



**MSCI** 

European Property  
Investment Awards  
**WINNER 2017**

**IBEX**<sub>35</sub>



FINANCIAL REPORTING



SUSTAINABILITY REPORTING

**3/17**

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- 01 Highlights
- 02 Market
- 03 Operational performance
- 04 Financial performance
- 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





*Ongoing consolidation of solid growth*



## Superior risk adjusted return for shareholders



### AN EXCELLENT SET OF RESULTS

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- > Gross Rental Income, +4% like for like
- > Net Rental Income, +4% like for like
- > Recurring Net Income, +16%
- > FFO per share +4%
- > Net Profit of €454m, +€205m

### STRONG OPERATIONAL PERFORMANCE

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- > More than 110,000 sq m let with top tier clients
- > Solid occupancy levels at 97%
- > Double digit increase on signed rental prices
- > Rental prices increase driven like for like GRI
- > Maximizing value through active asset allocation

### FIRM DELIVERY ON FINANCIALS

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- > Strong top & bottom line performance
- > Active balance sheet management
- > Confident outlook on growth
- > Superior risk adjusted return for shareholders

## Ongoing consolidation of solid growth

### Excellent financial results with healthy growth

- > Strong EPRA Like for Like growth in rental income: +4% GRI and NRI
- > Significant increase of Recurring Earnings: +16%
- > FFO per share: +4%

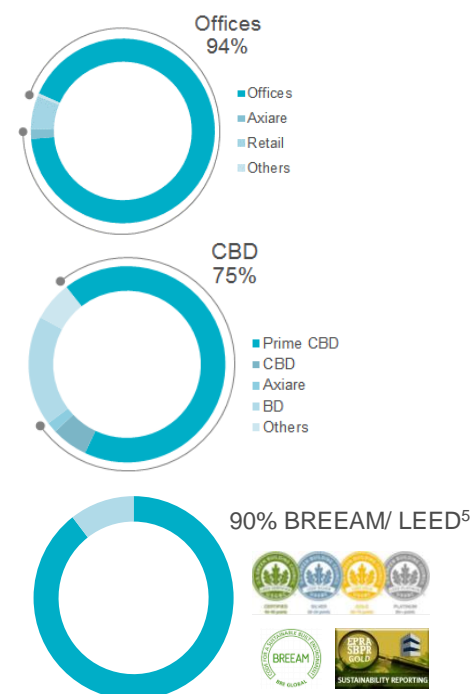
Return - € per share	3Q 2017	YoY Var
FFO per share <sup>12</sup>	0.160	+4%
EPS Recurring <sup>1</sup>	0.157	+2%
DPS	0.165 <sup>3</sup>	+10%

Profit & Loss - €m	3Q 2017	YoY Var
Gross Rental Income	€212m	+4% EPRA LFL <sup>4</sup>
EBITDA Recurring	€169m	+4% EPRA LFL <sup>4</sup>
FFO	€60m	+10%
Recurring Net Profit	€59m	+16%
Net Profit	€454m	+82%

Balance Sheet - €m	3Q 2017
GAV Group - 06/2017	€8,253m <sup>7</sup>
Group LTV	33.5%
Maturity Group	4.5 years
Cost of Debt	2.03%

- (1) Recurring EPS & FFO per share based on average NOSH
- (2) Recurring FFO: Recurring Net Profit excluding amortisations and accrual of share remunerations
- (3) Dividend approved by 2017 AGM on 2016 full year results
- (4) EPRA like for like: Like for like variance base on EPRA BPR methodology
- (5) Portfolio in operation as of 6/2017
- (6) GAV breakdown as of June 2017
- (7) GAV as of June 2017 adjusted by the In&Out disposal & Arturo Soria investment at acquisition price

### BUSINESS MIX – GAV GROUP<sup>6</sup>




Rating Standard & Poor's  
BBB Stable Outlook



Rating Moody's  
Baa2 Stable Outlook

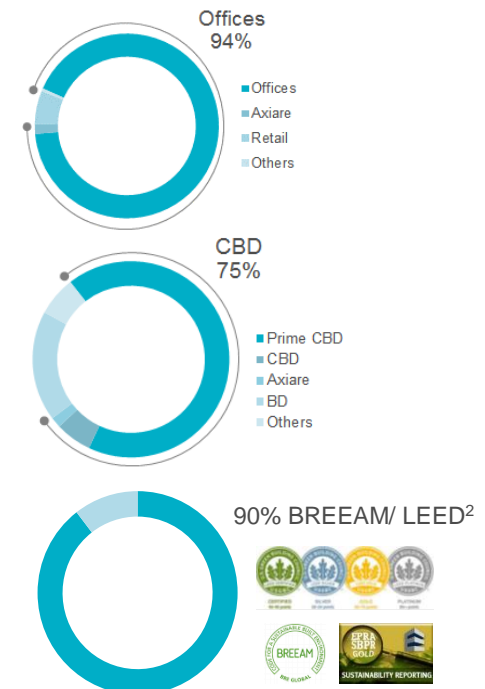
Ongoing consolidation of solid growth

**Outstanding operating performance**

- > EPRA Vacancy stabilized at low levels
- > Double digit rental price increases
- > Fundamentals remain strong in 3Q

OPERATIONAL PERFORMANCE	3Q 2017
# Transactions signed	76
Volume of sq m signed	110,050
.....	
EPRA Vacancy	3%
Release Spread <sup>1</sup>	+13%
Release Spread Barcelona	+19%
Release Spread Madrid	+10%
.....	
Capex on portfolio	€61m

**BUSINESS MIX – GAV GROUP**



Rating Standard & Poor's  
**BBB Stable Outlook**

Rating Moody's  
**Baa2 Stable Outlook**

(1) Rental prices signed vs previous rents  
 (2) Portfolio in operation as of 6/2017





## Macroeconomic context

### Macro outlook remains solid

- > Eurozone with improving fundamentals
- > Spain with attractive growth profile
- > France with accelerating positive momentum post election

#### MARKET TRENDS

##### WORLD & EU

- ✓ World GDP improving +3.5% in 2017 & +3.7% in 2018
- ✓ Euro area: positive momentum with increased confidence
- ✓ Opportunity for reforms post French & German elections

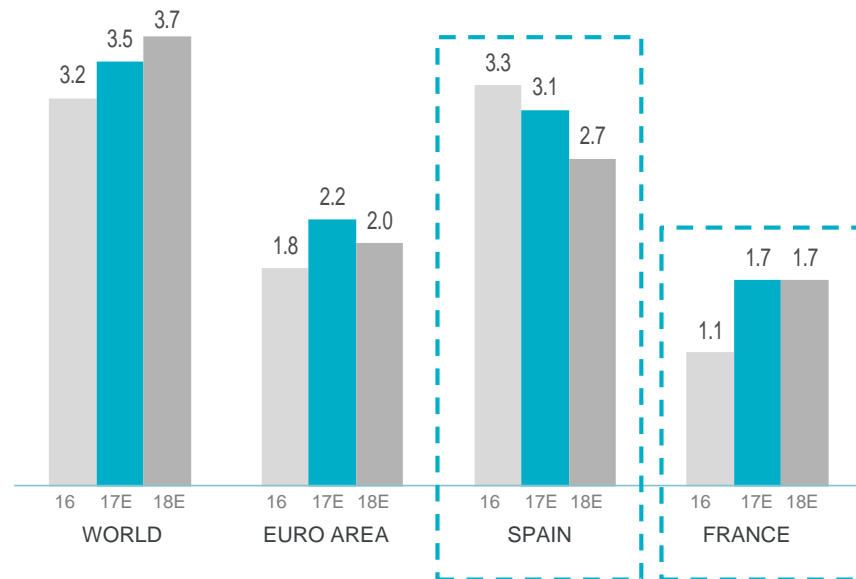
##### SPAIN

- ✓ Economy growing above EU average: +3.1% in 2017
- ✓ Improvement of private consumption and exports
- ✓ Progressive upwards revision of growth forecasts

##### FRANCE

- ✓ Analysts with upwards revision on GDP growth forecasts
- ✓ GDP growth with positive momentum in the next two years
- ✓ Reform agenda as catalyst for further growth

#### GDP GROWTH



Source: October Monthly report "la Caixa"



### Micro outlook for Offices remains very positive

- > Barcelona with record performance in lettings
- > Madrid - strong acceleration in YoY take-up
- > Prime Paris with very solid fundamentals

#### MARKET TRENDS

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#### BARCELONA

- ✓ Cumulative take-up above 260.000 sqm: +18% yoy growth
- ✓ Internet and e-commerce companies pushing 22@market
- ✓ Vacancy of Grade A/B+ buildings in CBD below 2%



#### MADRID

- ✓ Cumulative take-up close to 350.000 sqm: +36% yoy growth
- ✓ Highest take-up levels since 2008
- ✓ Decrease of office stock due to change of use to residential



#### PARIS

- ✓ Cumulative take-up above 1,760,000, +2% year on year
- ✓ South Paris reached high levels of dynamism thanks to the lack of availability in CBD
- ✓ Acceleration of number of large transactions: 50 transactions above 5,000 sqm
- ✓ Consensus expecting rental growth in Paris CBD in the next quarters

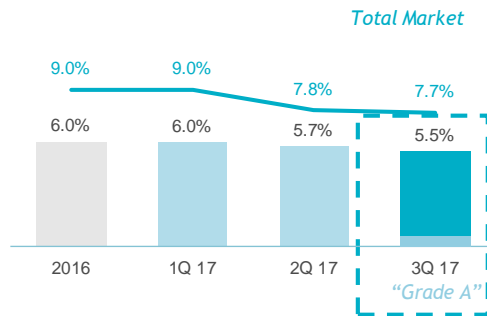


### Increasing take-up faces scarcity of Grade A product in CBD

- > Vacancy in CBD far below total market ratio
- > Grade A product in CBD almost inexistent
- > Take up gaining substantial momentum

