asset Values

#### Significant growth in Gross Asset Values

- +7.6% Like for like in 6 months
- Double digit Like for like growth in 12 months



*In order to be able to compare the data with the market benchmarks of the consultants, the corresponding yields of the portfolio in Spain are gross and in France they are net.*

### 3 FINANCIAL REVIEW - FIRST HALF 2015

#### Successful Liability Management

Highly successful bond issuance in Spain

- First ever investment Grade Rating of a Spanish Property Company
- Ongoing positive momentum → Rating upgrade of French operations

#### High Credit Credentials

*First ever and only Spanish property company to be rated Investment Grade, setting a new benchmark in the sector*

SPAIN	BBB- with stable outlook (by S&P)
FRANCE	BBB with stable outlook (by S&P)
Optimal Financial Structure	
Group LTV 42%	Parent LTV 34%

#### Successful issuance of €1.25bn of IG Bonds

*Total issue of €1.25bn with an average coupon of 2.2%*

	4-year	8-year
Size	€750 m	€500 m
Coupon	1.863%	2.728%
Spread to benchmark	ms + 160 bps	ms + 200 bps
Maturity	5 June 2019	5 June 2023

### 3 FINANCIAL REVIEW - FIRST HALF 2015 Successful Liability Management

Highly successful bond issue in Spain optimizing the financial structure

- Important savings in financing costs
- Improved maturity profile of the Group

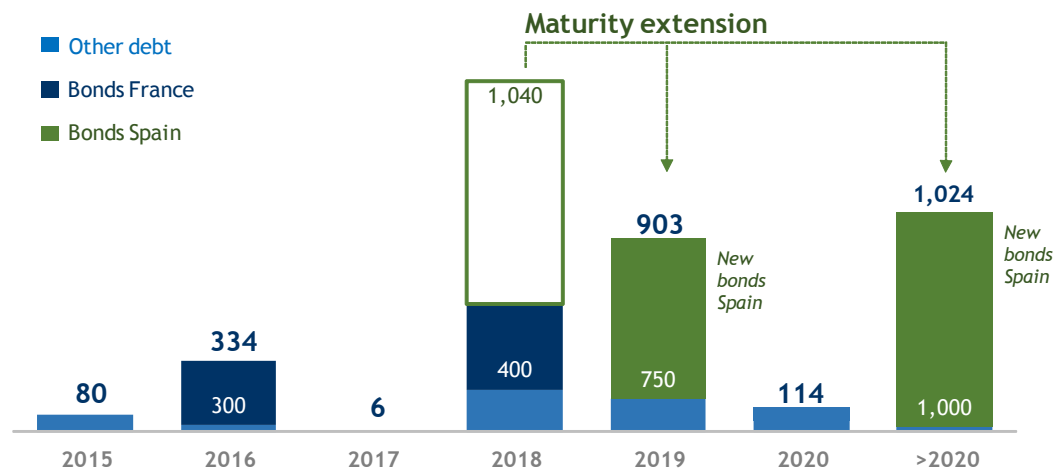
#### Highly succesful bond issuance

✓ Savings of more than 50% in financial costs Spain

➔ Annual profit impact of €20m

✓ Significant improvement of maturity profile

✓ Increase of firepower capacity, in particular, in Spain



	PRE DEAL	POST DEAL
Cost of Debt Spain	4.45%	2.16%
Maturity Spain (years)	3.8	5.6
Maturity Group (years)	3.7	4.3
Cash & undrawn balances		
Spain	€67m	€243m
Group	€677m	€750m



