



**Colonial**



## Ordinary General Meeting of Shareholders

28 June 2016



- 01 Colonial – Leader in prime offices
- 02 2015 Annual Results
- 03 Project Alpha



# 1 Colonial – Leader in Prime Offices



**GROUP KEY PORTFOLIO METRICS**

<b>Group GAV 12/15</b>	6,913 €m	+16% LFL
<b>Nº Assets 12/15</b>	36 Spain 20 France	
<b>Surface Above Ground 12/15</b>	771,313 sq m	
<b>EPRA Occupancy 12/15</b>	94%	+845 bps

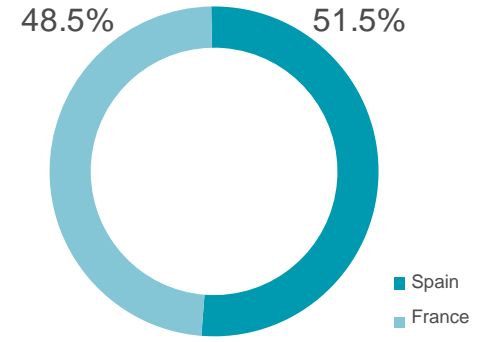
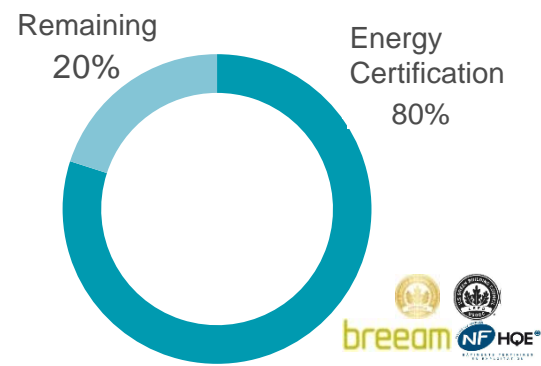
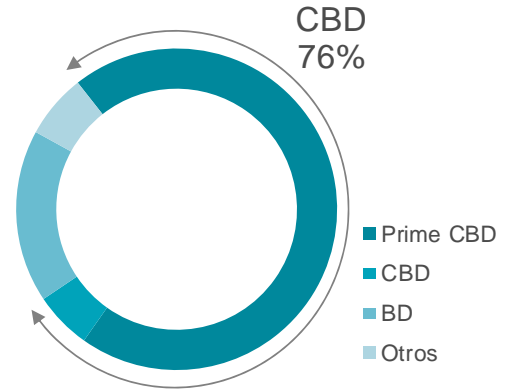
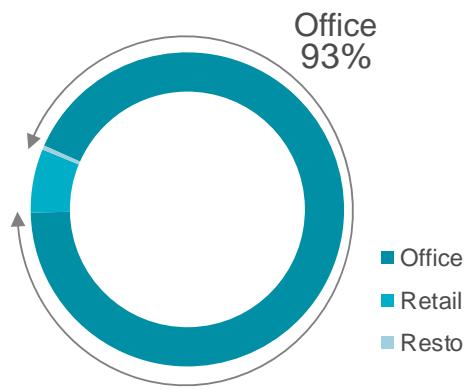
**CAPITAL STRUCTURE METRICS**

<b>Market Capitalization<sup>1</sup> / Net Profit 12/15</b>	2,047 €m	415 €m
<b>EPRA NAV 12/15 (cents €/share)</b>	62 cts €/share	+29%
<b>Group LTV 12/15</b>	41,8%	
<b>Rating Investment Grade</b>	BBB- (Stable outlook) S&P	

