

# Colonial

## Third Quarter Results 2015



*Colonial*

12 November 2015

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# HIGHLIGHTS



# 1 HIGHLIGHTS THIRD QUARTER 2015

## Strong performance of third quarter

September results consolidate the positive performance of previous quarters

- Strong operating performance in all markets, Barcelona catching-up
- Important momentum in occupancy
- Prime CBD positioning & active property management capture first rental increases

	3Q 2015	Variance 12 months
EPRA Occupancy - Total Portfolio	94%	+807 bps
EPRA Occupancy - Office Portfolio	93%	+917 bps
Gross Rents	€169m	+5% LFL
Recurring EBITDA	€129m	+5% LFL
Recurring Net Profit	€27.4m	2.1x
Net Profit <sup>(1)</sup>	€213m	+€354m <sup>(1)</sup>
Acquisitions & Portfolio Repositioning	€269m	
Group LTV	43%	
Rating Standard & Poor's	BBB- Stable Outlook	

(1) Before discontinued operations divested in 2014

# 2

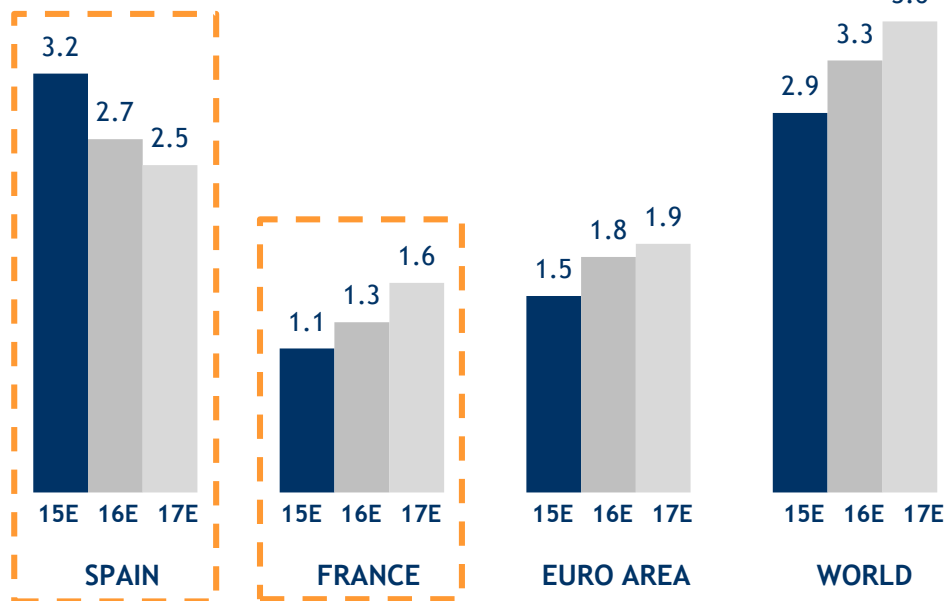
# OPERATING PERFORMANCE



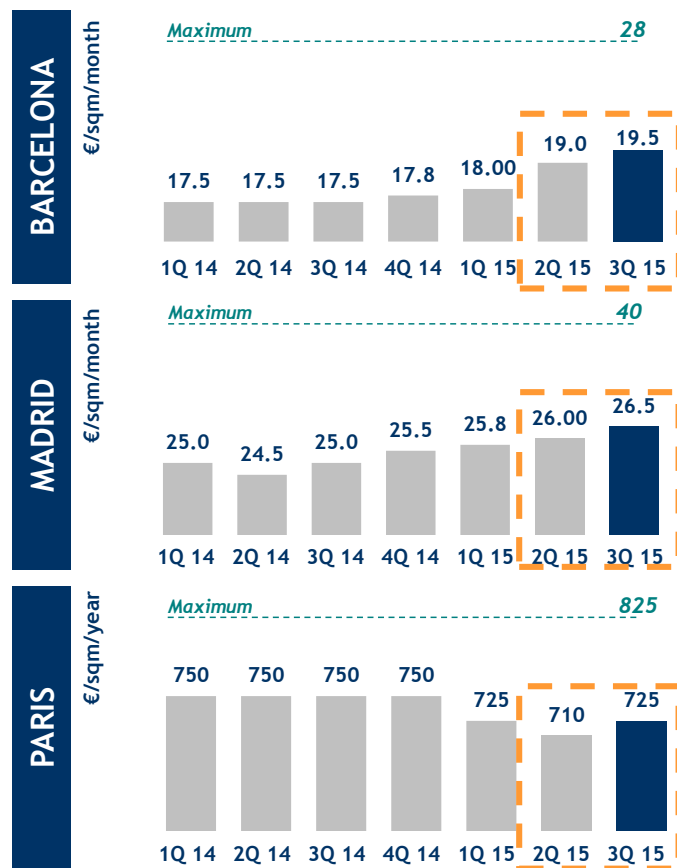
## 2 OPERATING PERFORMANCE - THIRD QUARTER 2015 Macroeconomic context & Office market