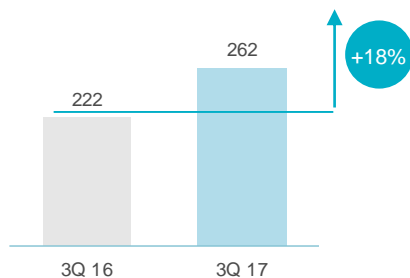
#### BARCELONA

##### VACANCY %



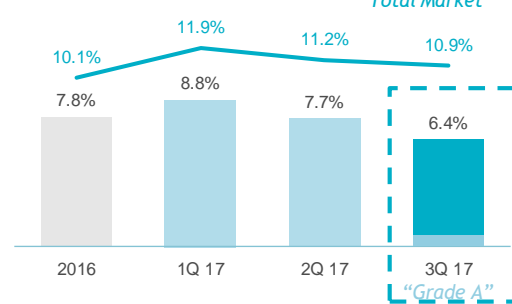
##### TAKE UP – 3Q cumulative

('000 sqm)

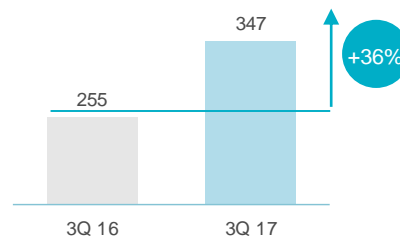


#### MADRID

##### VACANCY %

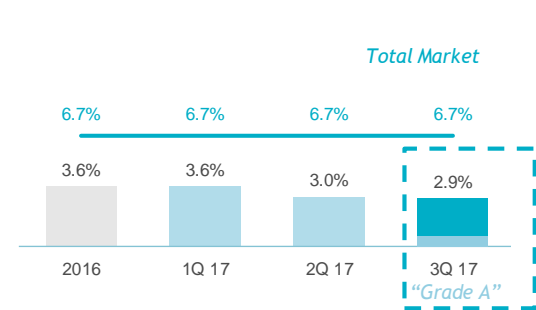


##### TAKE UP – 3Q cumulative

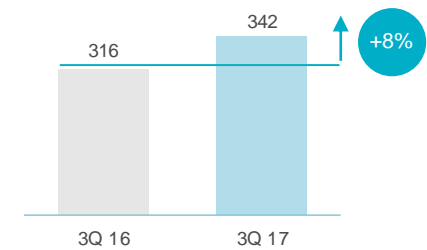


#### PARIS CBD

##### VACANCY %



##### TAKE UP – 3Q cumulative

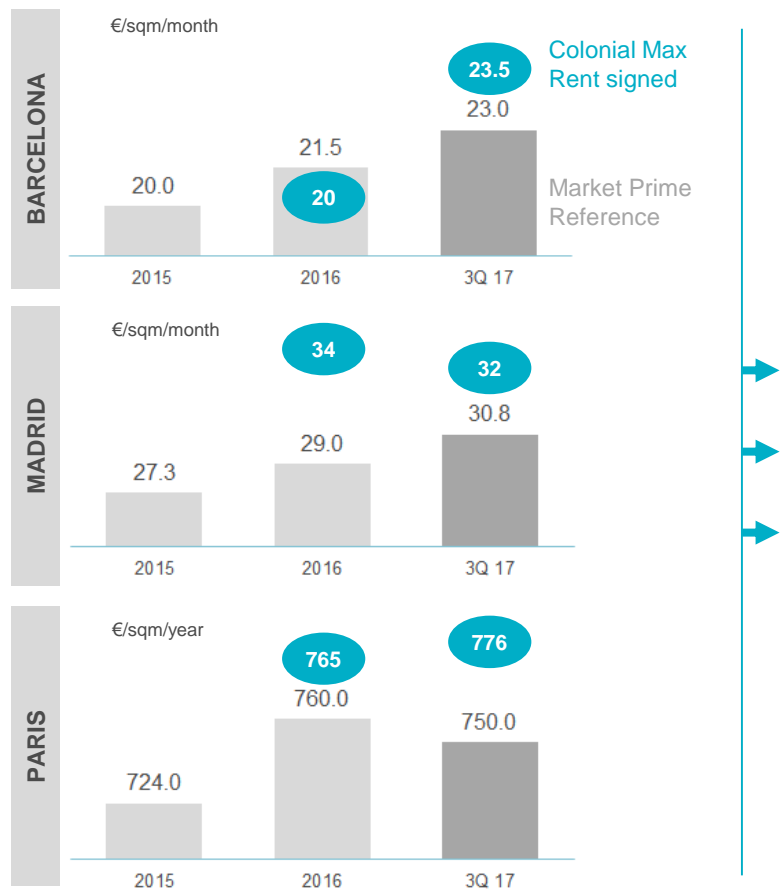


## Colonial – Unparalleled leadership rental price performance

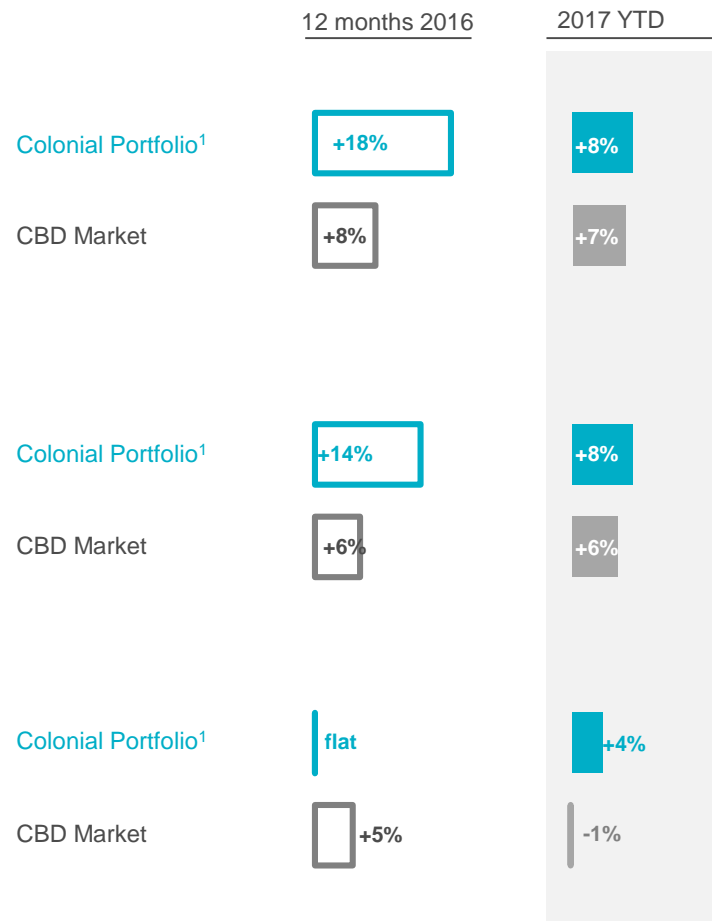
### Colonial as leading market indicator for rental price growth

- > Colonial portfolio setting the benchmark in prime rental levels
- > Colonial's growth outperforming the prime market

#### PRIME ERVS



#### ERV GROWTH



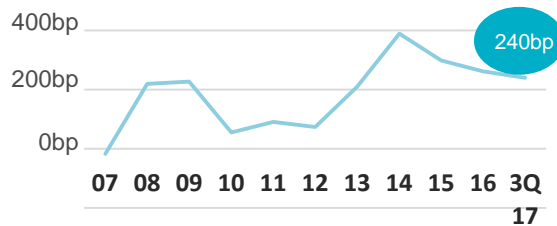
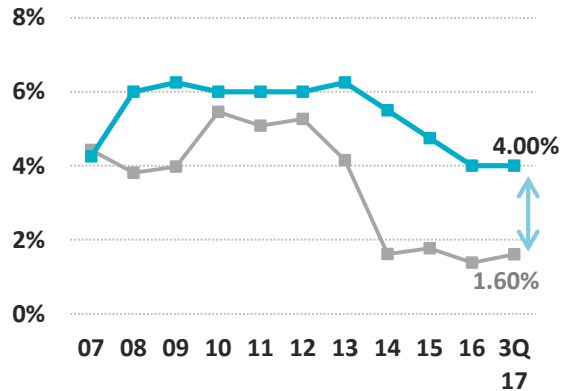
(1) ERV Growth 12 months: Q416 vs ERV12/15 & ERV Growth 9 months: 2017 YTD vs ERV 12/16

**Investment markets remain strong**

- > Interest for prime remains very strong
- > Spread vs reference rates healthy
- > Rental growth main driver for future capital value growth

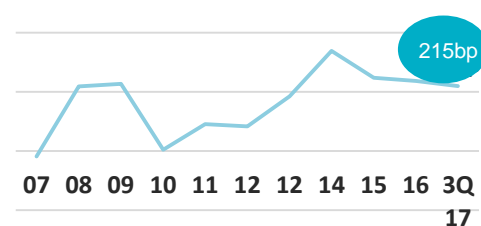
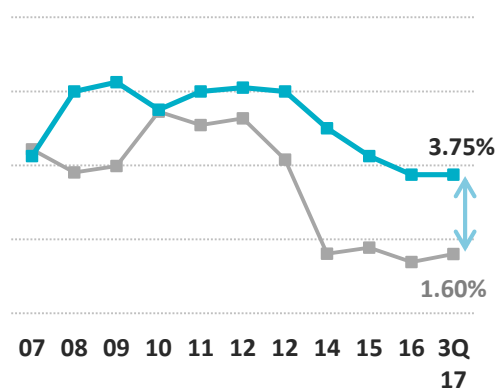
**PRIME YIELDS (1)**

**BARCELONA**



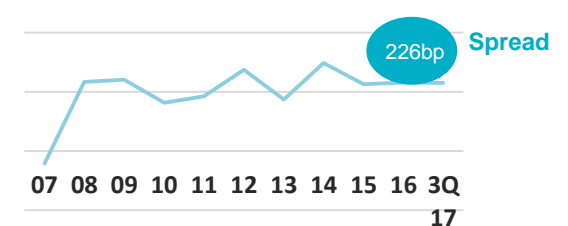
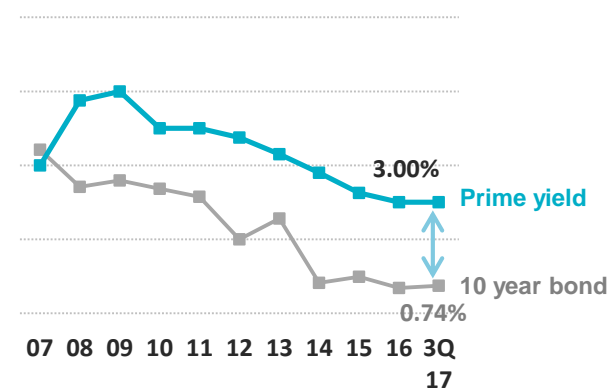
Investment Volume YTD: €728m