**BUSINESS MIX**

**GROUP GAV 12/15**

**GAV HOLDING 12/15**



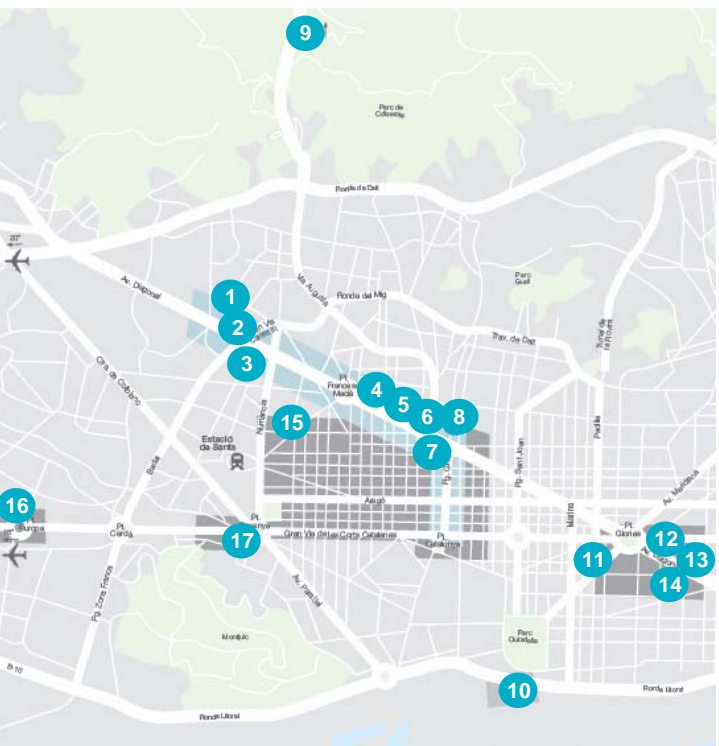
(1) At December 31<sup>st</sup> 2015



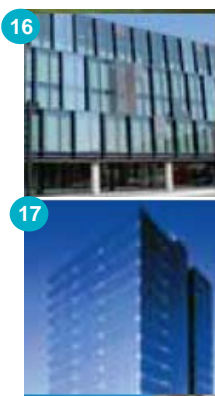
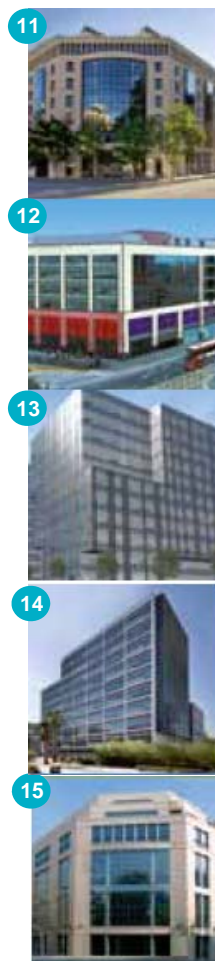
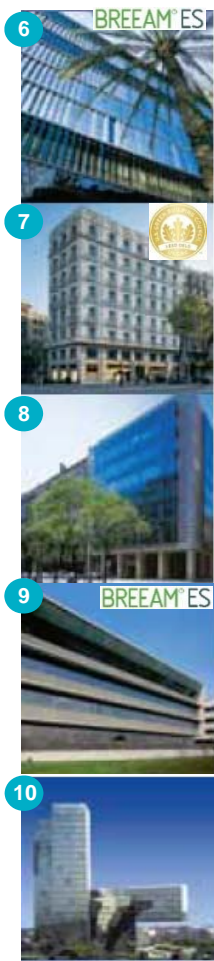
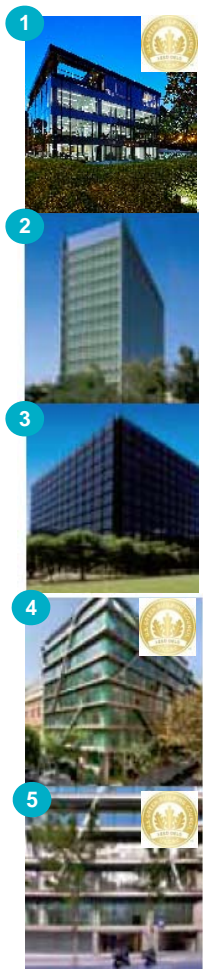
Colonial – Leader in Prime Offices  
Focus on AAA offices located in prime areas