- Strong GDP growth prospects in Spain, France catching-up
- Positive trend for CBD prime rents in all markets

### GDP Growth



### Office Market - Prime CBD Rents



Source: OECD

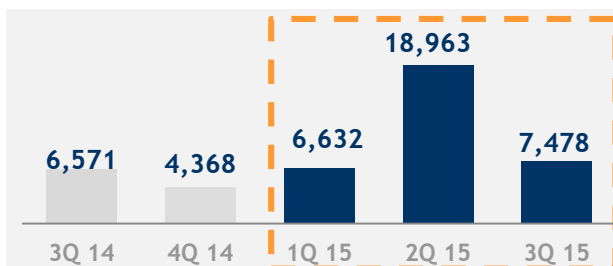
Source: JLL

## 2 OPERATING PERFORMANCE - THIRD QUARTER 2015

*Strong letting activity*

- Continued positive momentum on letting activity
- Barcelona catching up in 2015
- Paris with record volumes

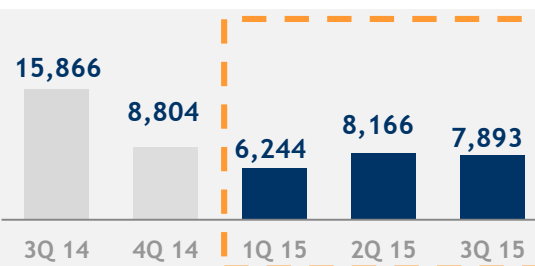
### Barcelona > 33,000 sq m let



- ✓ More than 7,400 sq m let in 3<sup>rd</sup> quarter 2015
- ✓ More than 33,000 sq m let YTD
- ✓ Outstanding performance of 2<sup>nd</sup> quarter 2015
- ✓ More than 57 contracts signed

- ERVs start to increase slightly in the best located Prime CBD Assets
- Maximum rental levels signed at 18-19 €/sqm/month

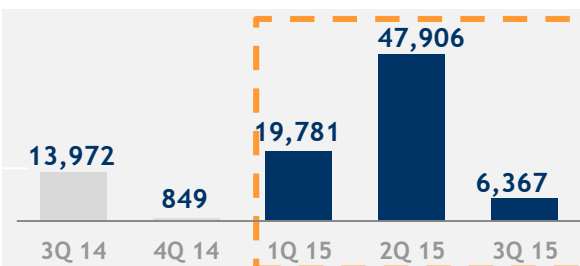
### Madrid > 22,300 sq m let



- ✓ More than 7,800 sq m let in 3<sup>rd</sup> quarter 2015
- ✓ More than 22,000 sq m let YTD
- ✓ Proven performance of prime locations

- ERVs start to increase in the best located Prime CBD Assets
- Maximum rental levels signed at 26 €/sqm/month

### Paris > 74,000 sq m let



- ✓ More than 74,000 sq m let YTD
- ✓ Year 2015 with record volume of lettings
- ✓ Biggest transaction in the entire Paris market → 35,000 sqm IN/OUT

- Huge ERV uplift in repositioned Prime CBD assets
- Outstanding maximum rental levels signed: 780 €/sqm/year

## 2 OPERATING PERFORMANCE - THIRD QUARTER 2015

### Letting activity - Main Actions Spain

First Class Property Management ensures strong momentum in capturing high quality demand