**MADRID**



Investment Volume YTD: €1,048m

**PARIS**



Investment Volume YTD: €8,114m

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

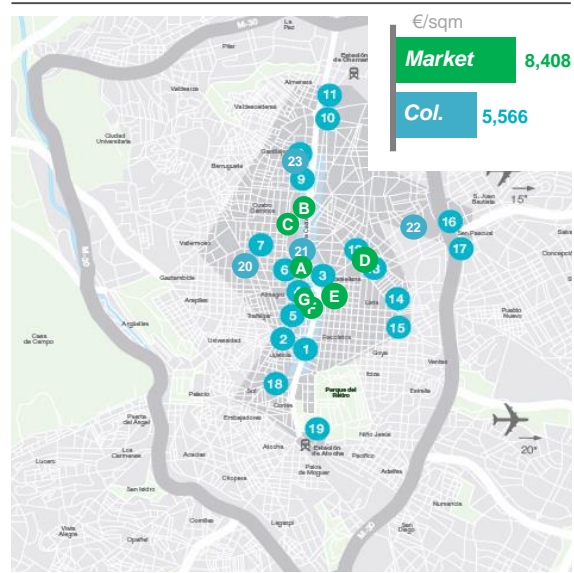
Source: JLL, CBRE & Bloomberg



**Investor interest for prime product remains strong**

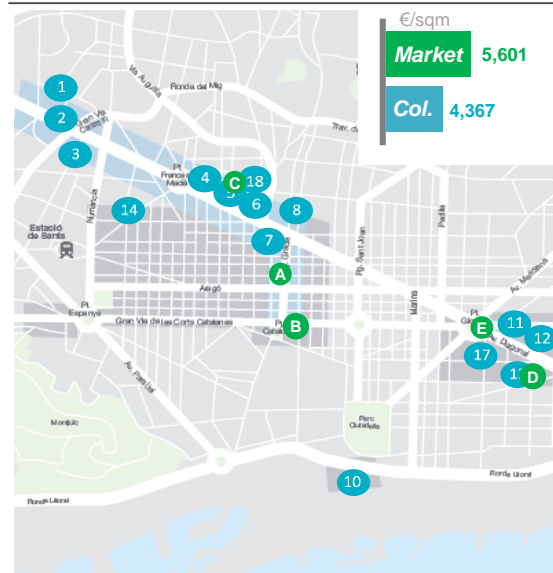
- > Significant capital value increases in recent quarters
- > Colonial's assets with prudent appraisal values
- > Premiums on recent disposals highlight room for mark to market catch-up

**Madrid City Center (inside M30)**



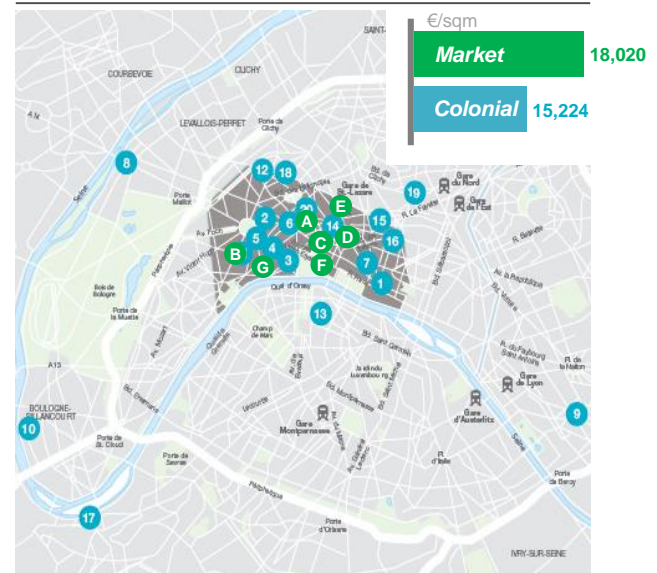
Latest investment transactions inside M30

**Barcelona City Center**



Latest investment transactions in city center

**Paris CBD**



Latest investment transactions in Paris CBD

	Price <sup>(2)</sup>	Cap. Value <sup>(3)</sup>
<b>A</b> Plaza de Colón, 1 <sup>(1)</sup>	58	14,834
<b>B</b> Paseo de Recoletos, 5	33	9,863
<b>C</b> Gran Vía 18	44	9,430
<b>D</b> Suero de Quiñones 42	38	8,209
<b>E</b> Alcalá 17	23	7,667
<b>F</b> Fernando el Santo 20	20	6,839
<b>G</b> Miguel Ángel, 23 <sup>(1)</sup>	53	6,675
<b>CBD Transactions - Average</b>	<b>269</b>	<b>8,408</b>
<b>Colonial Average (06/17 appraisal)</b>		<b>5,566</b>

	Price <sup>(2)</sup>	Cap. Value <sup>(3)</sup>
<b>A</b> Passeig de Gracia, 81 <sup>(1)</sup>	30	9,458
<b>B</b> Fontanella 6-8	20	6,030
<b>C</b> Travessera de Gracia, 47-49	41	4,620
<b>D</b> Pallars 190	21	4,122
<b>E</b> Av. Diagonal, 211 - Torre Agbar <sup>(1)</sup>	142	3,775
<b>CBD Transactions - Average</b>	<b>254</b>	<b>5,601</b>
<b>Colonial Average (06/17 appraisal)</b>		<b>4,367</b>

	Price <sup>(2)</sup>	Cap. Value <sup>(3)</sup>
<b>A</b> Rue de la Baume, 20	128	21,317
<b>B</b> Rue Leroux, 4	32	19,482
<b>C</b> Rue de la Boétie, 81-85	62	19,207
<b>D</b> Boulevard Haussmann 6-8	462	18,865
<b>E</b> Rue de Londres, 43-51	349	17,450
<b>F</b> Av. De l'Opéra, 5	108	15,582
<b>G</b> Rue Bayard	114	14,238
<b>CBD Transactions - Average</b>		<b>18,020</b>
<b>Colonial Average (06/17 appraisal)</b>		<b>15,224</b>

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

<sup>(2)</sup> €m

<sup>(3)</sup> €/sqm



Letting activity with strong momentum

Prime positioning ensures strong letting performance

- > More than 110,000 sq m signed in 76 transactions
- > Incentives far below market average
- > Solid occupancy level across all segments

		# CONTRACTS	SQM SIGNED	GRI SECURED <sup>1</sup>	INCENTIVES <sup>2</sup>	EPRA VACANCY <sup>3</sup>
BARCELONA		23	38,236	€8m	3%	2%
MADRID		31	56,763	€17m	3%	3%
PARIS		22	15,051	€14m	14%	3%
<b>TOTAL</b>		76	110,050	€38m	8%	3%

(1) Annualized figures of signed contracts

(2) Incentive ratio = economic rents/ facial rents -1

(3) Financial vacancy calculated according to EPRA vacancy methodology



Letting activity with strong momentum

Prime positioning ensures strong letting performance

- > More than 110,000 sq m signed in 76 transactions
- > Incentives far below market average
- > Solid occupancy level across all segments

		# CONTRACTS	SQM SIGNED	EPRA VACANCY <sup>1</sup>	HIGHLIGHTS POST 3Q CLOSING
BARCELONA		23	38,236	2%	<ul style="list-style-type: none"> <li>&gt; Signing of 1,300 sq m in Barcelona 22@ in November                             <ul style="list-style-type: none"> <li>- Additional pre-let on Parc Glories asset</li> <li>- Schibsted with higher GLA needs</li> <li>- Rent at €19 – €20/ sq m/ month</li> <li>- Above average transaction size for Barcelona market</li> </ul> </li> <li>&gt; Advanced negotiations an additional GLA</li> </ul>
MADRID		31	56,763	3%	
PARIS		22	15,051	3%	
<b>TOTAL</b>		76	110,050	3%	

(1) Financial vacancy calculated according to EPRA vacancy methodology

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
- > Colonial portfolio as the reference for prime rents