A unique portfolio with high quality assets in the Barcelona market

EXPOSURE IN BARCELONA



GAV <sup>(1)</sup>	689€m
Surface in operation	285,935 m <sup>2</sup>
Surface under development	31,520 m <sup>2</sup>
% Office EPRA Occupancy	89%



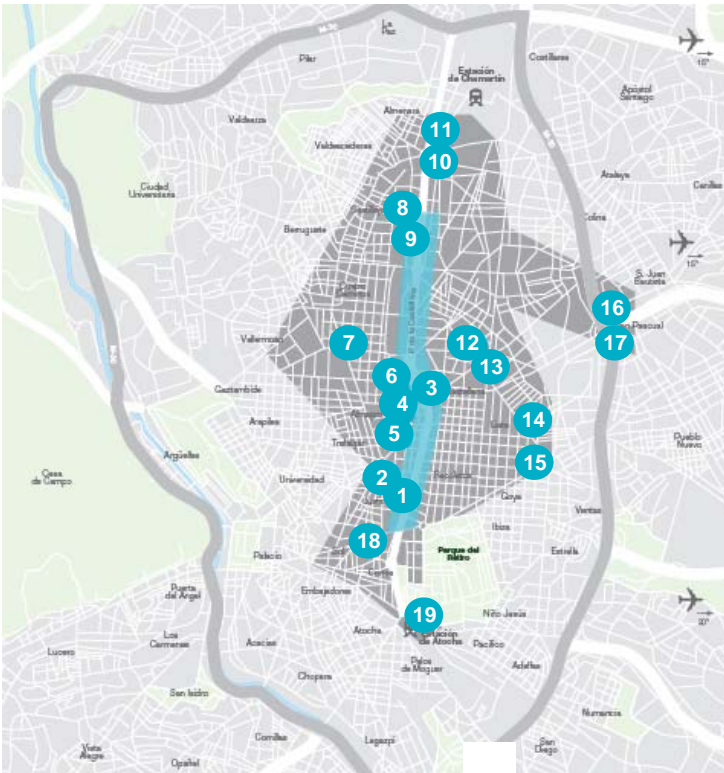
2016

Parc Glòria

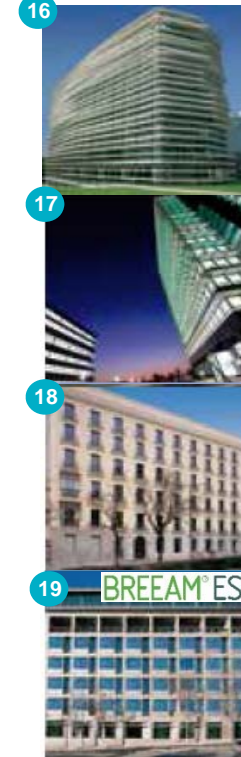
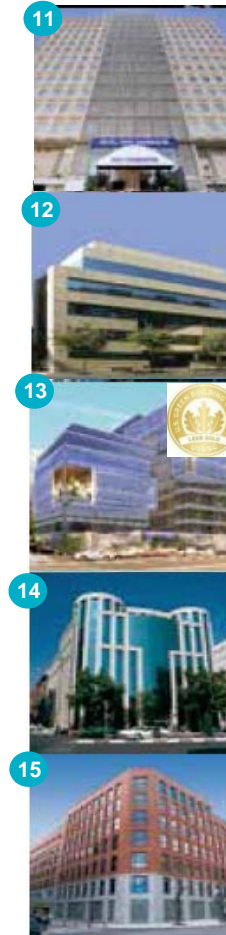
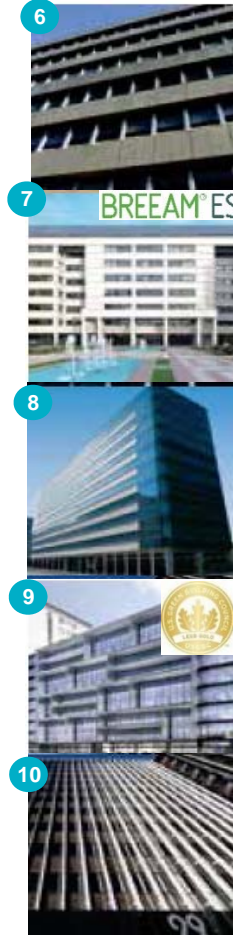
**Colonial – Leader in Prime Offices**  
Focus on AAA offices located in prime areas