Significant increase of Net Profit<sup>1</sup>, +347 €m

### Profit & Loss Accounts €m

#### Increase in Net Profit<sup>1</sup>

#### Two main drivers of Profit Growth

1. High Quality Assets generating above average GAV growth

→ Spain +17% like for like

→ France +11% like for like

2. Significant decrease of financing costs

Results analysis - €m	1H 2015	1H 2014	Var
<i>Gross Rents</i>	111	105	7
<i>Net operating expenses<sup>(2)</sup></i>	(14)	(10)	(4)
<i>Overheads</i>	(17)	(16)	(1)
Recurring EBITDA	80	79	2
Results associated to SIIC de Paris - recurring	0	4	(4)
Recurring financial result	(44)	(52)	8
Income tax expense & others - recurring	(5)	(4)	(2)
Minority interests - recurring	(20)	(19)	(0)
Recurring Earnings	11	8	3
Provisions & variation of the asset value	348	33	316
Non recurring financial result / MTM	(29)	(94)	65
Income tax expense & others - non recurring	(27)	(23)	(4)
Minority interests -non recurring	(101)	(68)	(33)
<b>Profit attributable to Group before disc. operations</b>	<b>202</b>	<b>(144)</b>	<b>347</b>
Discontinued operations	0	704	na
<b>Profit attributable to the Group</b>	<b>202</b>	<b>559</b>	<b>na</b>

(2) Includes other income

### 3 FINANCIAL REVIEW - FIRST HALF 2015

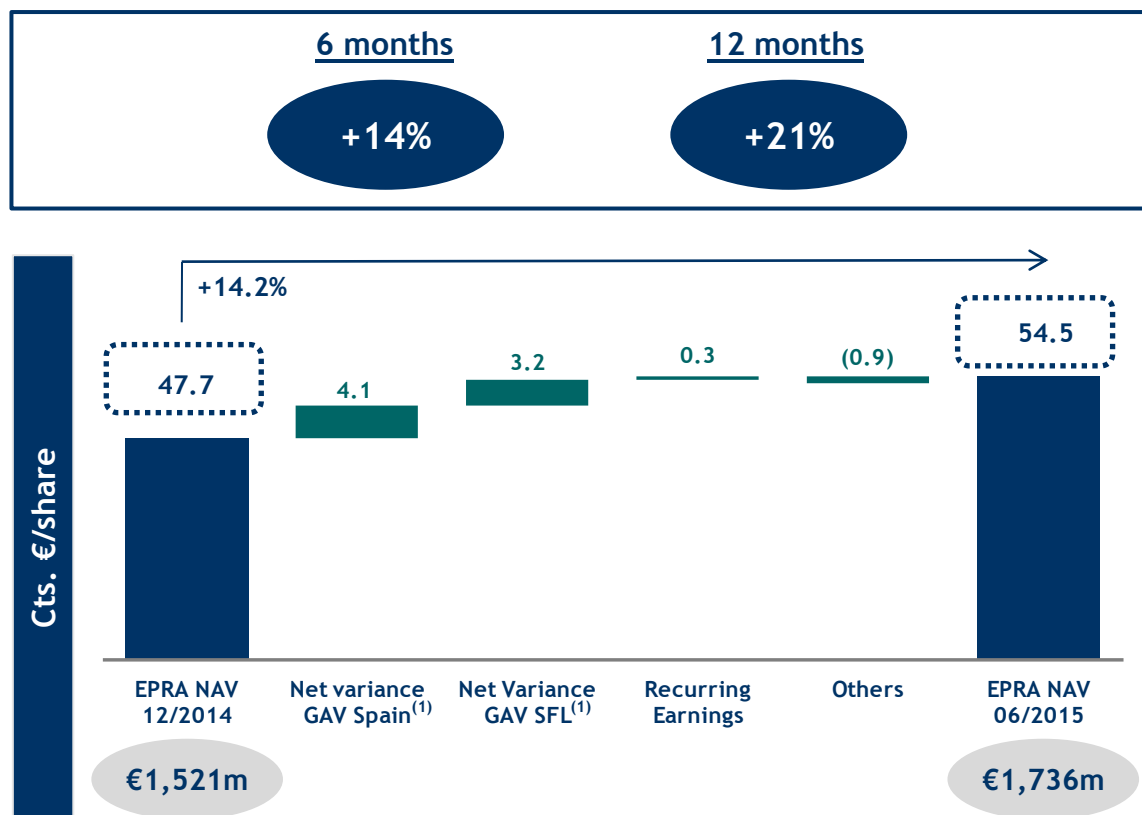
#### Double Digit Growth of EPRA Net Asset Value