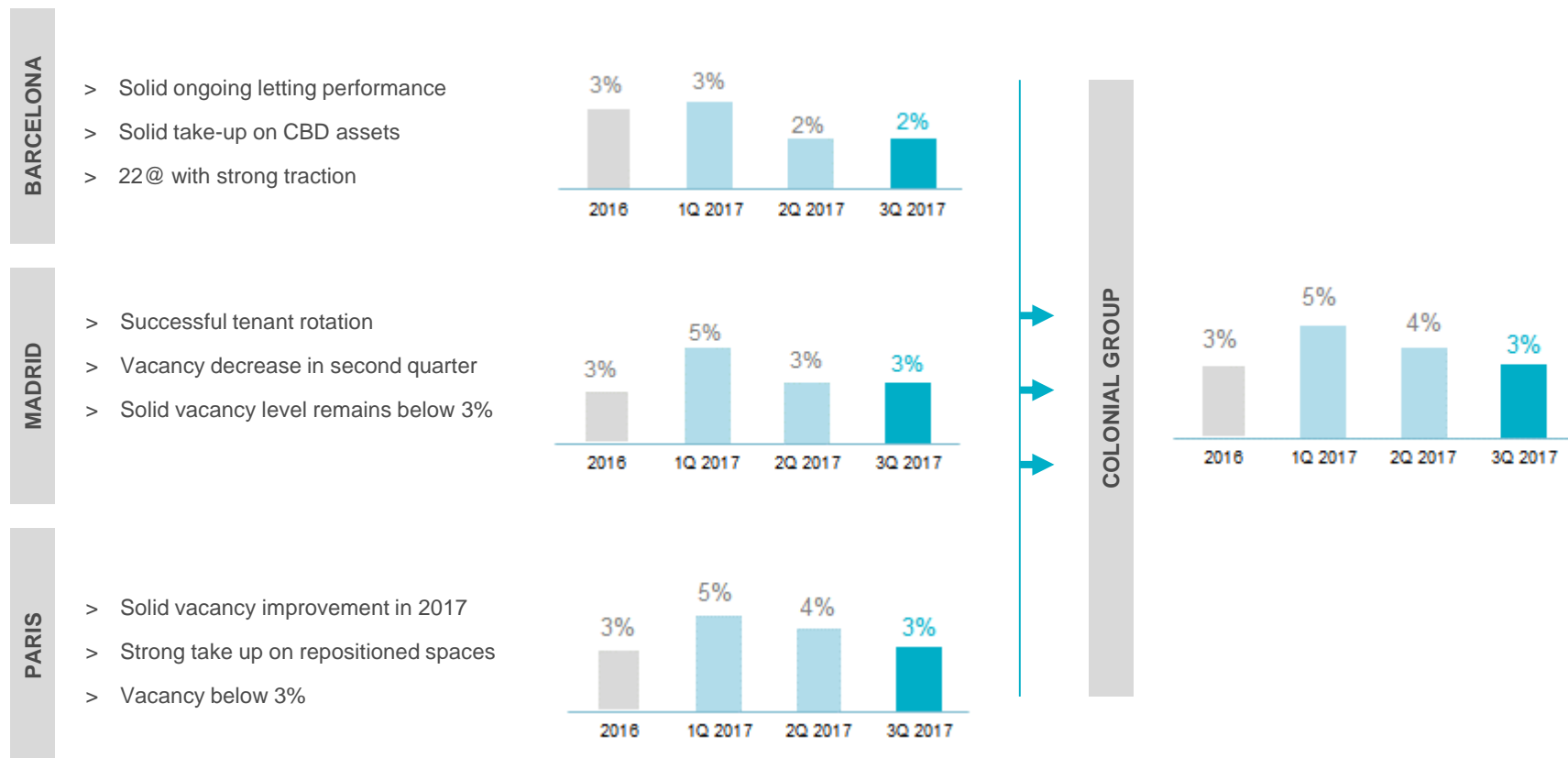
	# CONTRACTS	MAX. RENT SIGNED COLONIAL 3Q 17	PRIME RENTS MARKET	CAPTURING & RETAINING TOP TIER CLIENTS
<p>BARCELONA</p>	23	23.5 €/sqm/month	23 €/sqm/ month	
<p>MADRID</p>	31	32 €/sqm/month	30.75 €/sqm/month	
<p>PARIS</p>	22	776 €/sqm/year	750 €/sqm/year	

## Outstanding Occupancy levels through prime positioning

### Attractive tension between low vacancy and new available space

- > Release of fully repositioned floors in CBD
- > Optimization of tenant profile through rotation
- > Solid occupancy levels that guarantee negotiation power

#### EPRA VACANCY

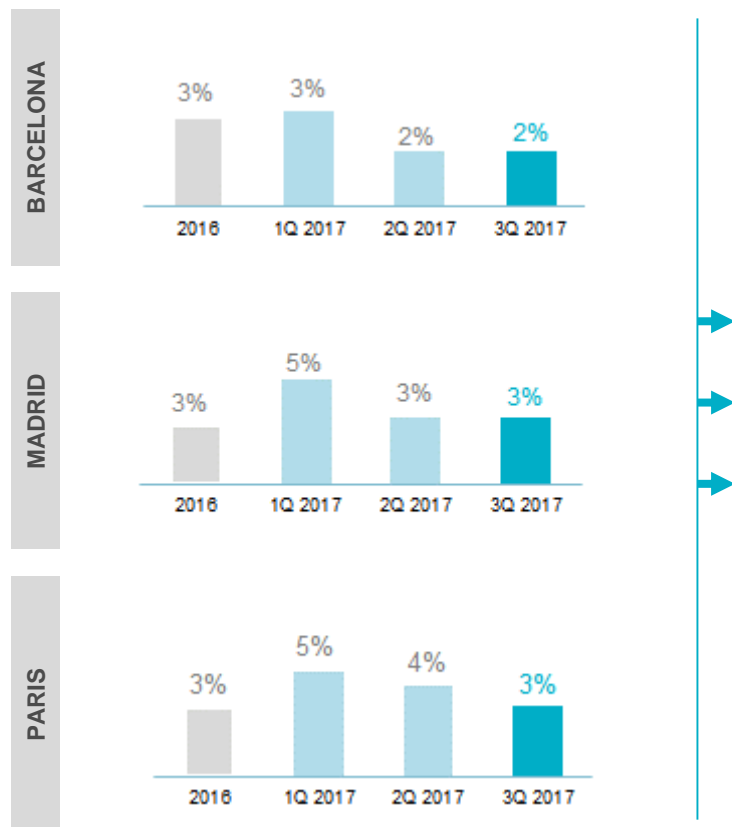


## Outstanding Occupancy levels through prime positioning

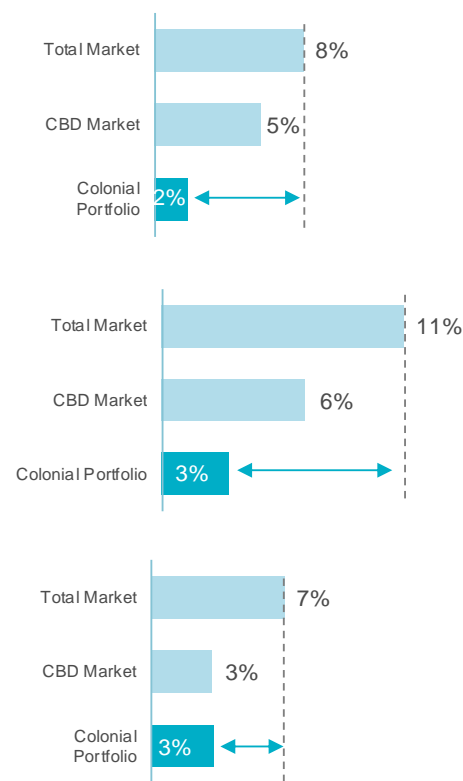
### Colonial portfolio outperforming the market on occupancy

- > Colonial with solid vacancy levels in every city
- > Colonial vacancy clearly beats market average
- > Levels around 3% provide a solid base to capture rental growth

#### EPRA VACANCY



#### VACANCY COLONIAL VS. MARKET



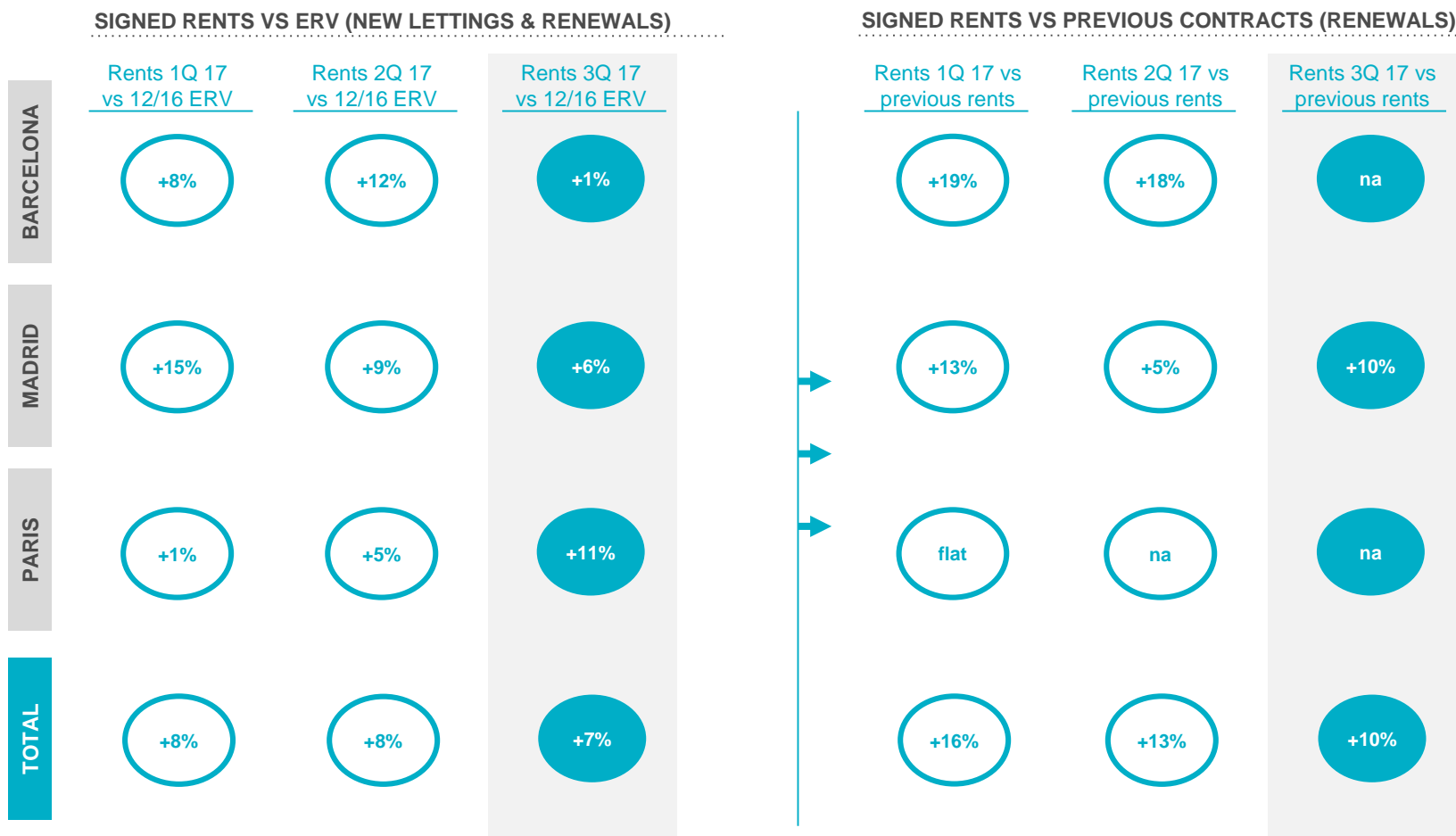


Strong delivery on rental price increases

Colonial as leading market indicator for rental price recovery

- > Solid consolidation of rental price increases
- > Rents above 12/16 ERV in every city
- > Highly positive release spreads