A unique portfolio with high quality assets in the Madrid market

**EXPOSURE EN MADRID**



GAV <sup>(1)</sup>	981€m
Surface in operation	268,841 m <sup>2</sup>
Surface under development	36,409 m <sup>2</sup>
% Office EPRA Occupancy	96%



2016

Jose Abasco

Serrano, 73

Santa Hortensia

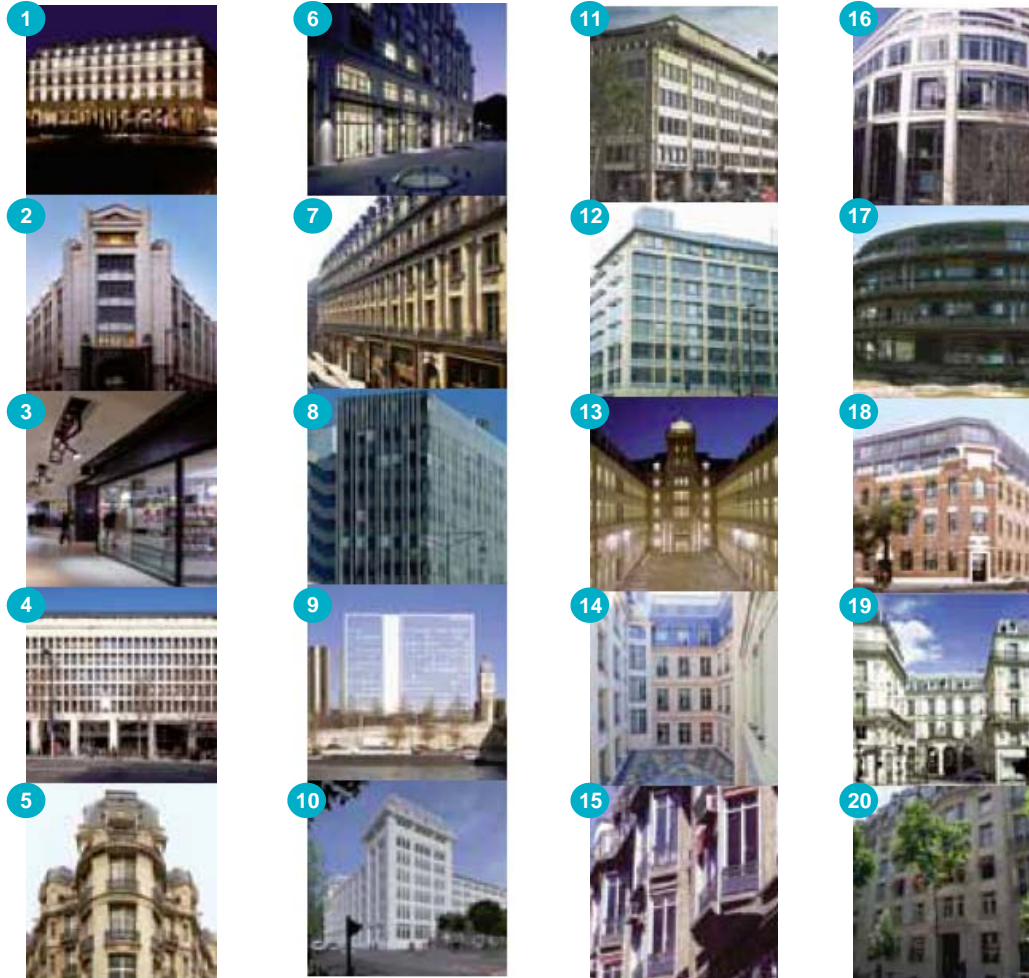
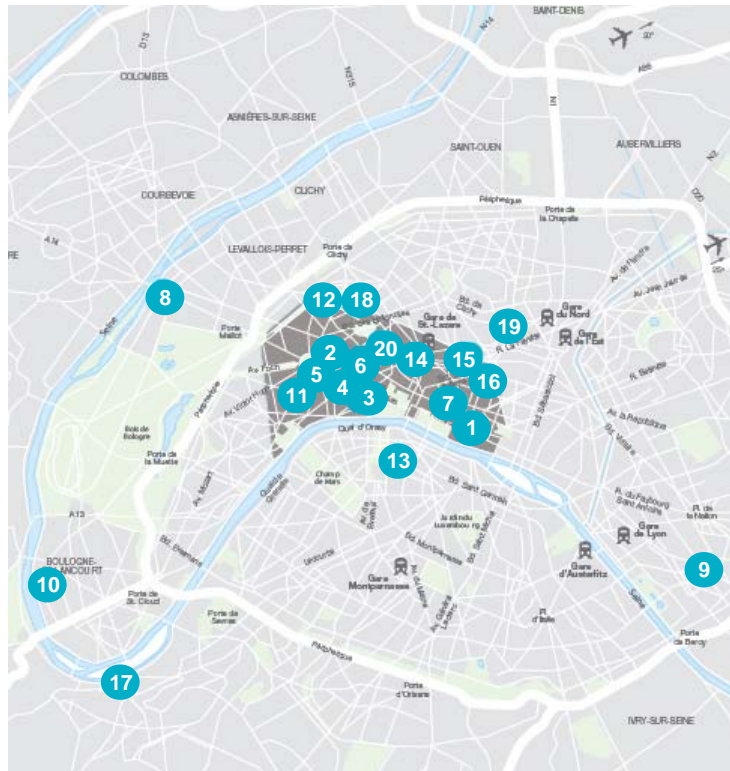
Based on Property asset valuation December 2015. Includes assets of the remaining of Spain