Av. Diagonal, 409



Av. Diagonal, 530



Av. Diagonal, 609-615



Av. Diagonal, 682



Trav. Gracia / Amigó



López de Hoyos, 35



Alfonso XII, 62



Jose Abascal



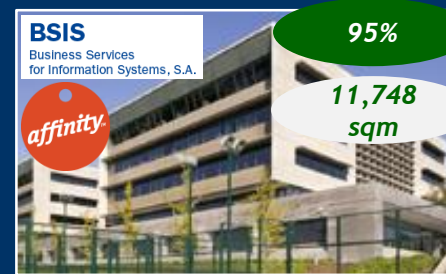
Recoletos, 37-41



Ramírez Arellano, 37



Sant Cugat





## 2 OPERATING PERFORMANCE - THIRD QUARTER 2015

### Letting activity - Main Actions France

First Class Property Management ensures strong momentum in capturing high quality demand

Le Vaisseau



100%  
pre let

6,026  
sqm let

In/Out



0% →  
100% let

32,614  
sqm let

#Cloud



50%  
pre let

14,435  
sqm let

131 Wagram



100% let

7,549  
sqm let

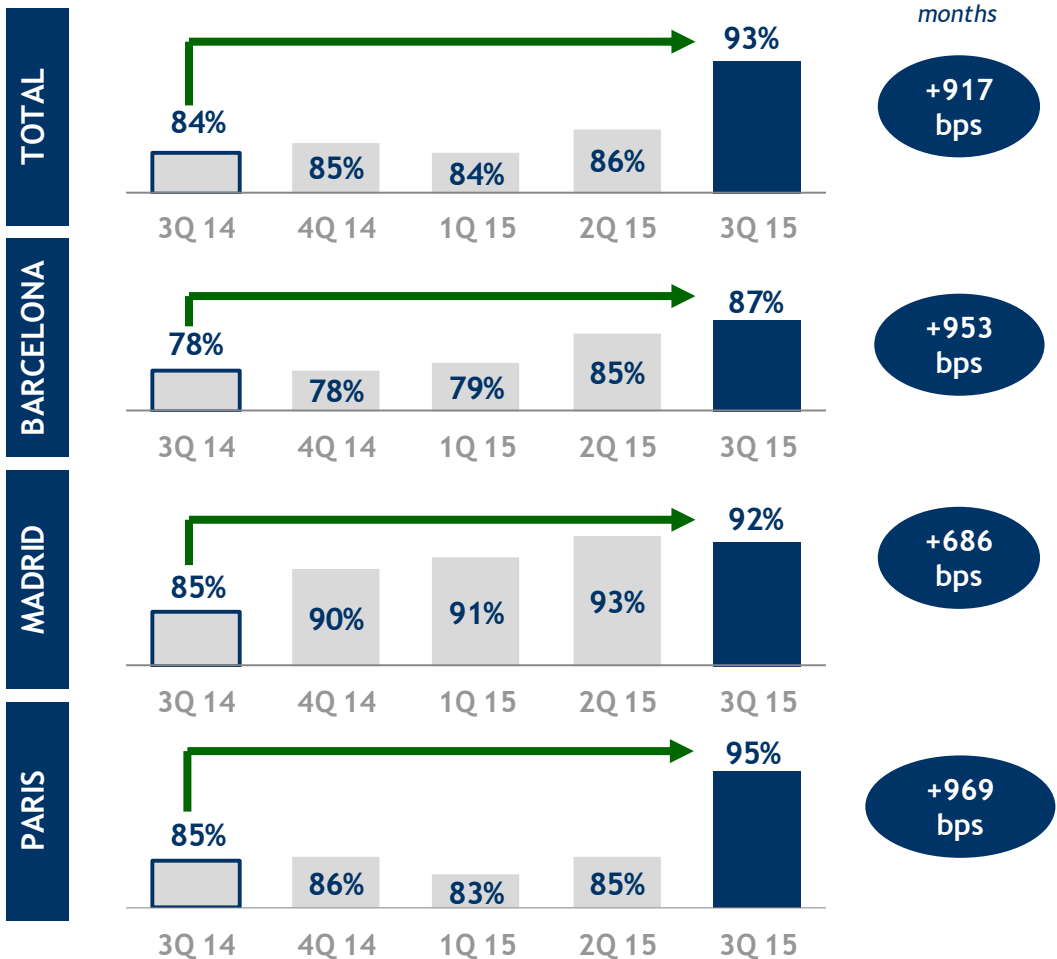
## 2 OPERATING PERFORMANCE - THIRD QUARTER 2015