SOLID INCREASE IN RENTAL PRICES



### 03 Operational performance

Solid performance on every contract negotiation

#### Barcelona & Madrid with successful transactions across the board

- > Capturing rental growth on ERV reference
- > Outstanding release spreads

José Abascal, 56 - Madrid



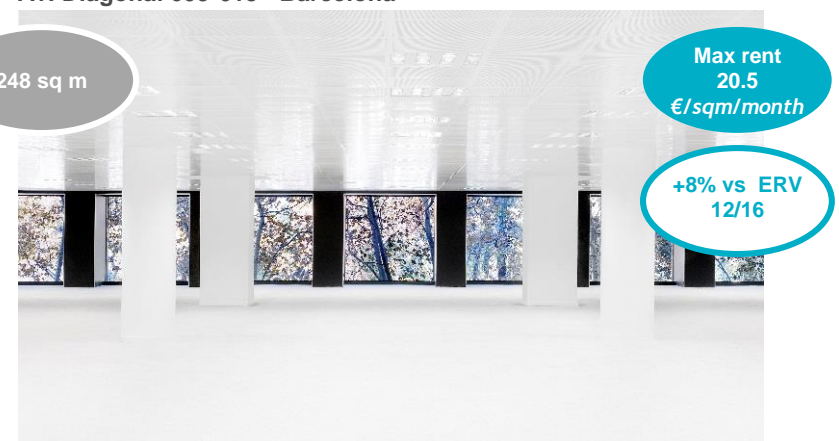
Recoletos - Madrid



Illacuna - Barcelona



Av. Diagonal 609-615 - Barcelona



(1) Rental price offices (€/sq m/ month)

### 03 Operational performance

## Repositioning in Castellana (Madrid)

### Representative buildings with appealing design help companies to attract and retain talent

- > Designing spaces to combine functionality together with the last decorating trends
- > Colonial's assets are recognisable for its quality and design





Representative buildings with appealing design help companies to attract and retain talent

- > Designing spaces to combine functionality together with the last decorating trends
- > Colonial's assets are recognisable for its quality and design

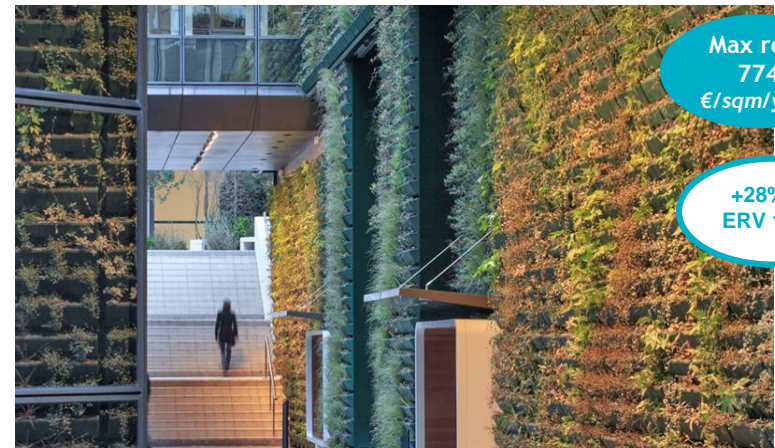
Cézanne St. Honoré



Max rent  
776  
€/sqm/year

+6% vs ERV  
12/16

Washington Plaza



Max rent  
774  
€/sqm/year

+28% vs  
ERV 12/16





Strong commitment to highest standards in Corporate Social Responsibility

**Strong commitment to highest standards in Corporate Social Responsibility**

- > Maximum standards in Financial and Sustainability Reporting
- > Clear leadership in the sector
- > Sustainability and energy efficiency: a “must” for prime product

**MAXIMUM STANDARDS IN REPORTING**

Third year in a row

Second year in a row

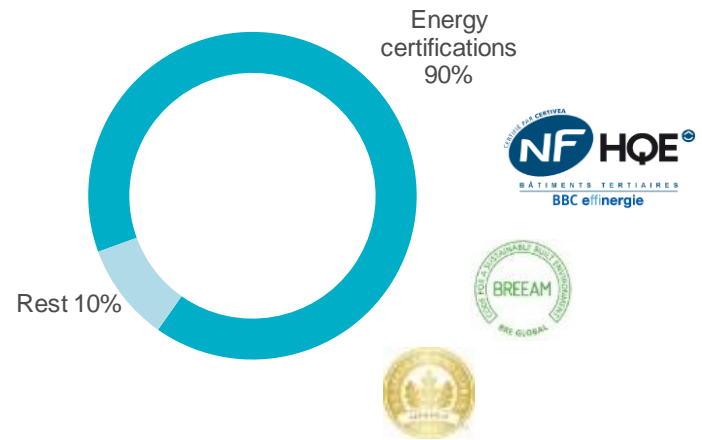


Only Spanish REIT with maximum rating in both categories

**HIGH COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY**



**% BUILDINGS WITH ENERGY CERTIFICATION<sup>1</sup>**



<sup>1</sup> Buildings in operation with energy certification

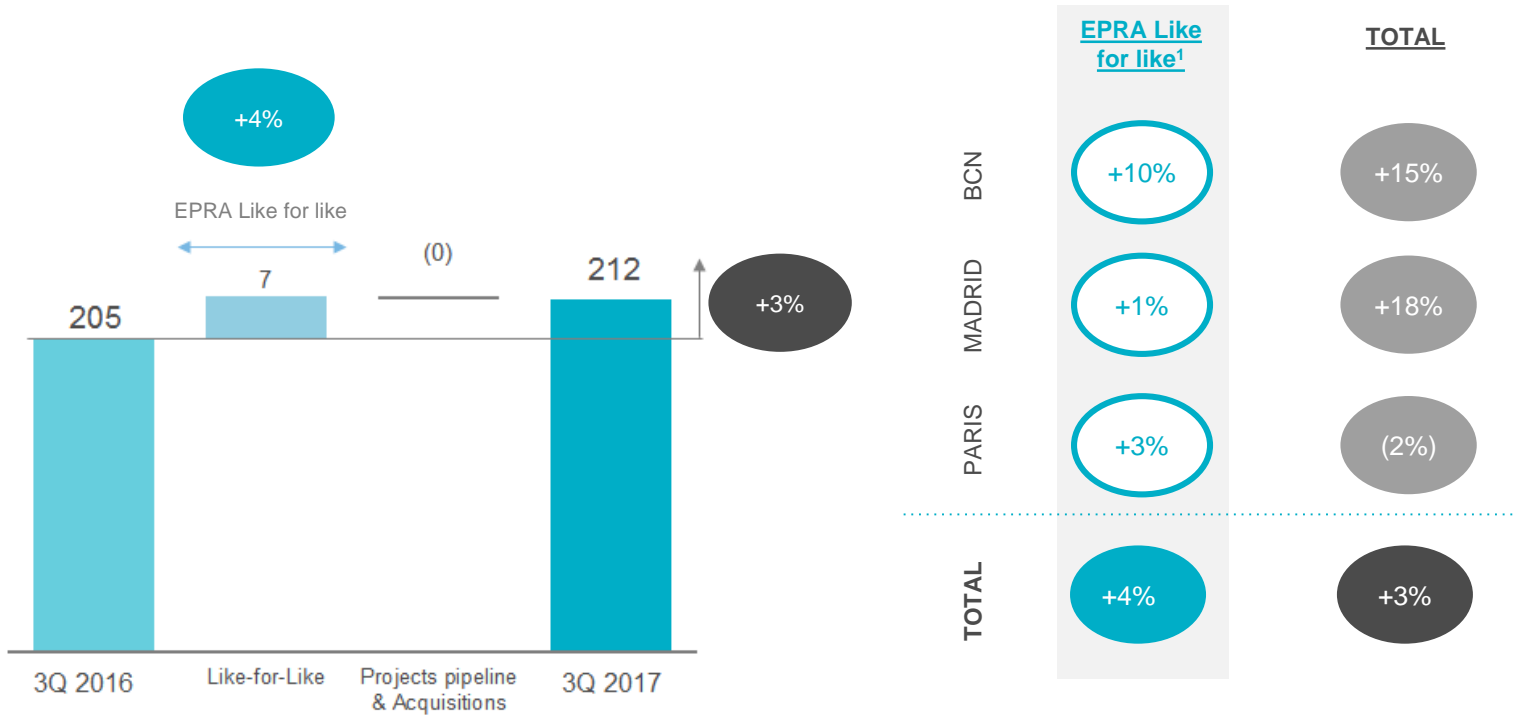


Strong underlying rental growth

GRI increase underpinned by solid like for like

- > Barcelona with strongest growth
- > Madrid temporary flat due to AlfonsoXII tenant rotation
- > Paris portfolio delivers like for like above market average

GROSS RENTAL INCOME - €M



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

Strong underlying rental growth

Strong underlying growth in every market

- > More than half of like for like driven by rental price increases
- > Barcelona with outstanding price impact in like for like
- > Madrid with temporary impact from Alfonso XII tenant rotation

LIKE FOR LIKE VARIANCE<sup>1</sup> – GRI & NRI

Solid like for like growth in every market

- ✓ Barcelona outstanding with +10% like for like, especially driven rental price increases
- ✓ Madrid with temporary impact from tenant rotation in Alfonso XII, rest of portfolio with solid like for like
- ✓ Paris remains solid at +3% driven by Edouard VII, #Cloud & Washington Plaza

EPRA LIKE-FOR-LIKE GROWTH - ANALYSIS

	Total Variance	Price	Volume <i>Excluding Alfonso XII tenant rotation</i>	Alfonso XII <i>tenant rotation impact</i>
BARCELONA	+9.7%	+5.4%	+4.3%	
MADRID	+1.1%	+1.4%	+2.1%	(2.4%)
PARIS	+3.3%	+1.7%	+1.6%	
GRI TOTAL PORTFOLIO	+3.7%	+2.1%	+2.0%	(0.4%)

