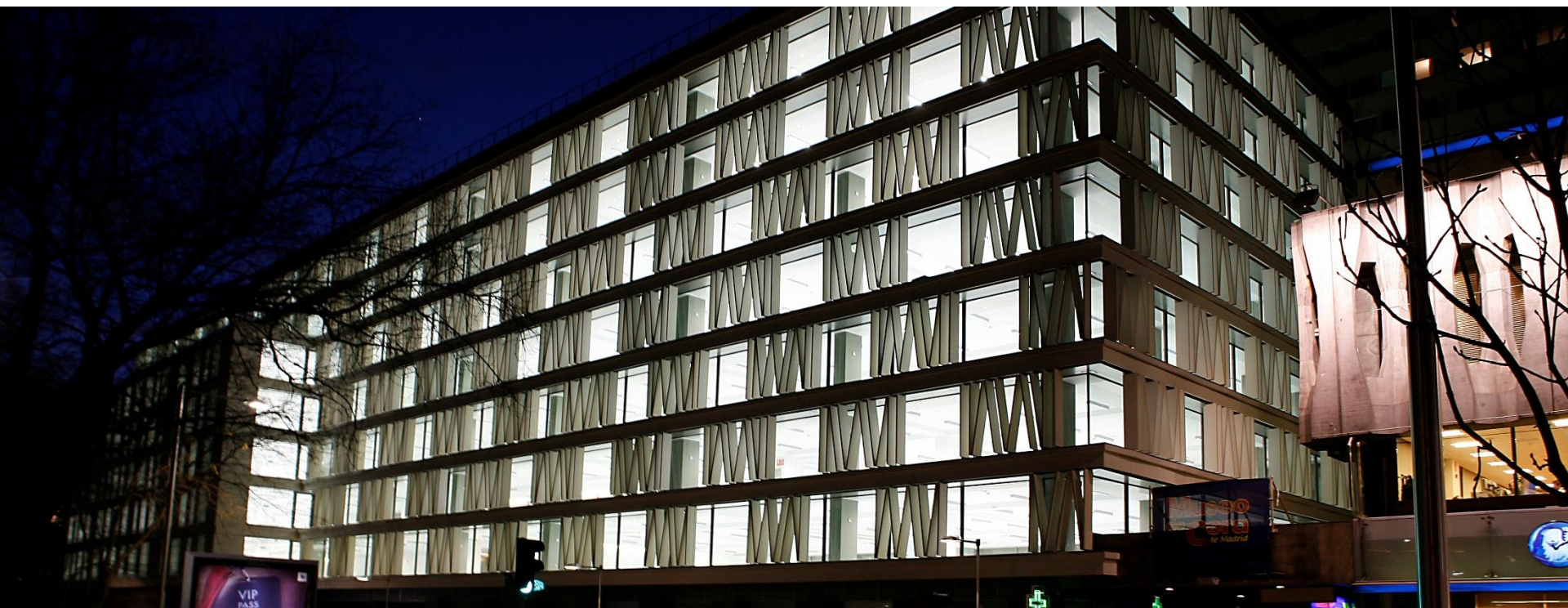




## Third Quarter Results 2016

November 2016



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- 01 Highlights
- 02 Office markets
- 03 Operating performance
- 04 Financial review
- 05 Growth drivers
- 06 Conclusion



PRESENTING MANAGEMENT TEAM

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**Pere Viñolas**  
Chief Executive Officer



**Carmina Ganyet**  
Corporate Managing Director



**Carlos Krohmer**  
Chief Corporate Development Officer







#### **ANOTHER STRONG SET OF RESULTS**

---

- > Gross Rental Income, +8% like for like
- > Net Rental Income, +13% like for like
- > Recurring Net Income, +86%
- > Net Profit of €249m, +17%

#### **SOLID OPERATIONAL PERFORMANCE**

---

- > More than 70,000 sq m let with top tier clients
- > Outstanding occupancy levels at 97%
- > Solid delivery of rental price increases
- > Execution of value added strategies

#### **FIRM DELIVERY ON FINANCIALS**

---

- > Strong top & bottom line performance
- > Disposals with premium to GAV
- > Successful tapping of debt markets
- > Enhancement of credit profile through liability management

## Execution of growth strategy on track

### Successful delivery of growth strategy

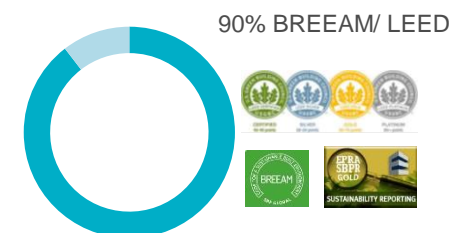
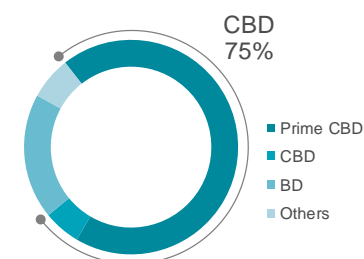
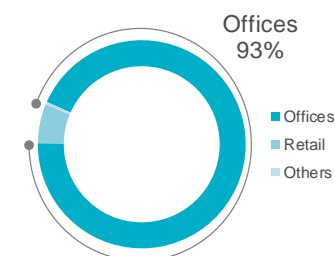
- > Strong Like for Like growth rental income : +8% GRI and +13% NRI
- > Significant increase of Recurring Earnings: +86%
- > Net Profit of €249m, +17%

FINANCIAL PERFORMANCE	3Q 16	YoY Var
Gross Rental Income	€205m	+8% LFL
Net Rental Income	€190m	+13% LFL
Recurring EBITDA	€166m	+13% LFL
Recurring Net Profit	51€m	+86%
Net Profit	€249m	+17%

OPERATIONAL PERFORMANCE	3Q 16
EPRA Occupancy – Total Portfolio	97%
Volume of contracts signed	73,160 sqm
Spain CBD – Prices vs 12/15 ERV	+5%
France CBD – Prices vs 12/15 ERV	+5%
Investment Volume YTD	€633m <sup>1</sup>

CAPITAL STRUCTURE	PF <sup>2</sup> YTD
Group LTV	41.6%
Maturity Group	5.3 years
Firepower <sup>3</sup>	€992m
Rating Standard & Poor's	BBB- Stable Outlook

### BUSINESS MIX – GAV GROUP



<sup>1</sup> Including acquisition of 15% stake in Axiare and repositioning

<sup>2</sup> Proforma YTD= September figures + debt issuances & liability management + acquisitions YTD

<sup>3</sup> Cash and undrawn credit lines







## 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

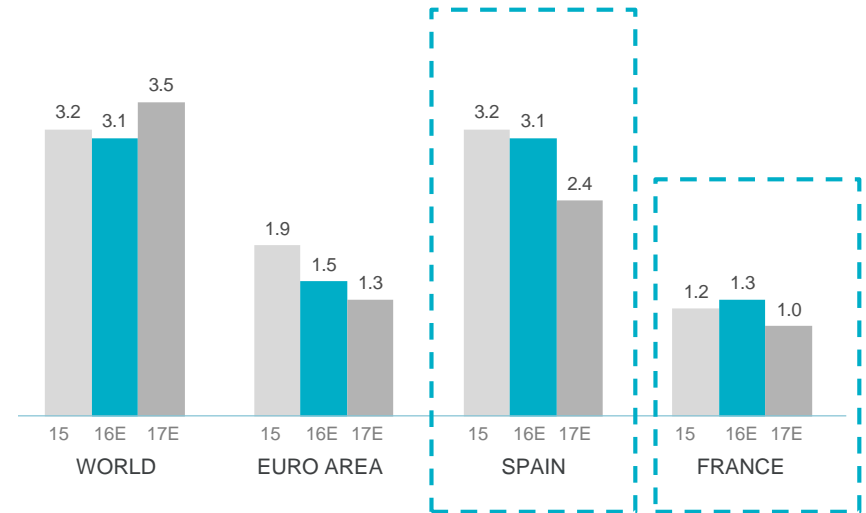
### SPAIN

- ✓ The economy continues to advance at a good pace: +3.1% in 2016
- ✓ Appointment of new prime minister
- ✓ Growth remains above EU average