**Colonial – Leader in Prime Offices**  
 Focus on AAA offices located in prime areas

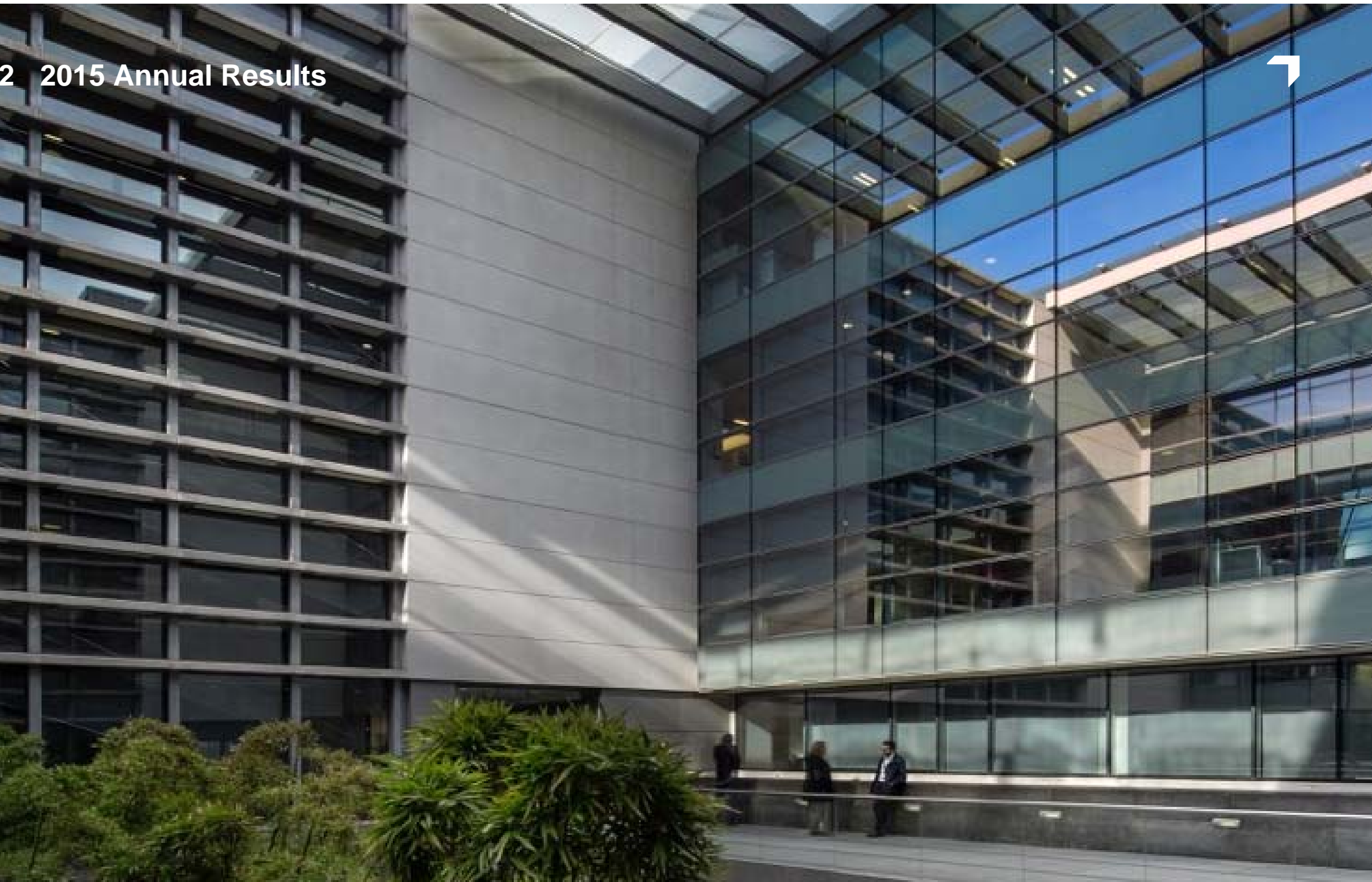
A unique portfolio with high quality assets in the Paris market