Strong momentum in NAV growth, high double digit increase

#### Strong momentum in NAV growth

NAV growth driven by increase of Gross Asset Value:

- ✓ Yield compression as main driver
- ✓ One-off upfront negative impact of liability management - close out costs syndicate -



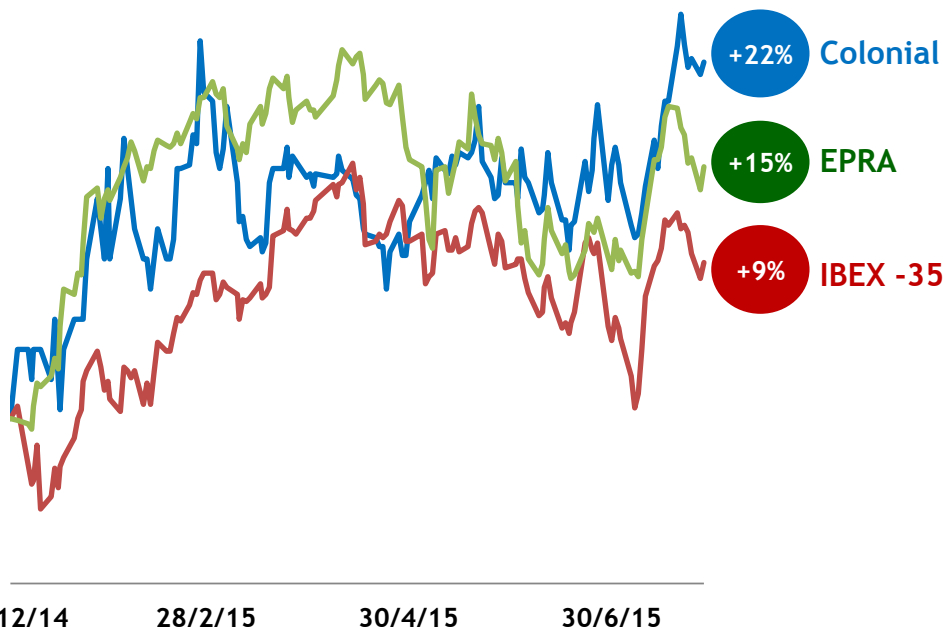
(1) GAV Variance net of capex and minority interests