<sup>1</sup> Like for like variance calculation based on EPRA best practice methodology

GRI= Gross Rental Income NRI= Net Rental Income

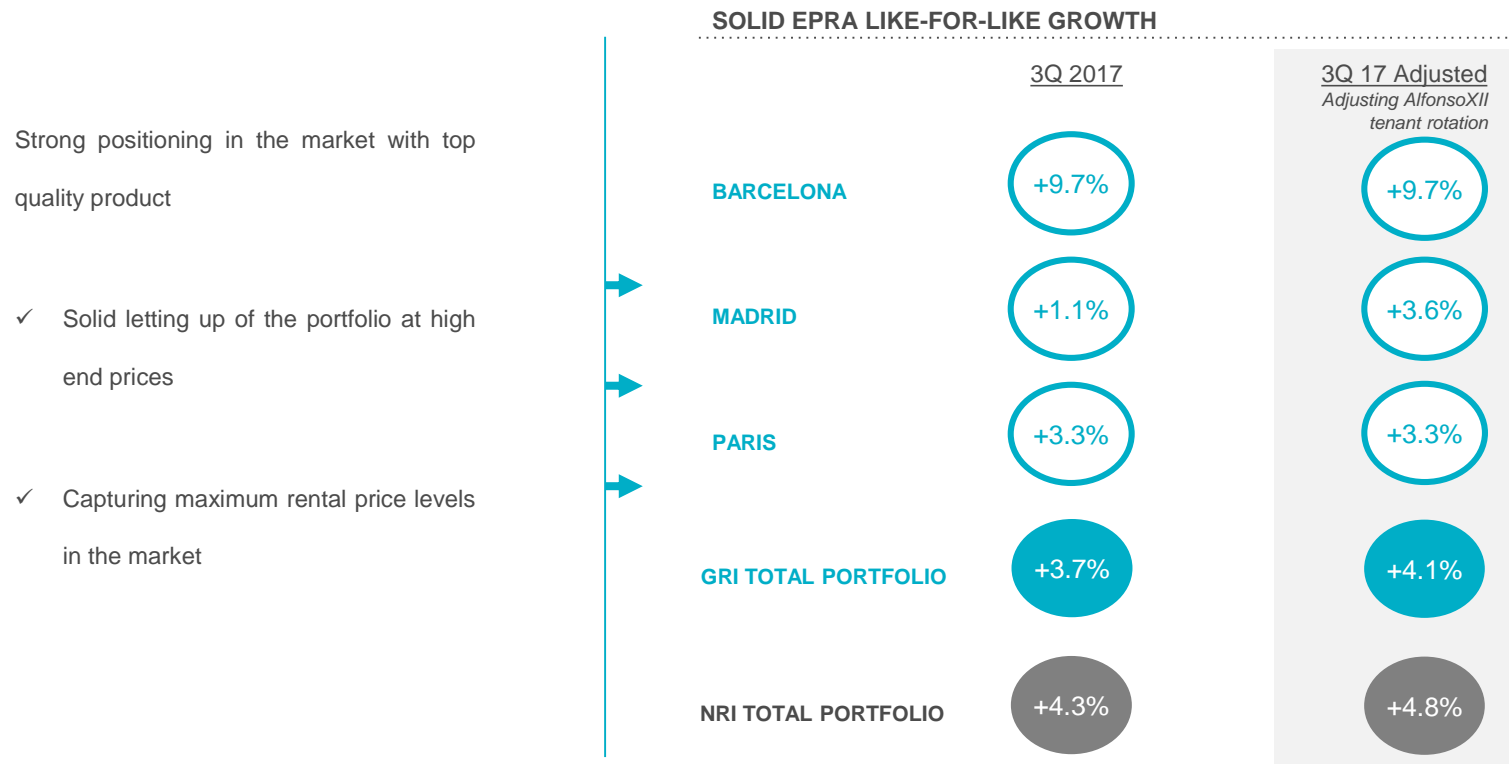


Strong underlying rental growth

Strong underlying growth in every market

- > Close to +5% adjusted like for like increase in Net Rental Income
- > Madrid portfolio with +4% like for like (excluding the Alfonso XII tenant rotation)
- > France with solid +3% like for like growth

LIKE FOR LIKE VARIANCE<sup>1</sup> – GRI & NRI



<sup>1</sup> Like for like variance calculation based on EPRA best practice methodology

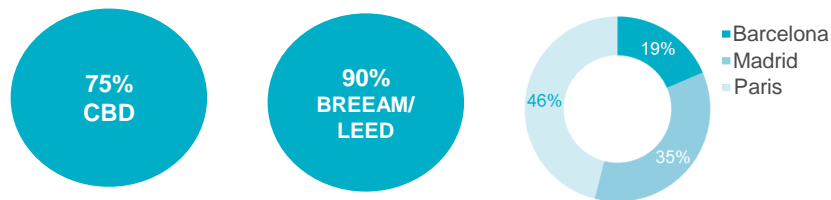
GRI= Gross Rental Income NRI= Net Rental Income

**A high quality collateral underpinned with a solid financial structure**

- > An unparalleled high quality collateral diversified in three cities
- > A financial structure with solid LTV levels
- > A strong credit profile with competitive costs

**A FIRST CLASS COLATERAL WITH...**

€9bn high quality assets well diversified

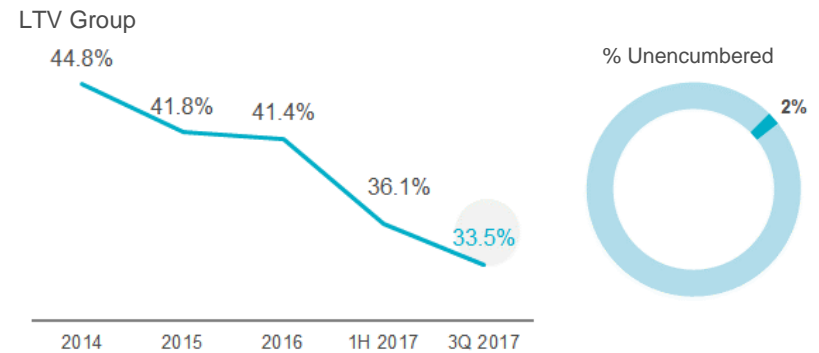


**BBB Stable Outlook**

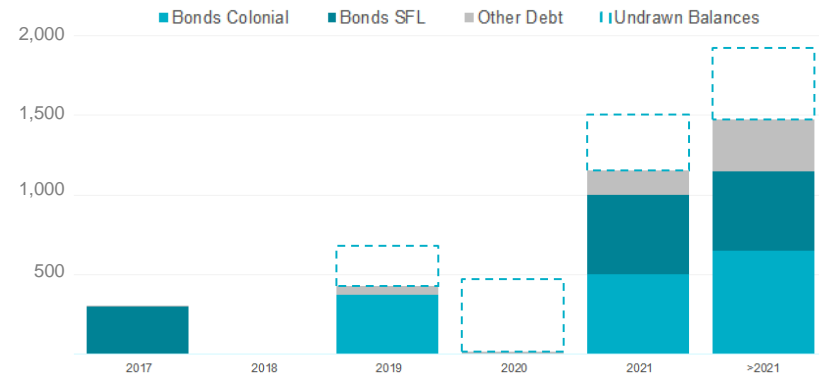
**Baa2 Stable Outlook**

Available cash & undrawn balances	
Spain	€821m
France	€1,117m
<b>Total</b>	<b>€1,938m</b>

**... SOLID CAPITAL STRUCTURE**



**Maturity profile**



## Positive momentum in earnings

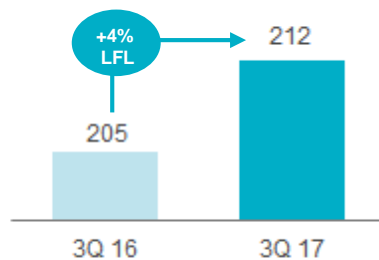
## Significant increase in Group Net Profit through

- > Delivery of strong increase in Gross Rental Income
- > Solid asset value growth through active real estate management
- > Savings in financing costs & positive SOCIMI impact in taxes

## STRONG TOP &amp; BOTTOM LINE PERFORMANCE

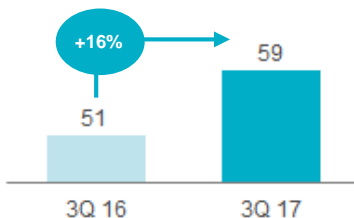
## GROSS RENTAL INCOME

€m

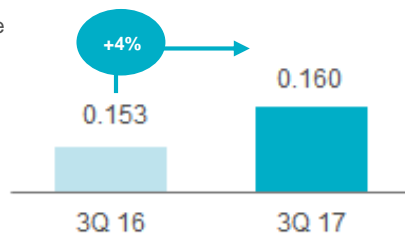


## RECURRING EARNINGS

€m

FFO per share<sup>2</sup>

€/share



## PROFIT &amp; LOSS ACCOUNT

## Results analysis - €m

	3Q 2017	3Q 2016	Var.
Gross Rents	212	205	3%
Net operating expenses <sup>(1)</sup>	(15)	(13)	
Overheads	(28)	(26)	
Recurring EBITDA	169	166	
Recurring financial result	(58)	(60)	
Income tax expense & others - recurring	(8)	(9)	
Minority interests - recurring	(44)	(46)	
<b>Recurring Earnings</b>	<b>59</b>	<b>51</b>	<b>16%</b>
Asset revaluation	523	354	48%
Non-recurring financial result & MTM	(1)	(3)	
Income tax & others - non-recurring	39	(12)	
Minority interests - non-recurring	(166)	(141)	
<b>Profit attributable to the Group</b>	<b>454</b>	<b>249</b>	<b>82%</b>

(1) Includes other income

<sup>2</sup> Recurring net result excluding amortizations and accrual of the incentive plan

### New Buy back Program

- > Execution on track
- > Average acquisition price of €7.87/share
- > Potential currency to structure investments

#### SHARE BUY BACK PROGRAM

---

1. Objective of the program:

- > Corporate purposes – e.g. treasury stock as currency for potential asset acquisitions
- > Other uses of corporate interest approved by the Board of Directors

2. Maximum Amount and shares assigned to the program:

- > Maximum amount: €100m / 12mm of shares
- > Stake: 3.0%

3. Timing: 6 months

#### RESULT YTD

---

As of 8 November 2017 the current execution of the buy back program is as follows:

- > 2.1 millions of shares acquired (17% of total program)
- > €16.3m invested
- > Average acquisition price of €7.87/share representing a 3% discount on last reported NAV (June 2017)

The current stake-of treasury shares of Colonial amounts to 14.4 millions of shares (3.7% of share capital)





## Project pipeline and value-add programme

### 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 <sup>1</sup>
Discovery Building	10,152
Príncipe de Vergara, 112	11,368
Parc Glòries	24,551
Louvre Saint Honoré	16,000
Plaza Europa, 34	14,306
112 – 122 Avenue Emile Zola	20,340
Iéna	7,505
Castellana, 163	10,910
92 Champs Elysées	3,381
Cezanne Saint Honoré	1,787
Parc Central 22@	14,737
Other Areas	4,035
<b>Total</b>	<b>139,072</b>
<b>Capex program €m</b>	<b>€295m<sup>4</sup></b>

#### 2017 YTD



Cézanne St. H.