### FRANCE

- ✓ Recovery underway positive momentum in employment
- ✓ Improvement of private consumption
- ✓ GDP growth with increasing momentum in 2016

## GDP GROWTH



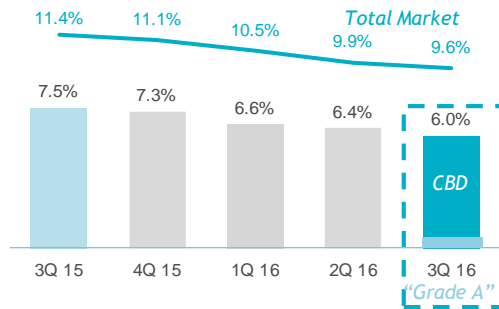
Source: October Monthly report "la Caixa"

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

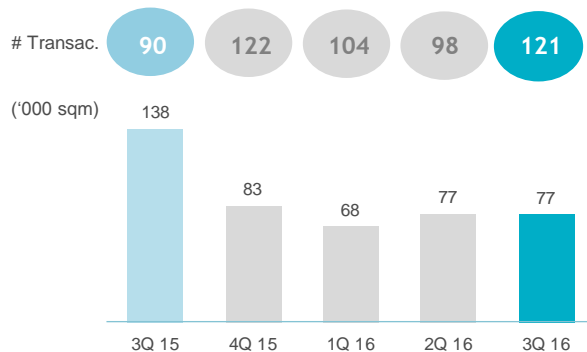
- > Vacancy in CBD far below total market ratio
- > Paris CBD at historical lows
- > Grade A product in CBD almost inexistent

#### BARCELONA

##### VACANCY %

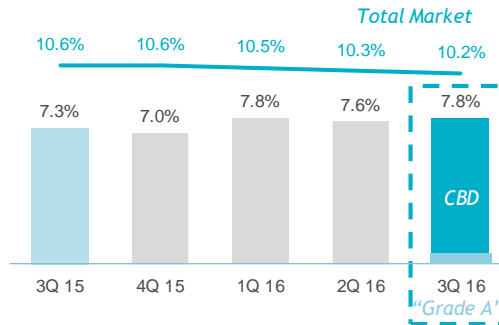


##### TAKE UP

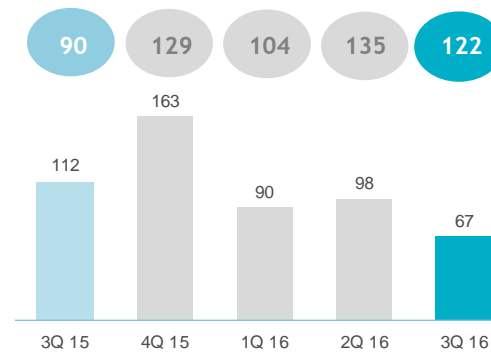


#### MADRID

##### VACANCY %

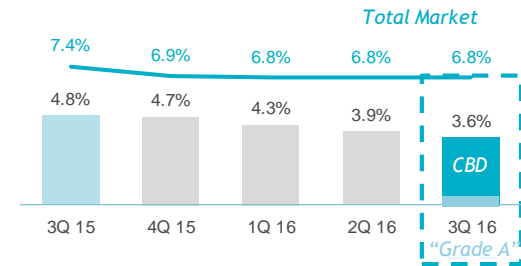


##### TAKE UP

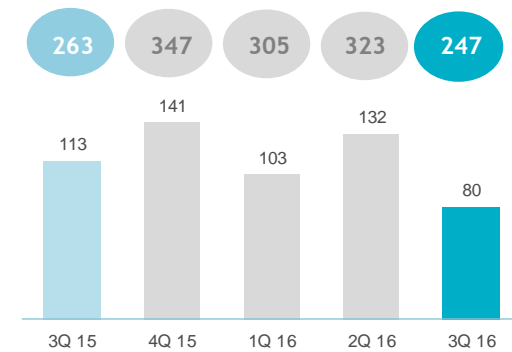


#### PARIS CBD

##### VACANCY %



##### TAKE UP





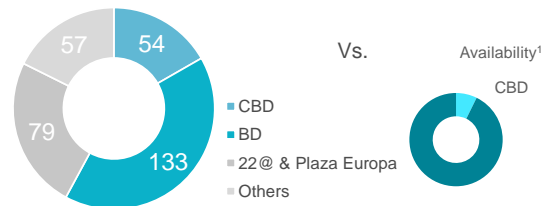
## Prime Product in City Center as key driver to capture selective demand and rental growth

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

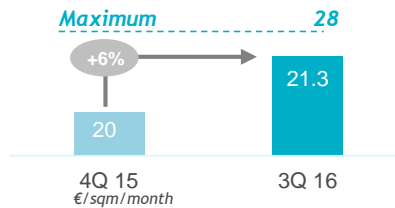
### TAKE UP ANALYSIS 3Q 16

# of transactions

#### BARCELONA



### PRIME RENTS YTD



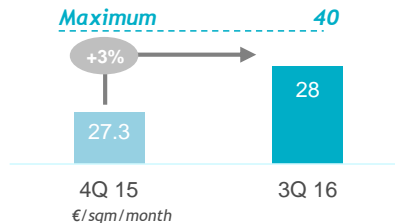
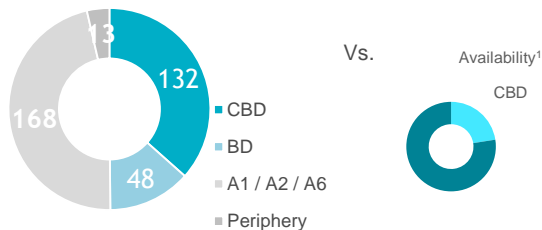
### HIGHLIGHTS 3Q 16

#### Take-up becoming more selective

- > Almost 60% of take-up in City Center
- > Highest traction in Class A & B+ buildings
- > Decreasing vacancy, especially in CBD
- > Lack of future supply as main driver for the market

Prime Rents benefit from strong fundamentals

#### MADRID

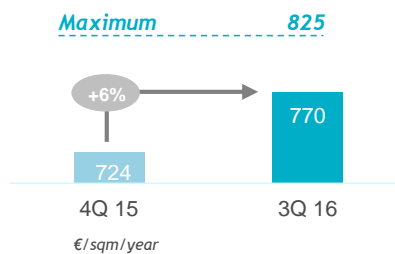
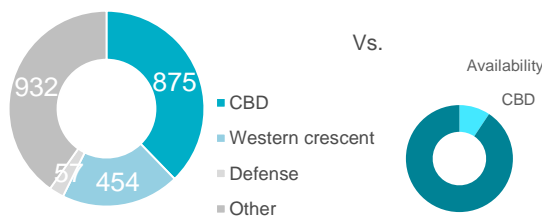


#### Total market take-up weaker than 2015, CBD remains solid

- > 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 flat

#### PARIS



#### Significant increase of take up

- > Decreasing vacancy in CBD – lowest since 2008
- > Increase of take-up
  - +14% YoY for total market
  - +21% YoY in Paris CBD-Opera
- > 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. Increase of facial rents ongoing