### 3 FINANCIAL REVIEW - FIRST HALF 2015

#### Outstanding share price performance

Colonial's share has grown 22% YTD outperforming the IBEX and the EPRA index

#### Share price performance YTD (as of 28 July 2015)



Market Capitalization

€2,121m

Free Float

€1,039m

Av. Daily Trading Volume 2015

€7.6 m



4

# GROWTH DRIVERS

## - ACQUISITIONS & CURRENT PORTFOLIO -





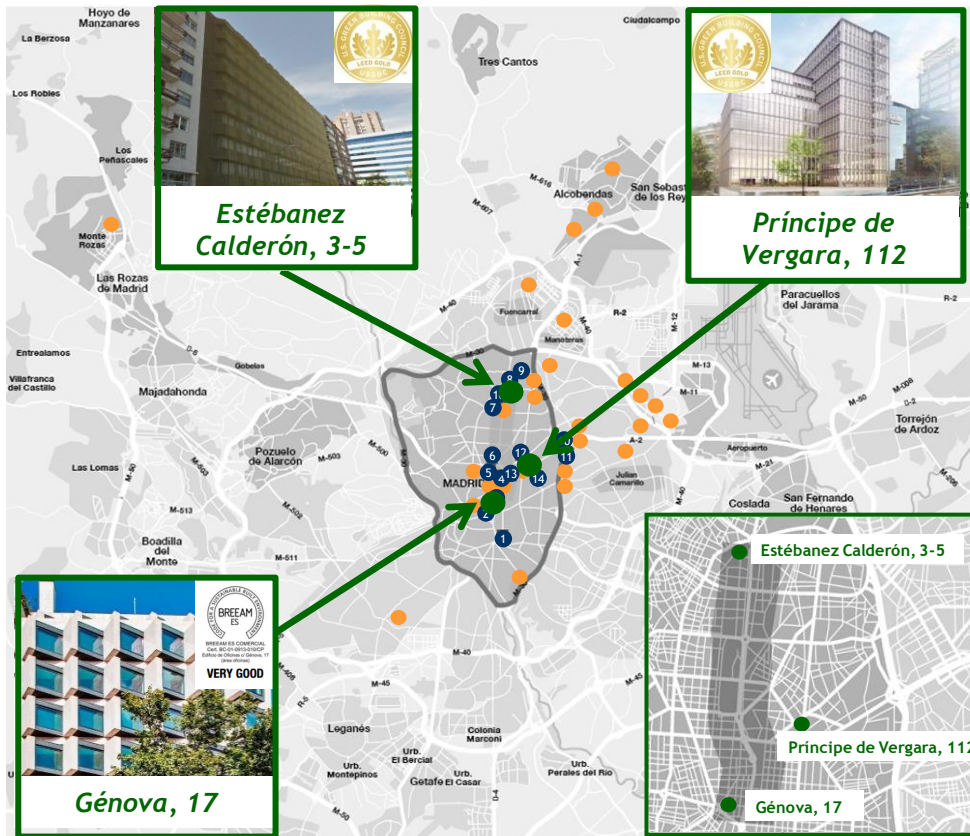
# 4 GROWTH DRIVERS

## Acquisitions of Prime Assets in CBD

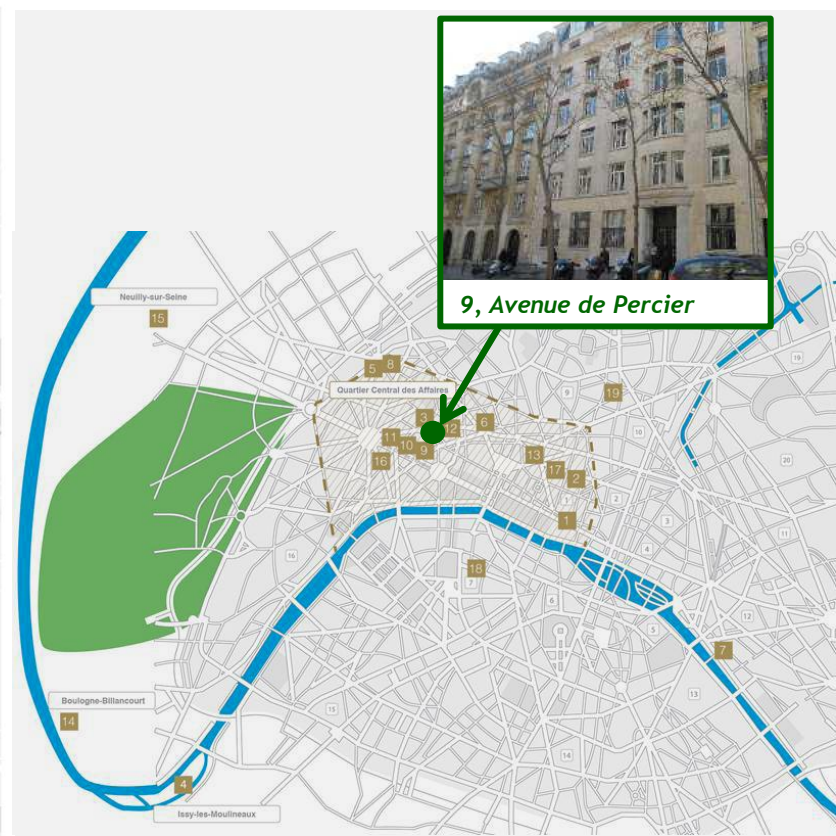
Acquisition of 4 prime office premises in CBD for €165m