Castellana 43



Champs Elysees 92

#### 2017-18



P. Vergara 112



E. Calderón 3-5



Parc Glories

#### 2019 - 22



Castellana 163



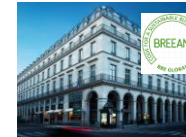
Emile Zola 112-122



Iéna



Plz. Europa 34



Louvre Saint Honoré

Additional Gross Rental Income **€20m<sup>2</sup>**  
 Yield on cost Spain > 7% → Final Product

Additional Gross Rental Income **€32m<sup>3</sup>**  
 Yield on cost Spain > 7% → Final Product  
 Yield on cost France > 6% → Final Product

Created rental uplift & created yield compression  
 Prime product to capture market recovery

<sup>(1)</sup> GLA above ground

<sup>(2)</sup> Figures as of 06/17 considering only marginal rental increases to passing rents on partial surface repositioning (Washington Plaza & Cézanne SH)

<sup>(3)</sup> Figures as of 06/17 excluding development of Parc Central, marginal rental increases to passing rents on partial surface repositioning of Castellana 163. Not including impact of Iéna project (currently in initial study phase)

<sup>(4)</sup> Excluding Parc Central development and Iéna (Iéna currently in operation and project in initial study phase)



## Creation of unique landmarks through projects - Madrid

Discovery Building - Madrid

- ✓ Fully delivered 8/11
- ✓ Only premise to accommodate a 10,000

HQ demand in CBD

Príncipe de Vergara - Madrid

- ✓ Highly sought after design due to its high number of terraces
- ✓ Structural works completed
- ✓ Negotiation with several demands underway

Castellana 163 - Madrid

- ✓ Brand new façade design approved
- ✓ Tenant rotation process on track
- ✓ Full refurbishment of vacant floors and common areas

<sup>1</sup> Ungeared 10Y IRRs

## Creation of unique landmarks through projects - Barcelona

Parc Glories - Barcelona

- ✓ More than 9,000 sq m pre let as of September 17 (38%)
- ✓ Schibsted increasing an additional 1,300 of GLA with same conditions – highest ERV in this market
- ✓ Strong interest for additional 40% tranche with a multinational company from the IT sector

Plaza Europa 34 - Barcelona

- ✓ Creation of unparalleled reference in the Barcelona – Plaza Europa market
- ✓ Executive project (“Proyecto Ejecutivo”) close to completion
- ✓ Raising interest for demands in excess of 10,000 sq m

<sup>1</sup> Ungeared 10Y IRRs



## Project pipeline and value-add programme

## Creation of unique landmarks through projects - Paris

Emile Zola

- ✓ Creation of a unique business campus in the city centre of Paris
- ✓ Potential additional GLA to be obtained (10% - 15%)
- ✓ Current tenant to leave before year end and immediate begin of works

Louvre Saint Honoré

- ✓ Permits & licenses obtained
- ✓ Creation of more than 16.000 sqm of "ultra prime retail" in front of the Louvre
- ✓ Refurbishment to start in 2019

Jena

- ✓ Refurbishment project in the heart of Paris CBD, next to "l'Arc de Triomphe"
- ✓ Project designed by the famous French architect Dominique Perrault to create an iconic building
- ✓ Ambitious refurbishment program starting next year

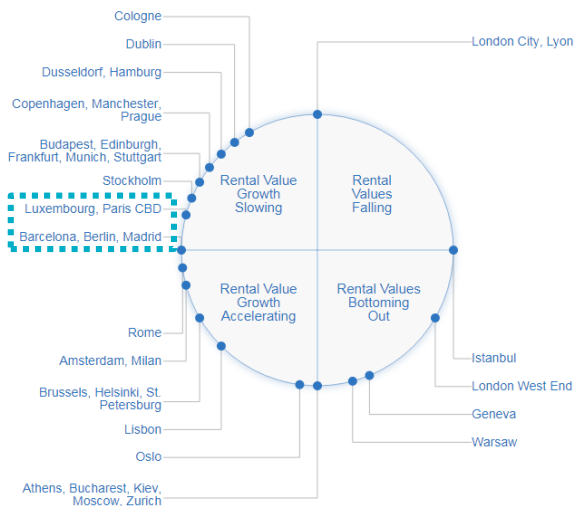
<sup>1</sup> Ungeared 10Y IRRs

## Capturing reversion of current portfolio on track

### Colonial well positioned to capture rental growth

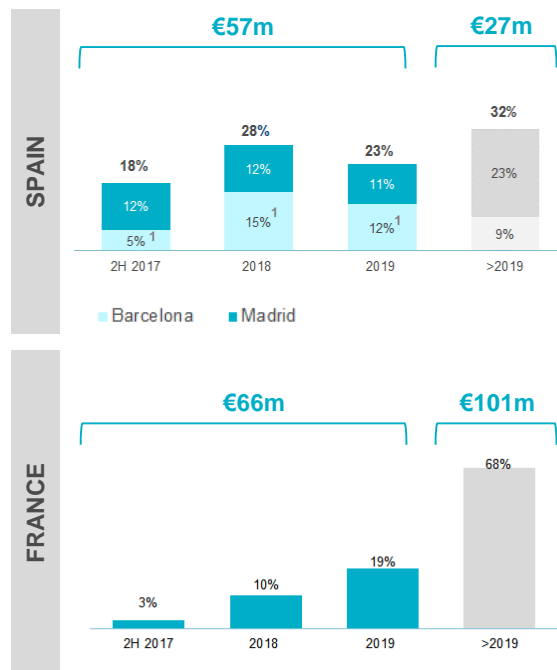
- > Portfolio with prime exposure to attractive growth markets
- > Attractive rent roll profile with solid momentum on leasing
- > Double digit release spreads capturing reversion from under-rented contract portfolio

#### SOLID POSITIONING IN GROWING MARKETS



#### COMMERCIAL LEASE EXPIRY DATES

First potential exit as of 06/17



#### CONTRACT PORTFOLIO

	Market rents vs current passing rents	Release Spread <sup>2</sup>
BARCELONA	+12%	+19%
MADRID	+7%	+10%
PARIS	+4%	flat

Source: JLL Q2 2017 data

1) As of 9/17: 2017 2%, 2018 15%, 2019 12%

2) New rent vs previous 3Q 2017

**Smart capital allocation as a principle**

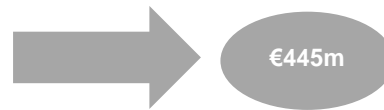
- > Capturing optimal point in specific asset life cycle
- > Asset rotation as source of value creation
- > Redeploying capital on value add projects

**SMART CAPITAL ROTATION**

In & Out



Value creation through disposal of a mature asset



Emile Zola



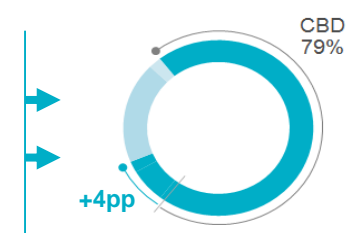
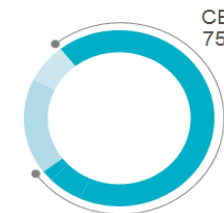
Reinvestment in value add project in city center

**REAL ESTATE VALUE CREATION**

Capital recycling from “Core” to “Value Add”



Capital recycling from “Secondary” to “City Center”



(1) Estimated total investment of (€245m - €265m) based on current project analysis

## 05 Growth drivers Acquisitions & Disposals

### Acquisition programme on track

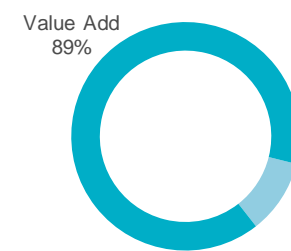
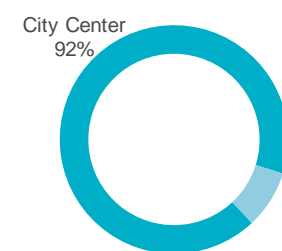
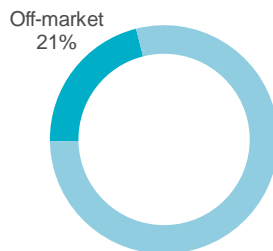
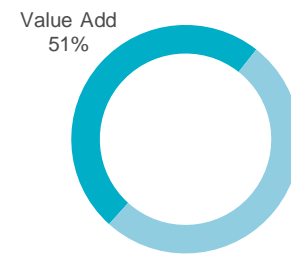
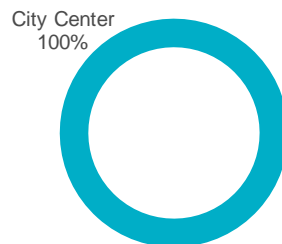
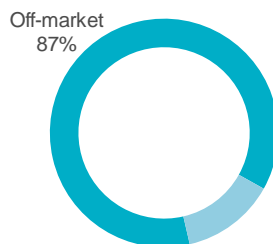
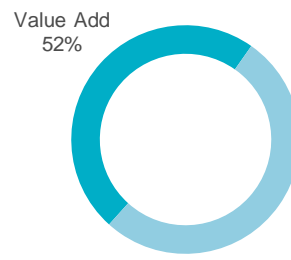
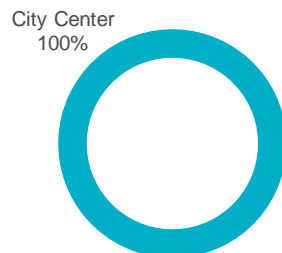
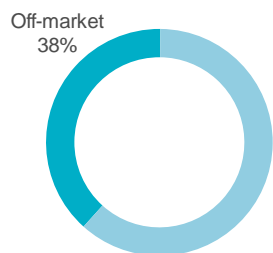
- > Sourcing prime sites with unique market positioning
- > Unlocking value through real estate transformation
- > Additional pipeline under analysis