### EPRA Office Occupancy improvements in office portfolio

Important increase of EPRA Occupancy, +917 bps in 12 months

#### EPRA Financial Occupancy

Office Occupancy - Evolution of Colonial's Portfolio



#### EPRA Occupancy Office Portfolio

##### Barcelona

✓ +953 bps in 12 months up to 87%

✓ +278 bps in one quarter

##### Madrid

✓ +686 bps in 12 months up to 92%

✓ Like-for-like occupancy stable versus previous quarter

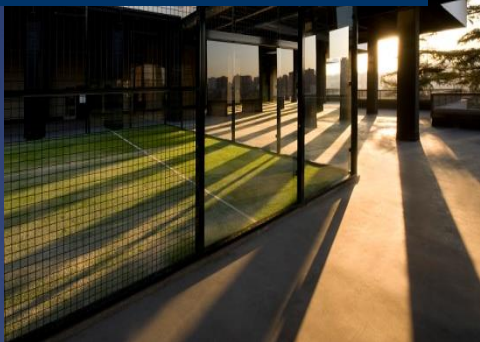
##### Paris

✓ +969 bps in 12 months up to 95%

✓ More than 900 bps in one quarter

# 3

# FINANCIAL REVIEW



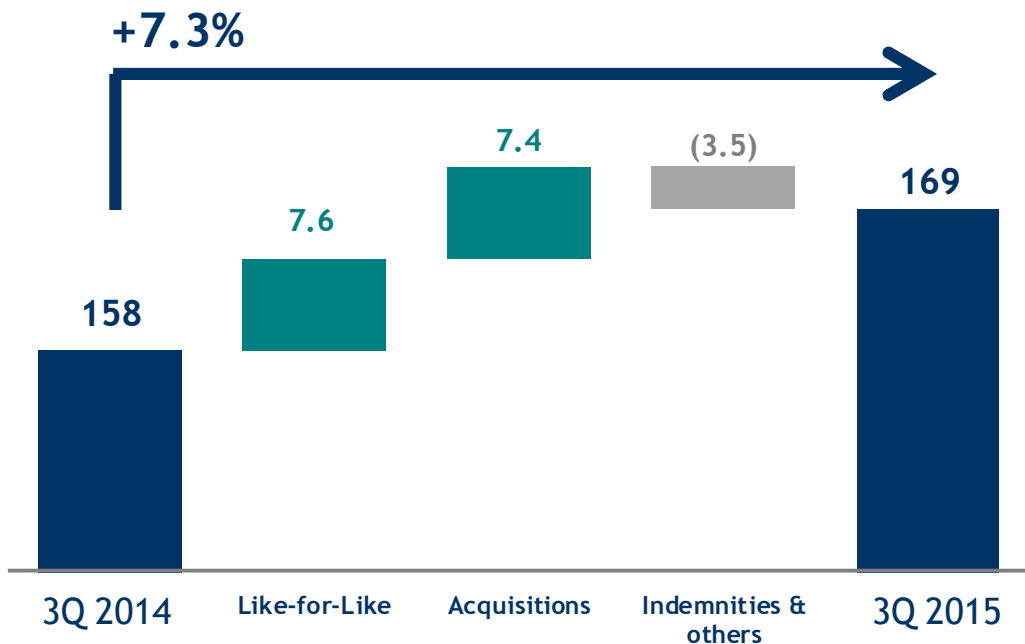
### 3 FINANCIAL REVIEW - THIRD QUARTER 2015

*Strong top line growth*

Strong top line growth driven by:

- Strong underlying growth of comparable portfolio
- Additional rents from new acquisitions

#### Gross Rental Income - €m



#### Gross Rental Growth

+ 7.3%	Top line Growth
+ 5.3%	Like for like
+ 4.7%	Acquisitions
- 2.7%	Indemnities received previous year & others