Source: CBRE

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

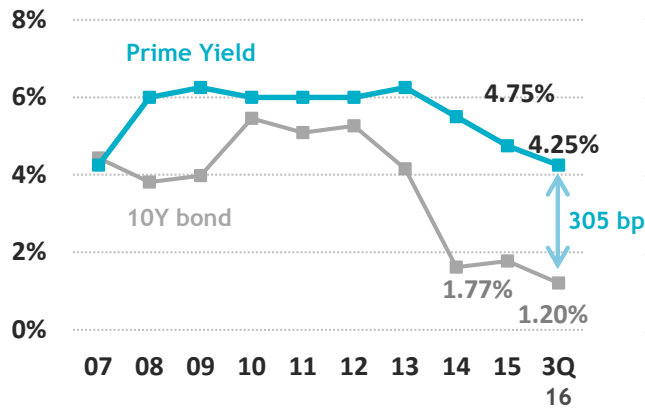
Source: JLLS

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

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

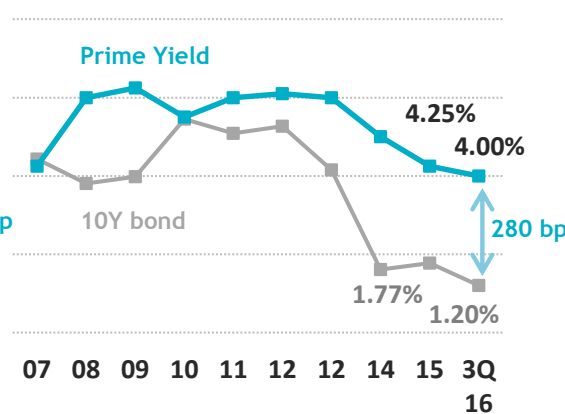
**PRIME YIELDS <sup>(1)</sup>**

**BARCELONA**



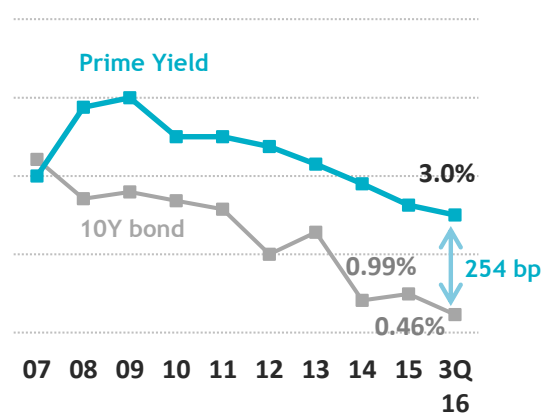
Investment Volume YTD  
€430m

**MADRID**



Investment Volume YTD  
€1,150m

**PARIS**



Investment Volume YTD  
€12,400m

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

Source: JLL & Bloomberg



### 03 Operating performance



**Ongoing strong momentum in letting activity**

- > Barcelona with record volume, more than 41,300 sq m signed in 29 transactions
- > Madrid remains strong, more than 9,100 sq m let in 15 transactions
- > Paris with high activity: 25 transactions with more than 22,600 sq m

			<u>SQM SIGNED</u>	<u># CONTRACTS</u>	<u>MAX. RENT YTD</u>	<u>TENANTS PER ACTIVITY</u>
<b>BARCELONA</b>		<ul style="list-style-type: none"> <li>■ Renewals &amp; Revisions</li> <li>■ New lettings</li> </ul>	41,348 sq m	29	20 €/sqm/month	<ul style="list-style-type: none"> <li>✓ Audit</li> <li>✓ Consulting</li> <li>✓ Financial sector</li> <li>✓ Utilities</li> </ul>
<b>MADRID</b>		<ul style="list-style-type: none"> <li>■ Renewals &amp; Revisions</li> <li>■ New lettings</li> </ul>	9,179 sq m	15	27 €/sqm/month	<ul style="list-style-type: none"> <li>✓ Pharmaceutical sector</li> <li>✓ Leisure / Restoration</li> <li>✓ Human Resources Consulting</li> <li>✓ Advertising</li> </ul>
<b>PARIS</b>		<ul style="list-style-type: none"> <li>■ Renewals &amp; Revisions</li> <li>■ New lettings</li> </ul>	22,633 sq m	25	750 €/sqm/year	<ul style="list-style-type: none"> <li>✓ Media-Communication</li> <li>✓ Service</li> <li>✓ Cosmetic &amp; Fragrance</li> <li>✓ Portfolio Management</li> <li>✓ Real Estate Management</li> </ul>

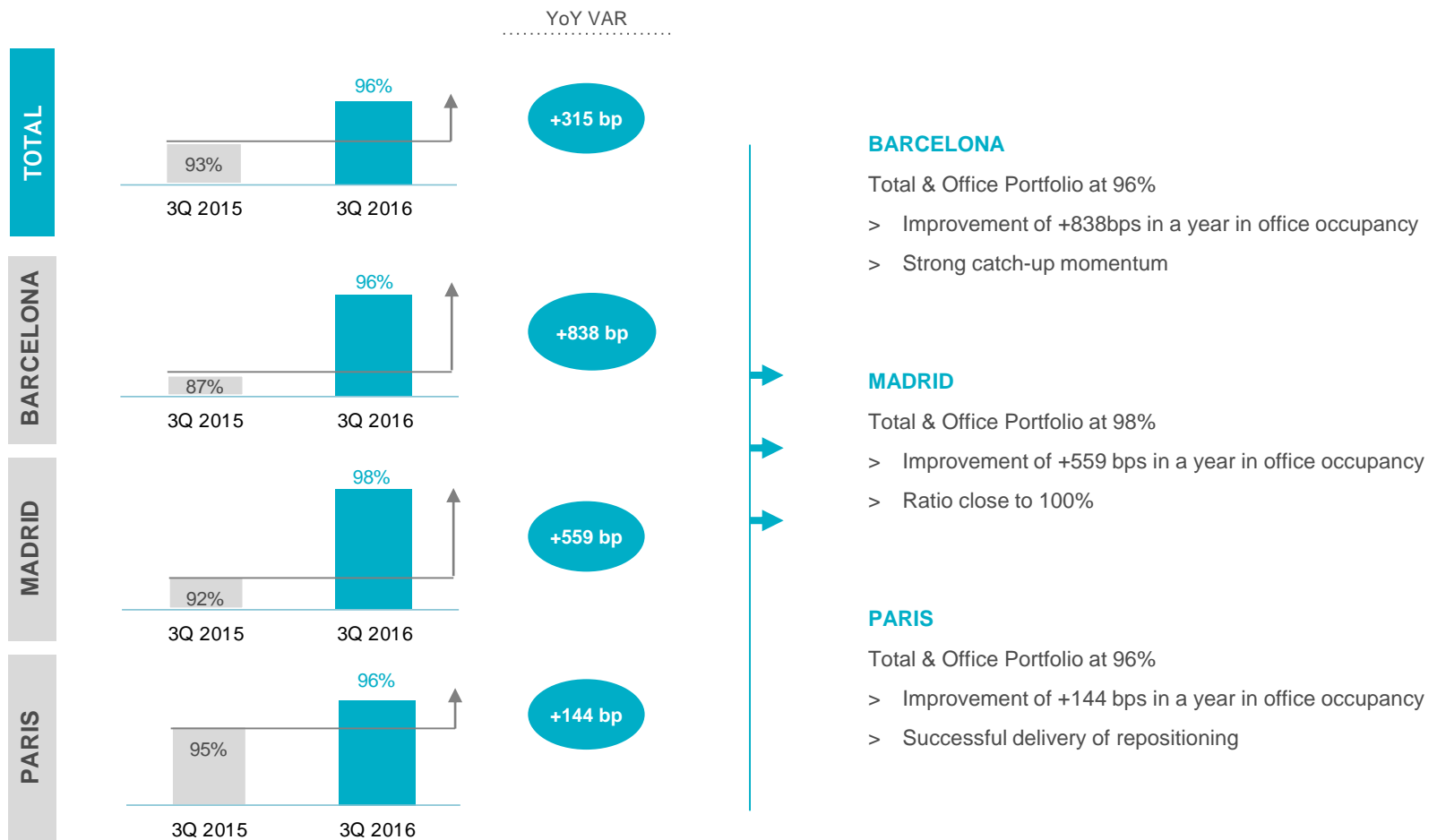
<b>TOTAL</b>		<ul style="list-style-type: none"> <li>■ Renewals &amp; Revisions</li> <li>■ New lettings</li> </ul>	73,160 sq m	69		
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**Prime positioning with top quality product ensures successful letting-up**