- Acquisition through off market transactions
- Unique high quality products in a scarce market

### MADRID - 3 acquisitions



### PARÍS - 1 acquisition



● Acquisitions Colonial   ● Portfolio Colonial   ● Acquisitions Peers   ● Acquisition Colonial   ● Portfolio Colonial

# 4 GROWTH DRIVERS Superior Returns through “Prime Factory” Investments

Superior returns through “Prime Factory” investment approach

## ESTEBANEZ CALDERON, 3-5

Prime CBD - Madrid

### TRANSACTION

Price	€30m
Capex	<u>€13m</u>
Total Inv.	€43m
GLA <sup>1</sup>	10,458 sq m
Capital Value	4,130€/sq m

### OPPORTUNITY

Yield on Cost	7-8 %
Important Capital Gain	
	
Unlevered IRR	> 10%

## PRÍNCIPE DE VERGARA, 112

CBD - Madrid

### TRANSACTION

Price	€30m
Capex	<u>€15m</u>
Total Inv.	€45m
GLA <sup>1</sup>	11,368 sq m
Capital Value	3,983€/sq m

### OPPORTUNITY

Yield on Cost	7 %
Important Capital Gain	
	
Unlevered IRR	> 10%

ARCHITECTURAL STUDY OF  
NEW BUILDING UNDERWAY





# 4 GROWTH DRIVERS "Core Investments" in Prime CBD

Complementary "Core" investments with important cash generating capacity

## GÉNOVA, 17

## Prime CBD - Madrid

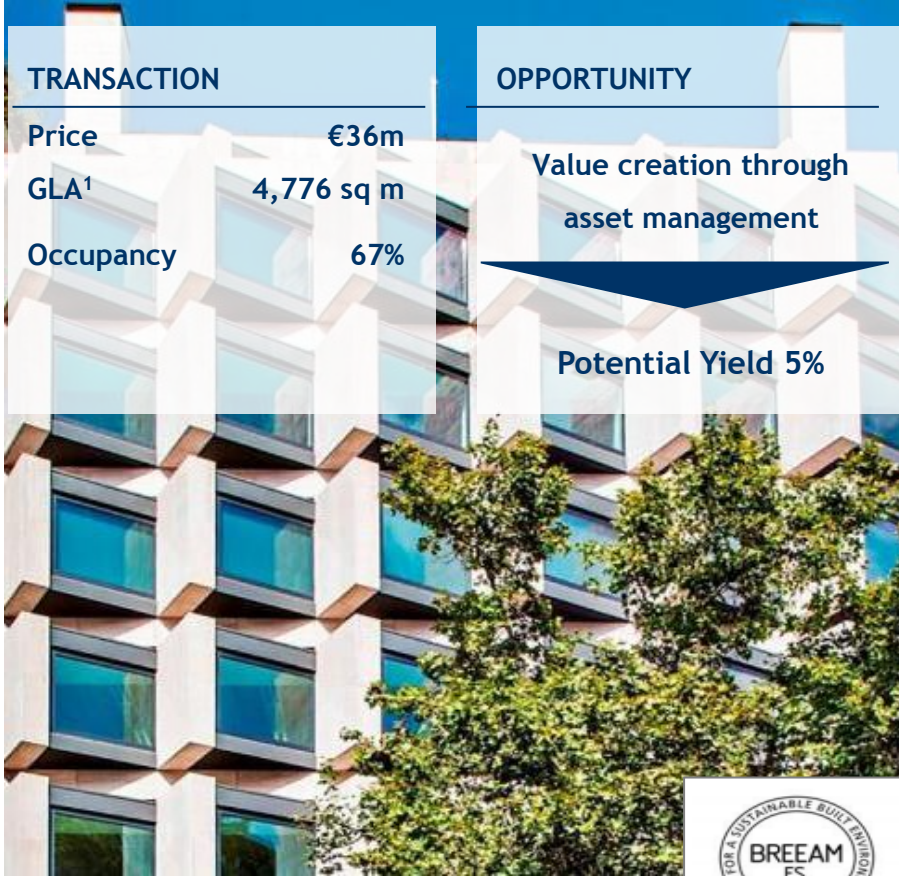
### TRANSACTION

Price	€36m
GLA <sup>1</sup>	4,776 sq m
Occupancy	67%

### OPPORTUNITY

Value creation through  
asset management

Potential Yield 5%



BREEAM ES COMERCIAL  
Cert. BC-01-0913-010/CP  
Edificio de Oficinas of Génova, 17  
(area oficinas)  
**VERY GOOD**



**BNP PARIBAS**

## 9, AVENUE PERCIER

## Prime CBD - Paris

### TRANSACTION

Price	€68m
GLA <sup>1</sup>	6,000 sq m
Occupancy	64%

### OPPORTUNITY

Value creation through  
asset management

Potential Yield 5%



**FONDATION EDF**



# 4 GROWTH DRIVERS

## Maximizing Value Creation through repositioning

Continuous repositioning of portfolio to maximize value creation

### Value creation in current portfolio

#### Prime repositioning as ongoing process

- ✓ More than 76€m invested in 1H 15
- ✓ Clear success in attracting top tier demand
- ✓ Signed rental prices at the high end of the market