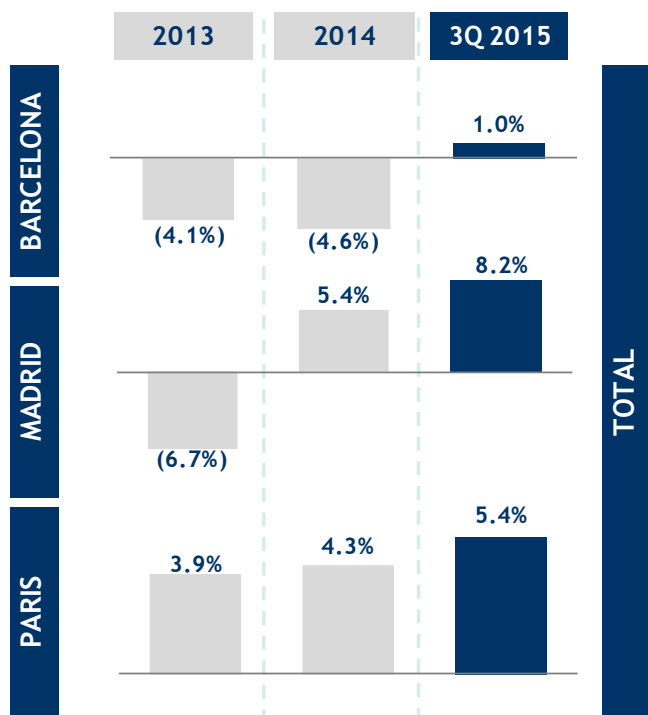
# 3 FINANCIAL REVIEW - THIRD QUARTER 2015

*Strong underlying growth of portfolio*

Strong recovery of gross rental income in all markets

- Madrid consolidates strong momentum
- Paris remains with very good performance
- Barcelona achieves positive growth

## "Like for Like" Rental Growth



### Strong Recovery in all markets

- ✓ Madrid +8%
- ✓ Paris +5%
- ✓ Barcelona +1%
- ✓ Total Portfolio +5%

*Prime CBD Positioning that delivers superior rental growth*

Significant increase of Net Profit<sup>1</sup>, +€354m

### Profit & Loss Accounts €m

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

#### Three drivers of Profit Growth

1. High Quality Assets generating above average GAV growth
2. Strong momentum in operating business
3. Positive impacts of refinancing

Results analysis - €m	3Q 2015	3Q 2014	Var.
<i>Gross Rents</i>	169	158	12
<i>Net operating expenses</i> <sup>(2)</sup>	(16)	(14)	(2)
<i>Overheads</i>	(24)	(24)	(1)
Recurring EBITDA	129	120	9
Results associated to SIIC de Paris - recurring	0	4	(4)
Recurring financial result	(63)	(77)	14
Income tax expense & others - recurring	(8)	(5)	(3)
Minority interests - recurring	(31)	(30)	(1)
Recurring Earnings	27	13	14
Provisions & variation of the asset value	349	31	318
Non-recurring financial result / MTM	(35)	(97)	62
Income tax & others - non recurring	(28)	(16)	(11)
Minority interests - non recurring	(100)	(71)	(29)
<b>Profit attributable before discontinued operations</b>	<b>213</b>	<b>(140)</b>	<b>354</b>
Discontinued operations	0	704	na
Profit attributable to the Group	213	563	na

(2) Includes other income

# 3 FINANCIAL REVIEW - THIRD QUARTER 2015

High quality asset base with solid capital structure

First class credit credentials allow for competitive financing costs

## First Class Credit Credentials

High Credit Credentials

**COLONIAL SPAIN** BBB- with stable outlook (by S&P)

**SFL** BBB with stable outlook (by S&P)

Optimal Financial Structure

Group LTV 43%

Parent LTV 36%

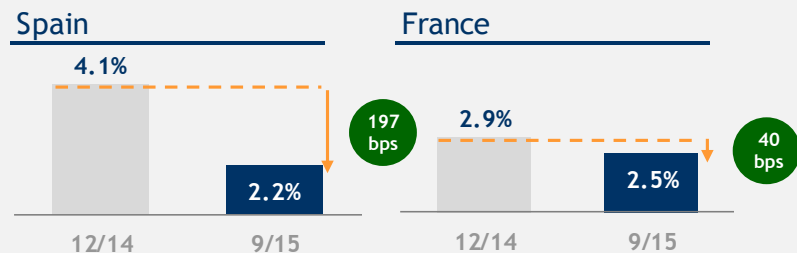
Group Maturity 4.4 years

## Competitive Financing Costs

Financing costs % - Spot as of 30/09/15



1. Significant improvements in financing costs:



2. Additional impacts from recent liability management:

- New 7 year bond SFL with 2.25% Coupon
- New Revolving Credit Facility Spain: extendable until 2019, Spread of 160 bp