- > EPRA Office Occupancy at 96%, +315 bps in 12 months
- > Strong performance of Colonial in every market

**EPRA OFFICE OCCUPANCY**



### 03 Operating performance 3Q 16

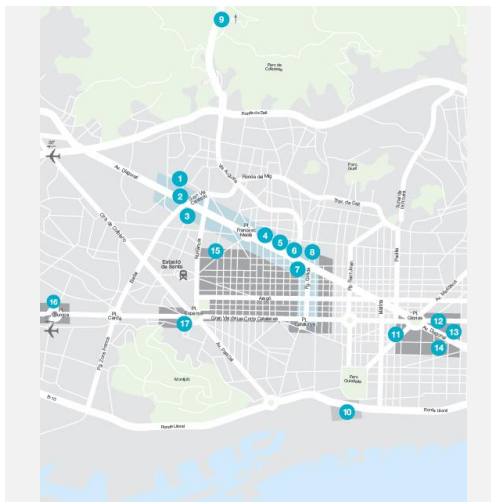
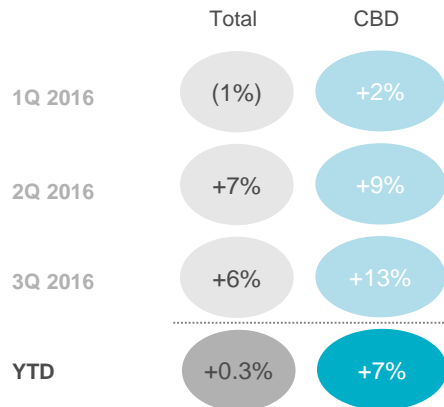
#### Solid delivery of rental price increases

#### Colonial as leading market indicator for rental price recovery

- > Strong momentum in occupancy enhances bargaining power
- > Prime positioning enables rental price increases – especially in CBD assets

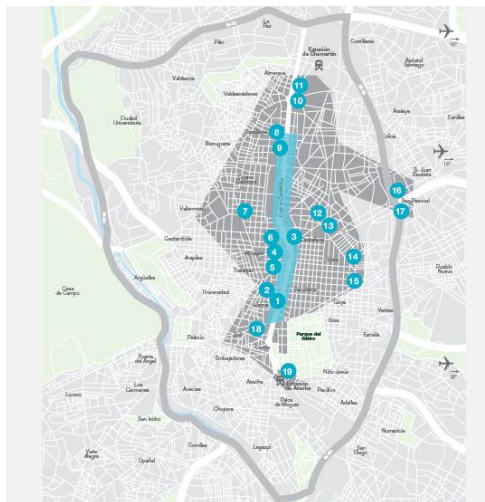
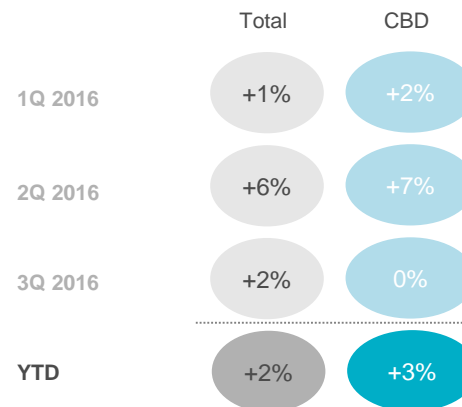
#### BARCELONA

##### > Signed rents vs. 12/15 ERV<sup>1</sup>



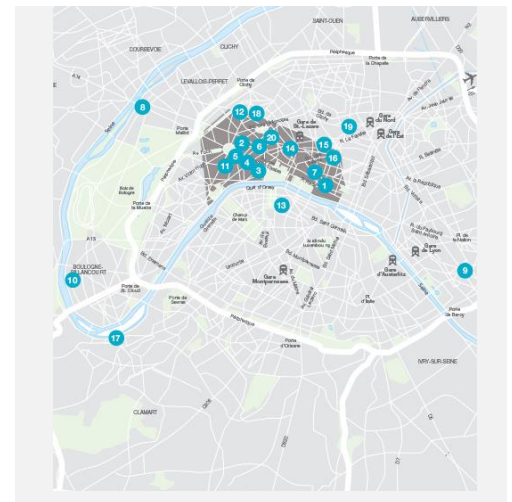
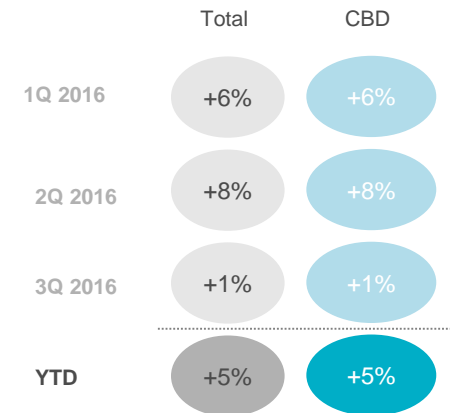
#### MADRID

##### > Signed rents vs. 12/15 ERV<sup>1</sup>



#### PARIS

##### > Signed rents vs. 12/15 ERV<sup>1</sup>



<sup>1</sup> ERV= Estimated Rental value: market rent



### Letting up vacant space at top price levels

- > High quality product attracts top clients
- > GRI growth through **vacancy reduction with high end ERVs**

#### Barcelona – New lettings of vacant space

Av. Diagonal, 609-615 - CBD



93%  
Occupancy

Max Rent YTD

20  
€/sqm/month

Tenants per activity

- ✓ Audit
- ✓ Financial Institution
- ✓ Multinational Company
- ✓ Consulting

Contract 1:	+13%	Signed rents vs. 12/15 ERV
Contract 2:	+4%	
Contract 3:	+1%	
Contract 4:	+7%	

Travessera / Amigó - CBD



81%  
Occupancy

Max Rent YTD

19  
€/sqm/month

Tenants per activity

- ✓ Consulting
- ✓ Editorial
- ✓ Business services

Contract 1:	+12%	Signed rents vs. 12/15 ERV
Contract 2:	+9%	
Contract 3:	+6%	

#### Madrid – New lettings of vacant space

José Abascal, 56 - CBD



100%  
Occupancy

Max Rent YTD

22  
€/sqm/month

Tenants per activity

- ✓ Audit

Contract 1:	+10%	Signed rents vs. 12/15 ERV
-------------	------	----------------------------------

Alfonso XII - CBD



100%  
Occupancy

Max Rent YTD

21  
€/sqm/month

Tenants per activity

- ✓ Advertising

Contract 1:	+11%	Signed rents vs. 12/15 ERV
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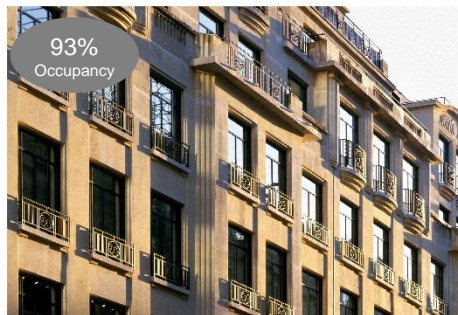
(1) ERV= Estimated Rental value: market rent