*“High end” Prime Product to capture top tier demand*

90 Champs Elysées



Fully let

#Cloud



33% prelet

Le Vaisseau



100% prelet

Paseo de los Tilos



100% let

Jose Abascal



90% let

Diagonal, 409



97% let

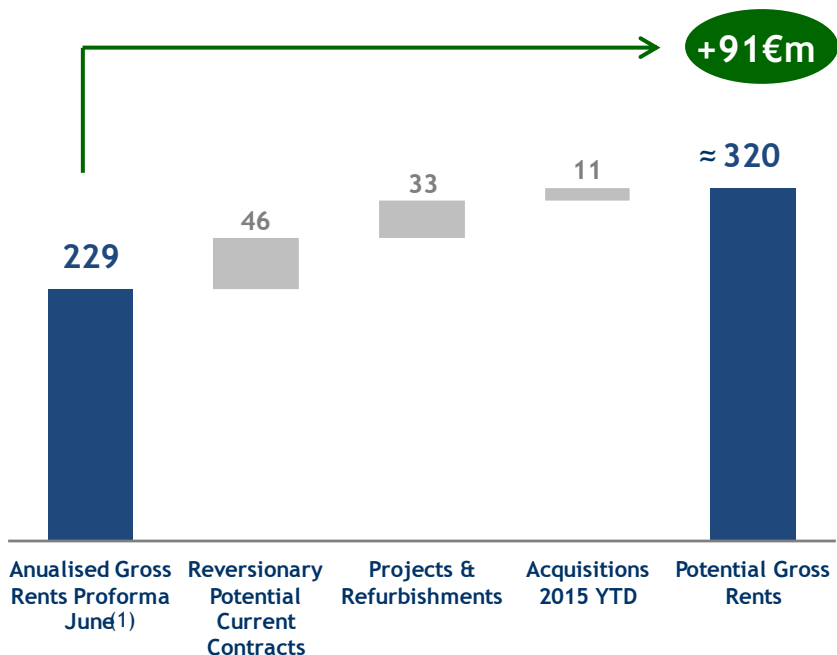
# 4 GROWTH DRIVERS

*Significant rental & value upside to be unlocked*

Significant value & cash flow to be unlocked from current portfolio

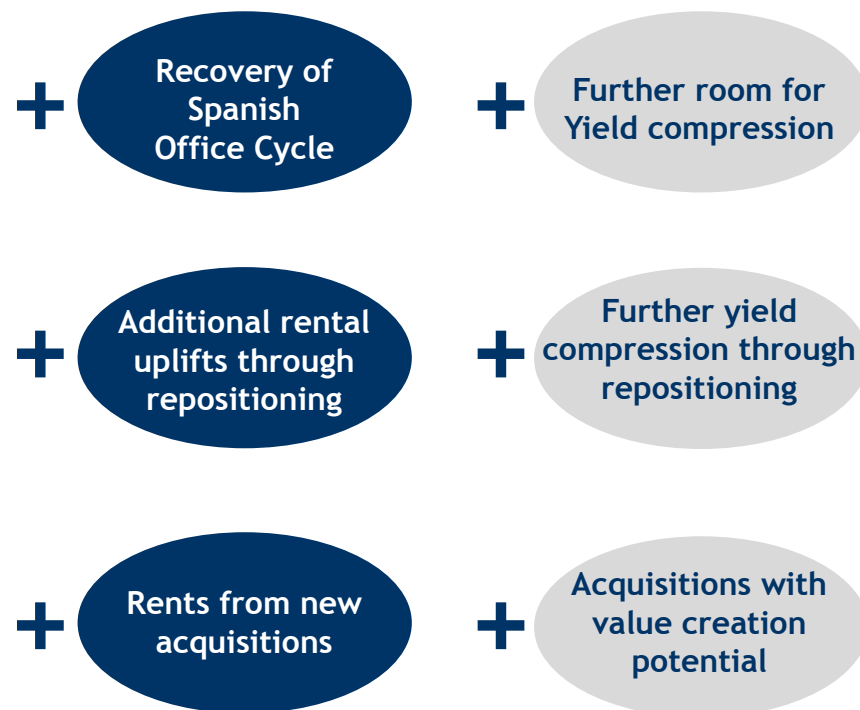
## Gross Rents - Reversionary Potential - €m

Reversionary potential without rental cycle recovery



## Additional rental upside

## Capital Value Growth



(1) Gross rents as of June excluding acquisitions of 2015 YTD



# 5

# CONCLUSION & OUTLOOK



**Conclusion - Strong Performance of the First Half 2015****1**

Superior operating performance through “Scarcity Play” - prime office positioning

**2**

Trading Trends clearly ahead of targets

1. Strong momentum of take-up in all markets
2. Important increase of occupancy
3. Outstanding top line growth in Gross Rental Income
4. Significant increase of Gross Asset Values
5. Double Digit NAV Growth

**3**

Acquisitions on track

- ✓ Enhancement of Colonial’s “Scarcity Play” positioning
- ✓ Attractive pricings through off market transactions
- ✓ “Prime Factory”-Investments with significant value creation potential
- ✓ Complementary “Core” Investments with important cash generating capacity

**4**

Highly successful liability management