### 3 FINANCIAL REVIEW - THIRD QUARTER 2015

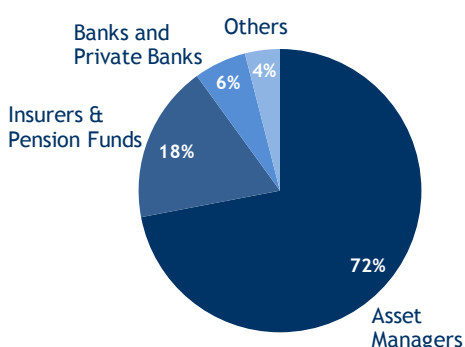
#### Active Management of the Balance sheet

#### Successful placement of a €500m bond issue by SFL

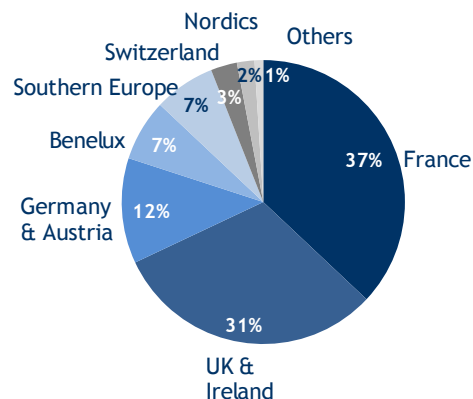
Size	€500 m
Coupon	2.250%
Spread to benchmark	ms + 170 bps
Maturity	16 November 2022

**SFL** BBB with stable outlook (by S&P)

Distribution by investor type



Distribution by geography



- ✓ On November 5 2015, SFL successfully issued a new bond at 7 year maturity
- ✓ The placing was 7x oversubscribed, with a c.€3.5bn order book
- ✓ Well diversified allocation with a broad base of high quality European investors
- ✓ Transaction shows strong investor confidence in recently upgraded credit credentials of SFL
- ✓ Proceeds will be used to refinance existing debt in France and other corporate purposes