### Letting up vacant space at top price levels

- > High quality product attracts top clients
- > GRI growth through **vacancy reduction with high end ERVs**

#### Paris - New lettings of vacant space

##### Cezanne Saint-Honoré - CBD



Max Rent YTD

750  
€/sqm/year

Tenants per activity

- ✓ Real Estate Company
- ✓ Information Technology

Contract 1: +4%  
Contract 2: +4%

Signed rents  
vs.  
12/15 ERV

##### 103 Grenelle



Max Rent YTD

701  
€/sqm/year

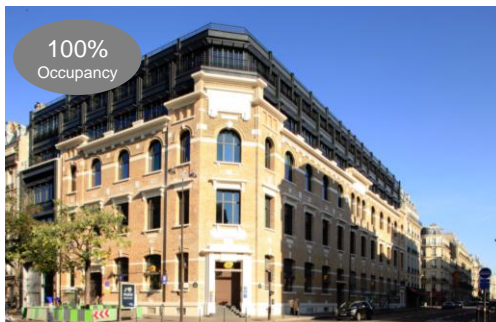
Tenants per activity

- ✓ Investment Fund
- ✓ Others

Contract 1: +7%  
Contract 2: +2%

Signed rents  
vs.  
12/15 ERV

##### 112 Wagram - CBD



Max Rent YTD

700  
€/sqm/year

Tenants per activity

- ✓ Investment fund

Contract 1: +7%

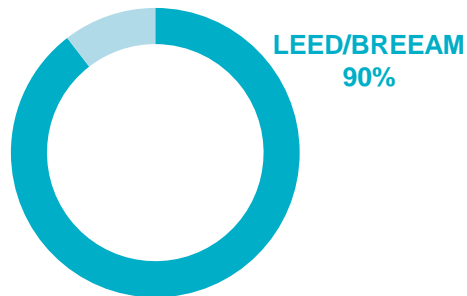
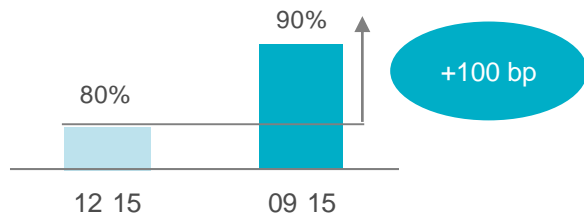
Signed rents  
vs.  
12/15 ERV

(1) ERV= Estimated Rental value: market rent

**Ongoing progress on repositioning and value added strategies**

- > Continuous improvement of energy efficiency standards and asset quality
- > Source for further value creation through rental uplifts & “created” yield compression

**PORTFOLIO WITH BREEAM/LEED CERTIFICATION**



**ONGOING IMPROVEMENT OF SUSTAINABILITY & QUALITY**

**From Breeam very good to Excellent**

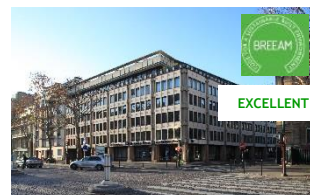
Charles de Gaulle



In / Out



Iena



**From zero to hero**

Diagonal Glories



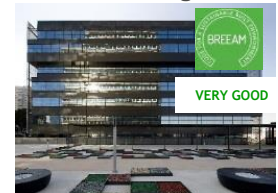
Sant Cugat



Tilos



Martínez Villergas



Recoletos



Travesera/Amigó





### Successful implementation of value and initiatives

- > Repositioning programs of current portfolio to unlock additional value
  - + Created ERV uplifts
  - + Created Yield compression

#### CASTELLANA 52

- ✓ Reposition of optimal retail use
- ✓ Redefinition of entrance & common areas
- ✓ Reposition of vacant floors with new plan
  - > Innovative concept of lighting, air-conditioning & technical floors
  - > Creative approach to increase natural light

#### VIA AUGUSTA

- ✓ Redefinition and Upgrade of entrance & common areas
- ✓ **New contract signed at €18/sq m/month (+20% vs 12/15 ERV)**
- ✓ 100% occupancy as of Sep-16

#### CEZANNE SAINT-HONORÉ

- ✓ Refit designed by Studio Putman
- ✓ Dining area featured with an innovative MamieCocotte® food concept
- ✓ **New contract signed** with a leading developer for a surface area of **2,600 sq.m. (including a 200 sq.m. terrace) at €750/sq.m**

Before



Before



Post Execution



Post Execution



Expected ERV Uplift +30%

Post Execution



Rent Signed 18€/sqm/month

ERV Uplift +20%

Post Execution



Rent Signed 750€/sqm/year

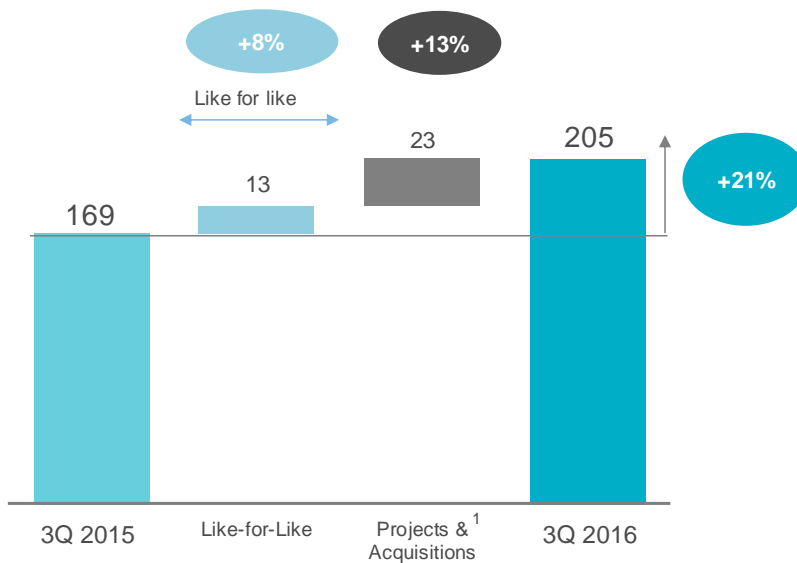
ERV Uplift +4%



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

- > Strong underlying like for like growth: +8%
- > Additional rental growth from value added strategies & acquisitions: +13%

**GROSS RENTAL INCOME - €M**



	<u>Like for like</u>	<u>Projects &amp; Acquisitions<sup>1</sup></u>	<u>TOTAL</u>
BCN	+11%	+3%	+14%
MADRID	+4%	+21%	+25%
PARIS	+9%	+13%	+21%
<b>TOTAL</b>	<b>+8%</b>	<b>+13%</b>	<b>+21%</b>