**EXPOSURE IN PARÍS**



GAV <sup>(1)</sup>	5,242€m
Surface in operation	414,190 m <sup>2</sup>
Surface under development	51,272 m <sup>2</sup>
% Office EPRA Occupancy	94%

<sup>(1)</sup> based on Property asset valuation December 2015

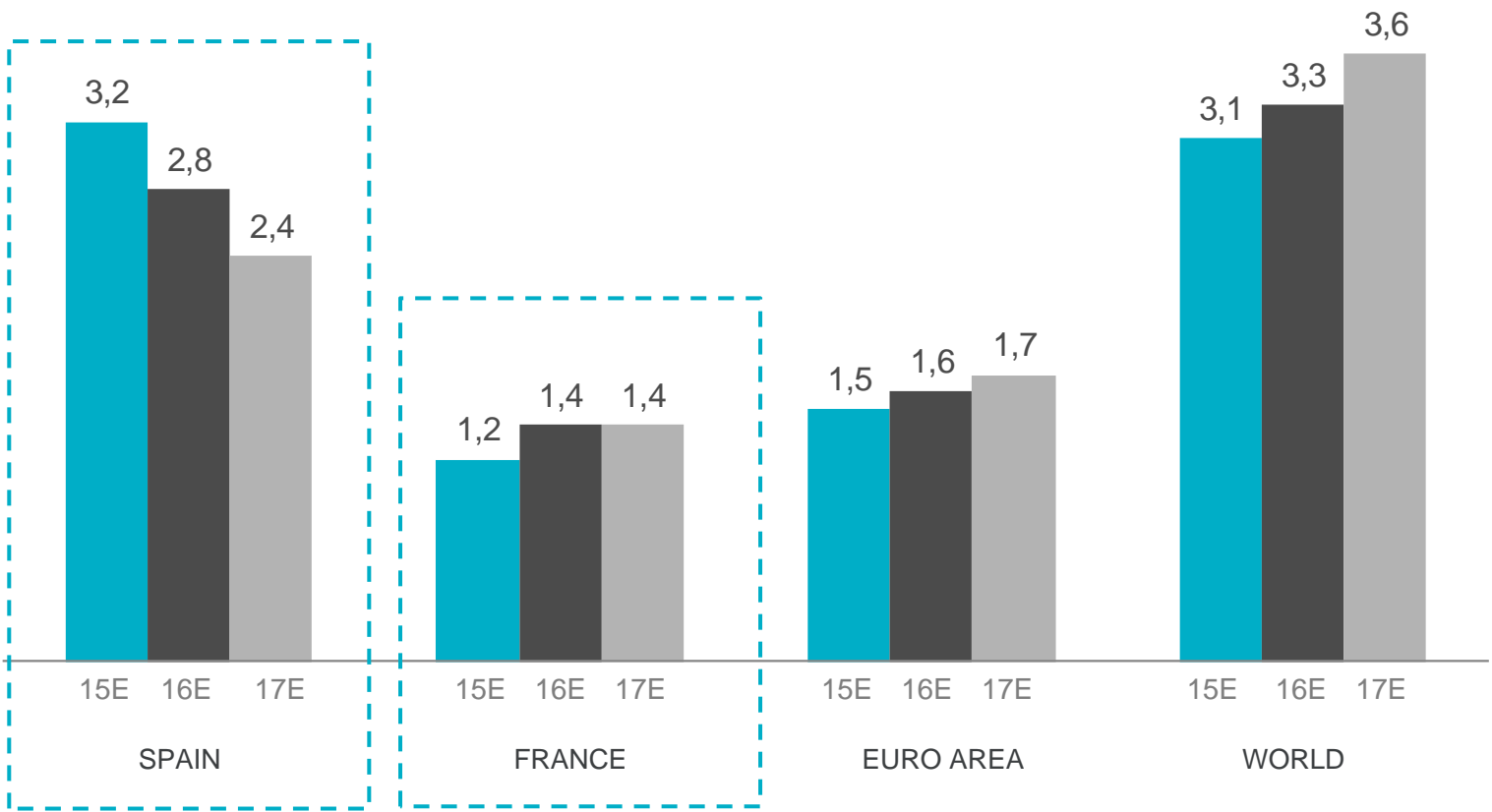




**Global growth affected by China and Oil Price, however:**

- > Spain remains as the best Europe economy