4

# GROWTH DRIVERS

## - ACQUISITIONS & CURRENT PORTFOLIO -



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

Prime Factory project execution on track

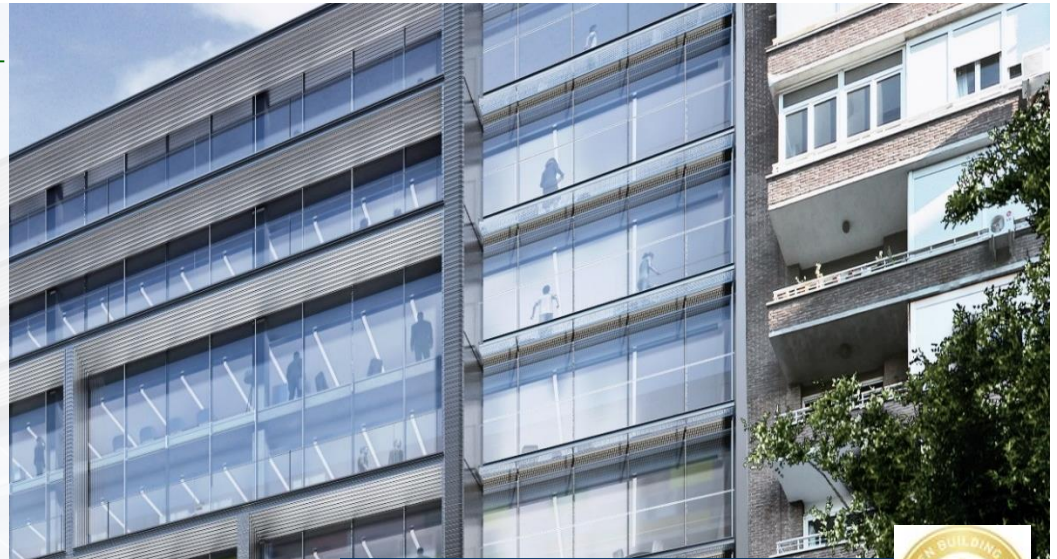
## ESTEBANEZ CALDERON 3-5

## Prime CBD - Madrid

### Good progress on project execution

- ✓ Definition of project parameters 
- ✓ Definition of product features 
- ✓ Assignment of architects 
  - Estudio Lamela
  - Architect of the new Madrid Airport
- ✓ Obtention of the demolition licence 
- ✓ Start of demolishing works 
- ✓ Obtention of project licence 

- ✓ Start of construction works January-16
- ✓ Expected release 2H 2017



### Main characteristics final product

- ✓ 10,500 sq m of unique office space
- ✓ Absolutely flexible floor plants
- ✓ Maximum efficiency of lettable space (diaphanous plants) with natural light
- ✓ Leed Gold Building






# 4 GROWTH DRIVERS Superior Returns through "Prime Factory" Investments

Prime Factory project execution on track

## PRÍNCIPE DE VERGARA 112 CBD - Madrid

### Good progress on project execution

- ✓ Definition of project parameters 
- ✓ Definition of product parameters 
- ✓ Assignment of architects 
  - Ortiz y León
  - Architect of the new BBVA Headquarters

- ✓ Obtaining of the demolition licence In process
- ✓ Start of demolishing works 1Q 2016
- ✓ Obtain of project licence Negotiating underway
- ✓ Start of construction works After obtaining project license
- ✓ Expected release 2H 2017



- ### Main characteristics final product
- ✓ 11,400 sq m of surface above ground
  - ✓ Flexible spaces (fixed o not fixed positions) and open atriums
  - ✓ Natural light & large garden terraces
  - ✓ Leed Gold Building



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

Good progress on release/commercialization of new products

**GÉNOVA 17** Prime CBD - Madrid



- Main characteristics*
- ✓ Awarded for the best office refurbishment in Madrid
  - ✓ Important interest with high number of visits and offers
  - ✓ Negotiations with potential tenants underway

**#CLOUD** Prime CBD - Paris



- Main characteristics*
- ✓ A large-scale redevelopment in Paris
  - ✓ 50% of the building pre-let
  - ✓ Strong rental performance: Rents at the high end of the market

**9 AV. PERCIER** Prime CBD -Paris



- Main characteristics*
- ✓ Repositioning of the vacant floors underway
  - ✓ Negotiations with tenants underway

# 4 GROWTH DRIVERS

## Acquisitions of Prime Assets in CBD

Creative Prime Factory approach creating unique high quality CBD products through off market transaction

Selective Investment approach - €405m<sup>(1)</sup> Acquisitions

Investments Targets - 5 Years

MADRID - 3 acquisitions

PARIS - 2 acquisitions



- Acquisitions Colonial
- Portfolio Colonial
- Acquisitions Peers
- Acquisitions Colonial
- Portfolio Colonial

Target

1,500 €m  
New acquisitions

Pipeline

> 1,000 €m  
Currently under analysis

Portfolio Management

Active asset allocation  
Maximizing value creation

BARCELONA - 1 acquisition (Plaza Europa)

(1) Acquisition prices including transfer costs

# 5

# CONCLUSION



**Strong Performance of the 3Q 2015 provides solid base for future growth****1****Third Quarter confirms consolidation of strong trading trends**

1. Sustained top line growth mainly volume driven
2. Ongoing strong momentum of take-up throughout the portfolio
3. Important increase of occupancy in every market
4. First rental increases in the best buildings

**2****Solid base for rental growth in the coming quarters**

1. Full impact of locked in contracts not yet in P/L
2. Rental growth expected to accelerate in the coming quarters
3. Prime CBD positioning & active property management ensures superior performance

**3****Growth pipeline on track**

- ✓ Execution of Prime Factory projects on track
- ✓ Successful selective investment approach in acquisitions
- ✓ Capacity to identify investment opportunities - current pipeline > 1€bn

**4****Continued liability management provides additional sources for value creation**

- ✓ Highly competitive cost of debt based on Investment Grade Rating
- ✓ Successful bond issue in France provides additional value creation potential