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



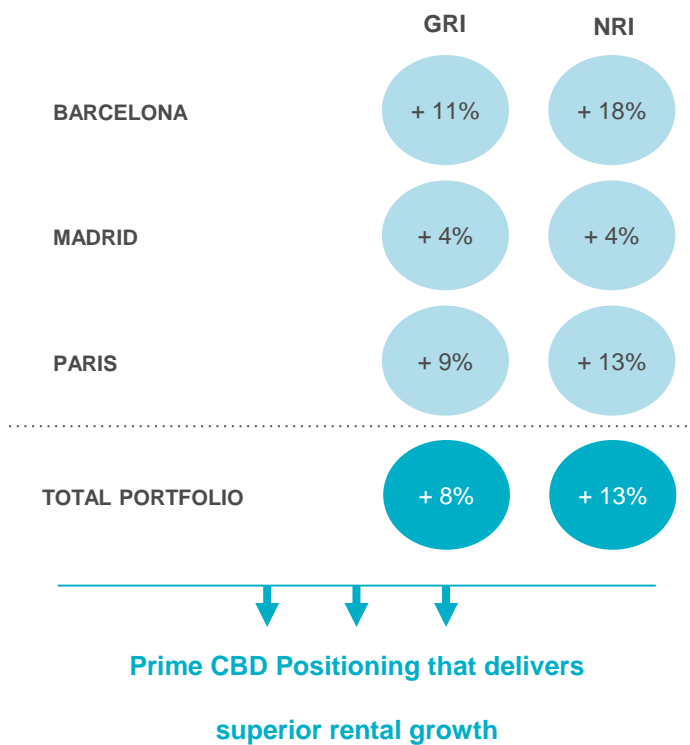
## Strong underlying rental growth

### Strong underlying growth in every market

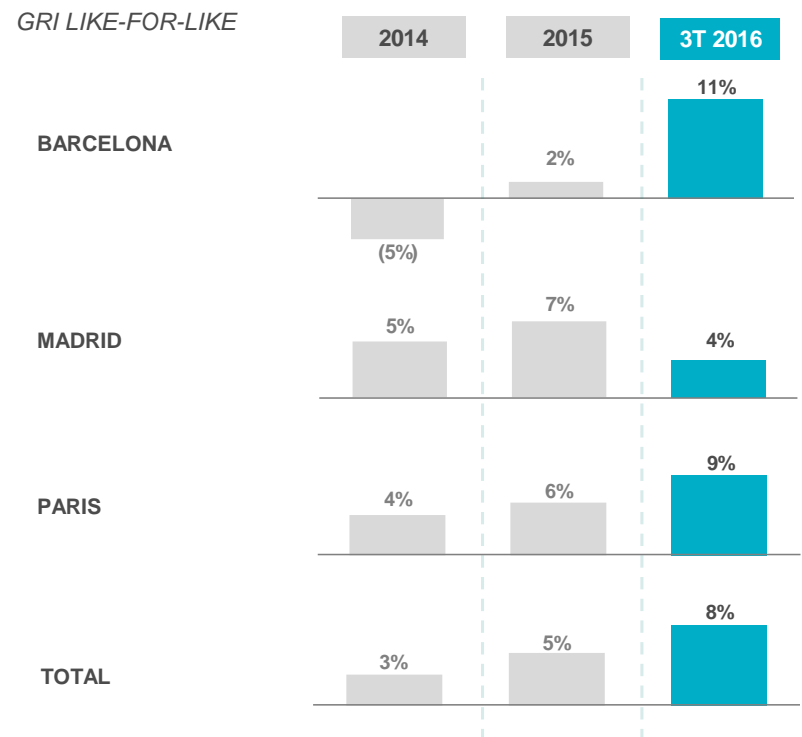
- > Barcelona with outstanding like for like growth – catching up versus previous years
- > Madrid remains strong at 4% like for like increase
- > Paris with strong like for like growth and increasing momentum

#### LIKE FOR LIKE VARIANCE – GRI & NRI

##### OUTSTANDING LIKE-FOR-LIKE GROWTH



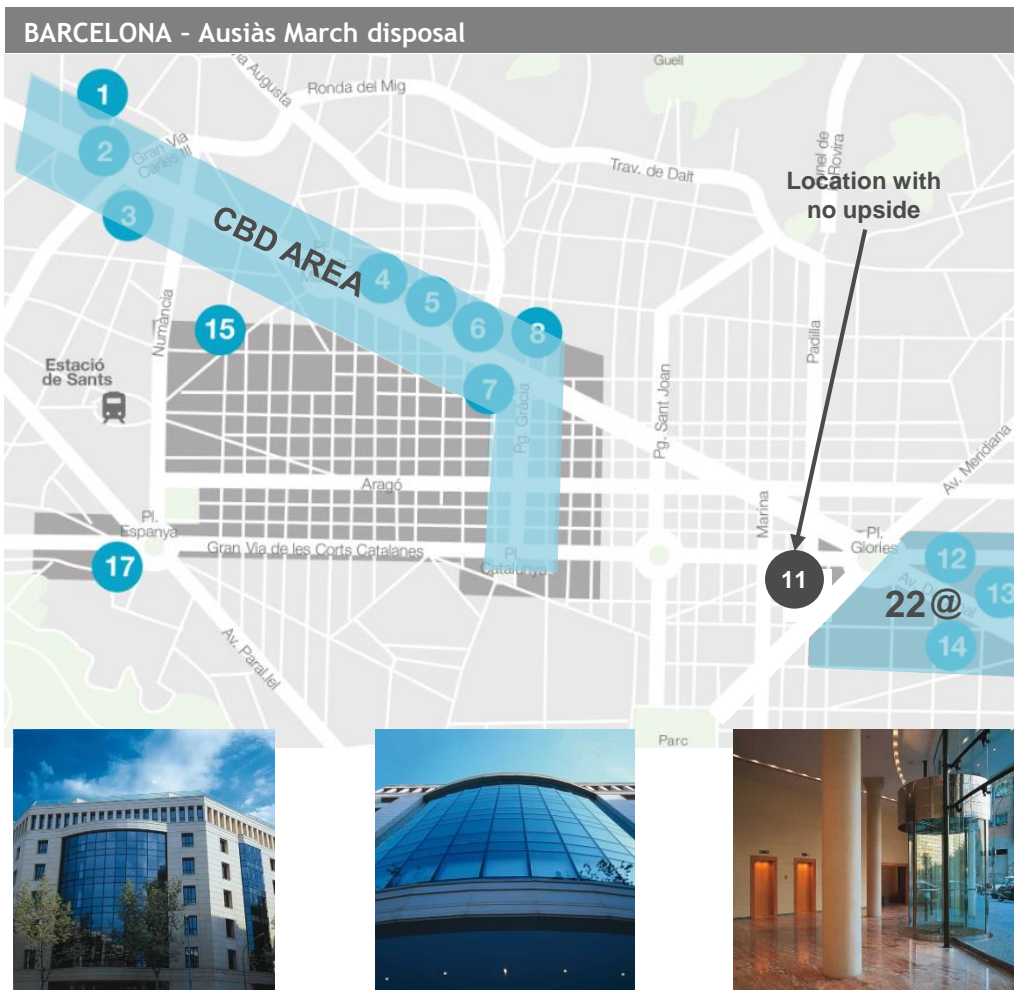
##### A PORTFOLIO THAT CAPTURES THE CYCLE



## Disposal at double digit premium to Gross Asset Value

### Value creation through active asset allocation

- > Portfolio management focused on optimizing value creation
- > Disposal of a mature asset with premium to Gross Asset Value



**Maximization of value through ongoing review of individual asset business plans**

**Value creation through Ausias March disposal**

- > Location with no upside
- > 40% vacancy
- > 48 months with occupancy under 80%
- > Hold strategy IRR below hurdle rate

**Local family office has paid €15m**

**A premium of 11% to 6/2016 GAV**



**Market recognizes significant premium to**

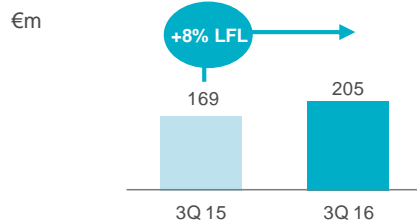
**6/2016 appraisal**

**Net Profit 17% above previous year**

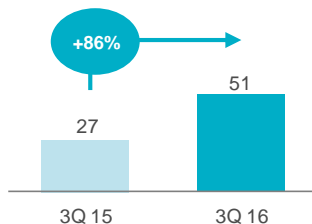
- > Strong momentum in recurring earnings
- > Superior value creation in asset portfolio