#### OFF MARKET

#### CITY CENTER

#### VALUE ADDED

#### INVESTMENTS SINCE 2015



	Price - €m	IRR <sup>2</sup>	IRR update <sup>3</sup>
<b>Condorcet <sup>1</sup></b>	230	6%	↑
<b>Plaza Europa <sup>1</sup></b>	10	>7%	↑
<b>Discovery Building</b>	43	>10%	✓
<b>Príncipe Vergara 112</b>	45	>10%	✓
<b>Génova 17</b>	36	7%	✓
<b>Percier</b>	68	6%	✓
<b>Santa Engracia</b>	67	7%	↑
<b>Acquisitions 2015</b>	<b>499</b>		
<b>José Abascal 45</b>	35	>6%	✓
<b>Parc Glories</b>	77	>9%	↑
<b>Serrano 73</b>	48	6%	✓
<b>Santa Hortensia</b>	154	>7%	✓
<b>4.4% Stake SFL</b>	106	6.5%	✓
<b>1.0% Stake SFL</b>	24	6.5%	✓
<b>15% Stake in Axiare</b>	136	Discount on NAV	
<b>ALPHA I</b>	<b>579</b>		
<b>Paseo Castellana 163</b>	51	>9%	✓
<b>Travessera Gracia 47-49</b>	41	>6%	✓
<b>Plaza Europa 34</b>	32	9%	✓
<b>112-122 Av. Emile Zola</b>	265	>7%	✓
<b>ALPHA II</b>	<b>389</b>		

2017 Acqu. Target delivered in H1

(1) Investments materialized in November and December 2014 respectively

(2) 10 year ungeared asset IRR

(3) Without including yield compression since initial underwriting









### **DELIVERY IN OPERATIONS WITH SOLID RENTAL PRICE INCREASES**

---

- > Strong letting momentum capturing top tier clients
- > Solid occupancy levels at 97%
- > Double digit increase on signed rental prices
- > Ongoing execution of value added initiatives

### **STRONG FINANCIALS**

---

- > Solid like-for-like growth in rental income driven by price increases
- > Healthy growth profile underpinned by high quality asset base
- > Additional value creation through asset rotation
- > Active balance sheet management optimizing capital structure
- > Strong top & bottom line performance

### **CONFIDENT OUTLOOK**

---

- > CBD markets and Colonial portfolio with solid growth perspectives
- > Colonial best positioned to capture rental cycle
- > Significant value creation through attractive project pipeline
- > Acquisition plan well ahead of target with high confidence on further delivery
- > Strategy with superior risk adjusted returns





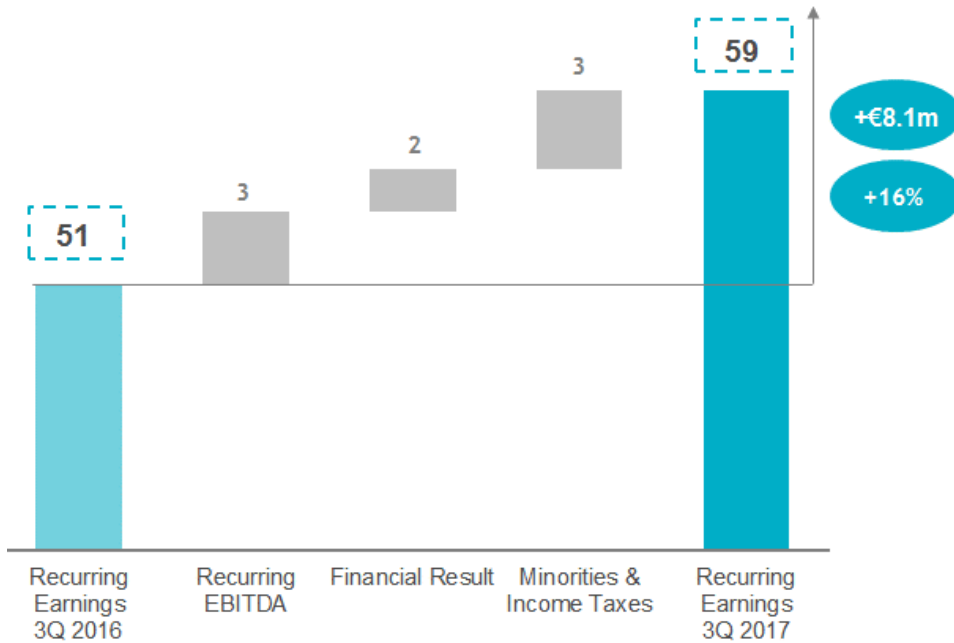


Positive momentum in earnings

High double digit profit increase based on high quality growth drivers

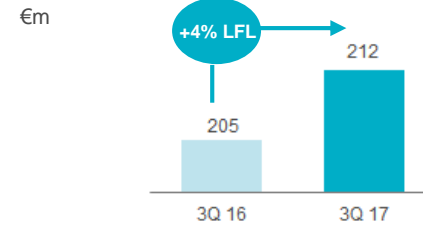
1. Solid GRI increase
2. Optimized financing through active liability management
3. Increase in SFL stake from 53.1% to 58.6% (Alpha I)

PROFIT & LOSS ACCOUNT

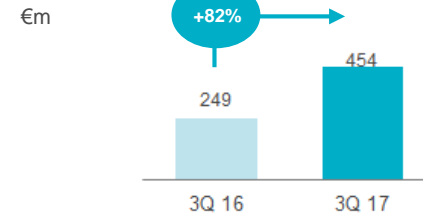


STRONG TOP & BOTTOM LINE PERFORMANCE

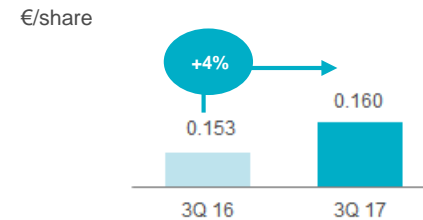
GROSS RENTAL INCOME



NET PROFIT



FFO per share<sup>1</sup>



<sup>1</sup> Recurring net result excluding amortizations and accrual of the incentive plan



## A solid capital structure

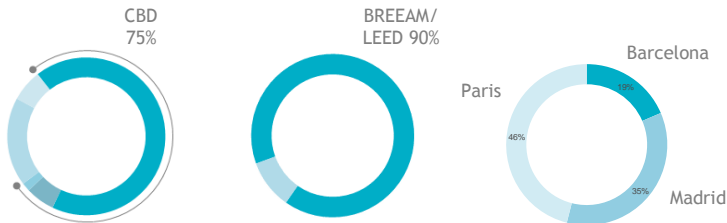
### A high quality collateral underpinned with a solid financial structure

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

#### 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 profile with solid investment grade rating**



Rating Standard & Poor's  
**BBB Stable Outlook**

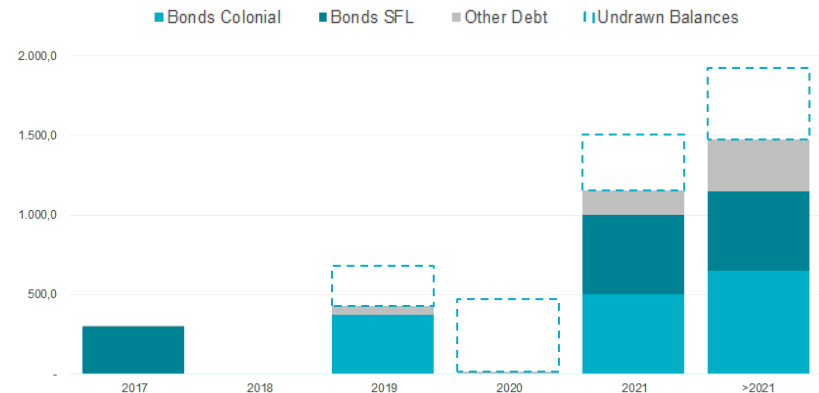


Rating Moody's  
**Baa2 Stable Outlook**

#### A SOLID FINANCIAL STRUCTURE

##### Capital Structure

	31/12/2016	30/09/2017
Cost of Debt Spain	1.96%	2.02%
Cost of Debt Group	1.96%	2.03%
Maturity Spain	6.0 years	5.4 years
Maturity Group	5.0 years	4.5 years
Cash	€105m	€428m
Undrawn balances	€768m	€1,510m
Group LTV	41.4%	33.5%
% Debt fixed or hedged	82%	94%



## 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
<b>06-14</b>	<b>4.49</b>	0	4.49	-	-	-
12-14	4.77	0	4.77	6%	-	<b>6%</b>
12-15	6.16	0	6.16	29%	-	<b>29%</b>
12-16	7.25	0.150	7.40	18%	2%	<b>20%</b>
06-17	8.07	0.165	<b>8.24</b>	11%	2%	<b>14%</b>
<b>Total Return since 6/14 (NAV per share growth + dividends)</b>						<b>87%</b>

Colonial



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

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