- ✓ First ever Investment Grade Rating for a Spanish Property Company
- ✓ Successful bond issue generating important savings in financing costs
- ✓ Ongoing positive momentum on credit credentials - upgrade of rating of French operations



## Outlook - Significant Value Creation Potential not yet crystallized

I

### Rental & Investment Markets remain bullish on Prime Offices

- ✓ Almost no Grade A space available in Madrid, Paris & Barcelona
  - ✓ Significant rental recovery in Spain still to come
  - ✓ Investment markets with increased interest for high quality prime assets
- ➔ Scarcity of Prime Product is a key driver for superior returns

II

### Further Upside in Colonial's Portfolio to be captured

- ✓ Full impact of occupancy improvement still to come through
- ✓ Full value creation of project & repositioning pipeline to be captured
- ✓ Room for additional capital value growth through yield compression not exceeded
- ✓ Best positioned platform to capture rental recovery in the Spanish office cycle

III

### Additional organic growth through new acquisitions

- ✓ Proven financial discipline with attractive risk adjusted returns
- ✓ Competitive advantage through "Prime Factory" approach & off market transactions
- ✓ Enhancement of Colonials Prime Positioning

IV

### Ongoing optimization of financial structure with focus on Investment Grade

- ✓ Full impact of liability management still to come through



# Q & A