**STRONG TOP & BOTTOM LINE PERFORMANCE**

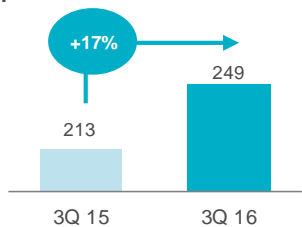
**GROSS RENTAL INCOME**



**RECURRING EARNINGS**



**NET PROFIT**



**PROFIT & LOSS ACCOUNT**

Results analysis - €m	3Q 2016	3Q 2015
Gross Rents	205	169
Net operating expenses <sup>(1)</sup>	(13)	(16)
Overheads	(26)	(24)
<b>Recurring EBITDA</b>	<b>166</b>	<b>129</b>
Recurring financial result	(60)	(63)
Income tax expense & others - recurring	(9)	(8)
Minority interests - recurring	(46)	(31)
<b>Recurring Earnings</b>	<b>51</b>	<b>27</b>
Variance asset values & provisions	354	349
Non-recurring financial result & MTM	(3)	(35)
Income tax & others - non-recurring	(12)	(28)
Minority interests - non-recurring	(141)	(100)
<b>Profit attributable to the Group</b>	<b>249</b>	<b>213</b>

(1) Includes other income



## Successful tapping of bond market

### Successful issuance of €650m of new financing

- > Colonial tapped the market for a €600m 8Y senior unsecured bond
- > A €50m private placement has been issued in November

	BOND ISSUANCE	PRIVATE PLACEMENT
Size	€600m	€50m
Coupon	1.45% <sup>1</sup>	1.875% <sup>2</sup>
Spread to benchmark	ms + 135 bps	ms + 160 bps
Maturity	28 <sup>th</sup> October 2024	10 <sup>th</sup> November 2026

### EXECUTION HIGHLIGHTS

#### Bond Issuance

- > Lowest coupon ever obtained through the primary market
- > More than €1.7bn of orders – oversubscription of 3x –
- > High quality investors undersubscription the issuance
  - ✓ Diversified order book:  
27% France, 26% UK, 18% Spain and 11% Germany
  - ✓ High degree of real money accounts:  
Fund Managers 77%, Insurances 11%.

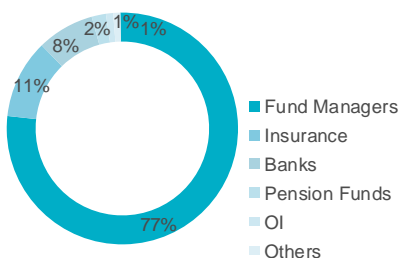
#### Private Placement

- > Competitive financing costs with long maturity
- > Ultra high quality institutional investors

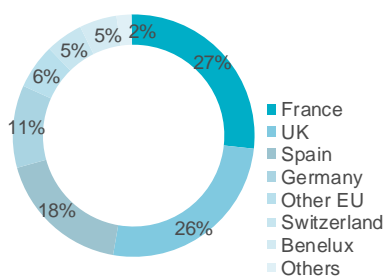
Terms and execution parameters that confirm strong credit profile

### DISTRIBUTION OF BOND ISSUANCE

#### By investor type



#### By geography



1) Re offer yield 1.554%  
2) Re-offer yield 2.114%

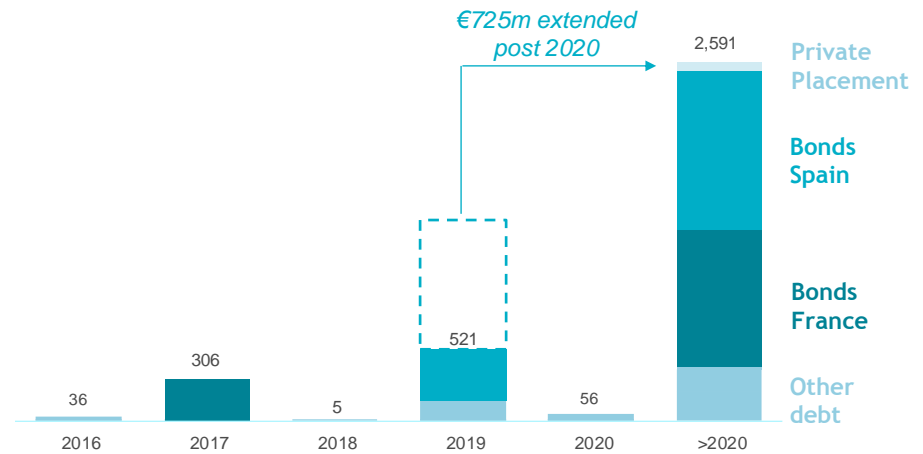
**ACTIVE BALANCE SHEET MANAGEMENT**

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. Successful issuance of a €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
6. Important increase of firepower capacity



**Enhancement of credit profile with  
optimized cost of debt**

**A LONG TERM MATURITY PROFILE**



**30/09/2016**

**PF YTD<sup>1</sup>**

Cost of Debt Spain	2.10%	1.99%
Cost of Debt Group	2.04%	2.00%
Maturity Spain	4.1 years	6.3 years
Maturity Group	4.3 years	5.3 years
Firepower <sup>2</sup> Spain	€297m	€407m
Firepower <sup>2</sup> Group	€882m	€992m
Group LTV	40.3%	41.6%

<sup>1</sup> Proforma YTD= September 2016 figures + debt issuances & liability management + acquisitions YTD  
<sup>2</sup> Firepower= Cash & undrawn credit lines

## SHARE BUY-BACK PROGRAMME

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### Main characteristics of the share buy-back programme:

#### 1. Objectives of the program

- Management compensation plan
- Corporate purposes
- Other uses of corporate interest approved by the Board of Directors

#### 2. Maximum Amount and shares assigned to the programme

- Maximum amount: €68m
- Maximum number of shares: 10,000,000
- Acquisition of a 2.8% stake of treasury shares

#### 3. Timing

- 6 months, starting the 15 of November until the 15 of May 2017



05 Growth drivers



## Growth strategy on track

## Firm delivery of growth plan

- > Acquisition volumes beating targets
- > Value creation through transformation to prime products
- > **Superior risk adjusted returns based on solid investment discipline**

## INVESTMENTS SINCE 2015

		Price - €m	IRR <sup>2</sup>
Condorcet <sup>1</sup>	Paris	230	6%
Plaza Europa <sup>1</sup>	Barcelona	10	>7%
Estébanez Calderón	Madrid	43	>10%
Príncipe Vergara 112	Madrid	45	>10%
Génova 17	Madrid	36	7%
Percier	Paris	68	6%
Santa Engracia	Madrid	67	7%
<b>Total 2015</b>		<b>499</b>	

## STRONG DELIVERY YTD

1. Target volume



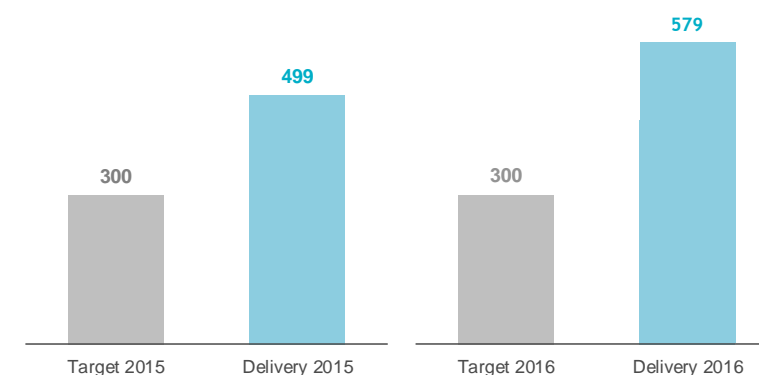
2. Asset quality



3. Required Return



## INVESTMENT VOLUMES €m



		Price - €m	IRR <sup>2</sup>
José Abascal 45	Madrid	35	>6%
Parc Glories	Barcelona	77	>9%
Serrano 73	Madrid	48	6%
Santa Hortensia	Madrid	154	>7%
4.4% Stake SFL	Paris	106	6.5%
1.0% Stake SFL	Paris	24	6.5%
15% Stake in Axiare	BCN/Madrid	136	Discount on NAV
<b>Total 2016</b>		<b>579</b>	

(1) Investments materialized in November and December 2014 respectively

(2) 10 year ungeared asset IRR

Strong progress on execution of recent Prime Factory acquisitions

Execution of value added strategies in recent acquisitions

- > Execution of the projects on track
- > Important value creation to be captured

**ESTÉBANEZ CALDERÓN**

- ✓ Structural works under ground finished
- ✓ Structure above ground started
- ✓ **Commercialization phase initiated:**
  - > Event with **more than 40 potential clients**
  - > Launch of new packaging and branding of the property (“Discovery Building”)

Current Status



Final Project



**PRINCIPE DE VERGARA 112**

- ✓ **License of the project obtained**
- ✓ Structural works under ground already started
- ✓ **Selective market testing with top tier clients**
- ✓ Surrounding properties in the area attracting new tenants

Current Status



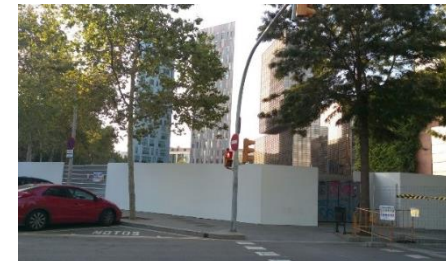
Final Project



**PARC GLORIES**

- ✓ Structural works under ground already started
- ✓ Strong Pre-letting activity:
  - > **Strong interest** of international company to take-up **more than 9,000 sq m**
  - > Initial price conversations with **rental levels 20% above current ERV**

Current Status



Final Project





Transformation and further enhancement of recent core acquisitions

Execution of value added strategies in recent acquisitions

- > Strong progress on various value add initiatives
- > Enhancement of returns through active asset management

JOSÉ ABASCAL 45

- ✓ Start of the repositioning activities:
  - > Reshape of common spaces and entry areas
  - > Upgrade and reposition of vacant floors
- ✓ New contract signed: **767 sqm at €24/sqm/month (+45% vs passing rent as of 6/16)**
- ✓ **Neighboring building sold c. €8,500/sq m (+40% vs acquisition price)**

SANTA ENGRACIA

- ✓ Repositioning of common areas:
  - > Upgrade & repositioning of lobby
  - > **Additional 220sq m of retail** surface in ground floor gained to common areas
  - > Obtention of additional GLA under analysis
- ✓ Commercialization phase of available space initiated **with strong interest from the market**

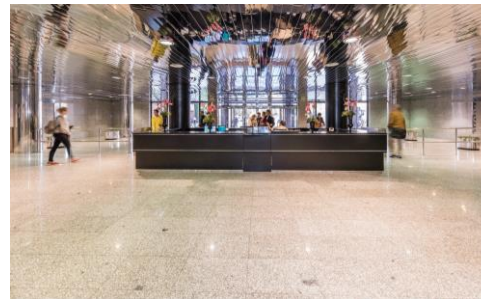
SERRANO 73

- ✓ Former tenant BNP at agreed date
- ✓ Start of refurbishment works
- ✓ Strong interest for the whole building from international law-firms
- ✓ **Expected ERV at high-end of Madrid market**

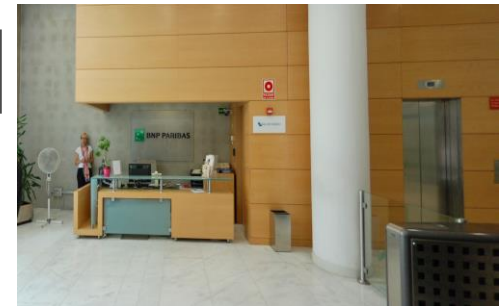
Before



Before



Before



Post Execution



+45% Uplift vs Passing rent

Under Refurbishment



Additional Retail GLA

Obtention of add. GLA under analysis

Post Execution



Expected ERV at high-end of Madrid market









#### **SOLID DELIVERY IN OPERATIONS**

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- > Continued strong letting momentum
- > Healthy occupancy levels in every portfolio
- > Solid delivery of rental price increases
- > Strong progress on value added strategies

#### **STRONG FINANCIALS**

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- > Superior like-for-like growth in rental income
- > Disposals with premium to GAV
- > Active balance sheet management
- > Strong top & bottom line performance

#### **CONFIDENT OUTLOOK**

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- > CBD markets and Colonial portfolio with solid fundamentals
- > Colonial best positioned to capture rental cycle
- > High confidence on delivery of acquisition plan
- > Investment discipline key for solid value creation
- > Strategy with superior risk adjusted returns







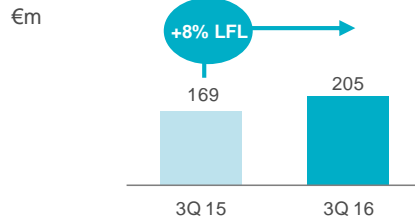
Positive momentum in earnings

**Significant increase in Recurring Net Profit through**

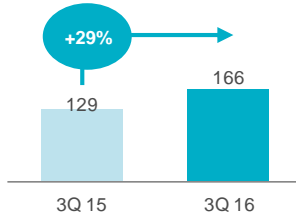
- > Delivery of strong GRI increase based on successful growth strategy
- > Savings in financing costs due to ongoing liability management

**STRONG TOP & BOTTOM LINE PERFORMANCE**

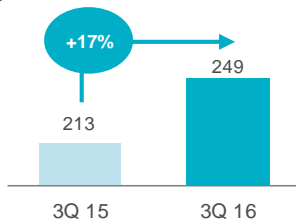
**GROSS RENTAL INCOME**



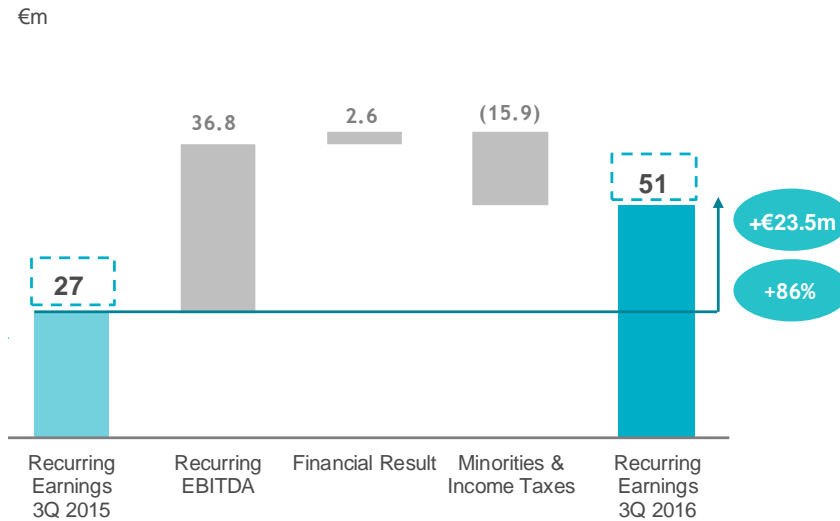
**RECURRING EBITDA**



**NET PROFIT**



**RECURRING NET INCOME – VARIANCE ANALYSIS**



Colonial



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