- > France with increasing growth momentum

**GDP GROWTH**

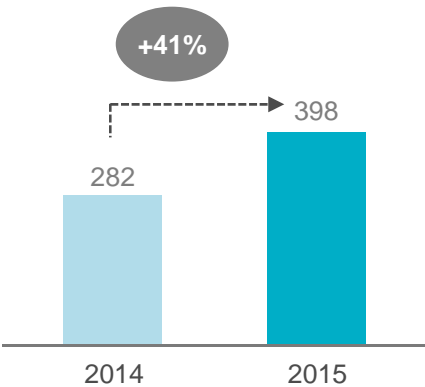


Source: Monthly Report "La Caixa" Junie2016 & BNP Paribas

Increasing momentum in take-up faces scarcity of Grade A availability in CBD

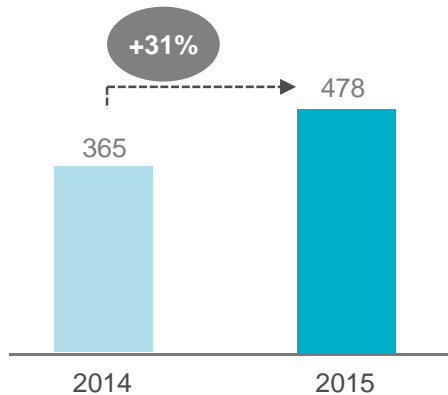
**BARCELONA**

TAKE-UP ('000 sq m)



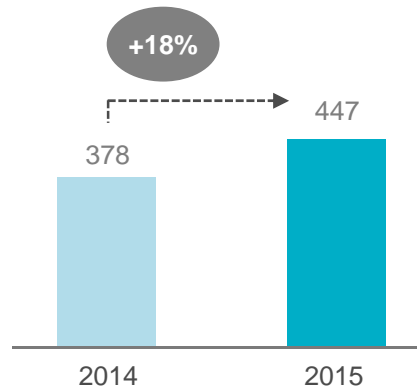
**MADRID**

TAKE-UP ('000 sq m)

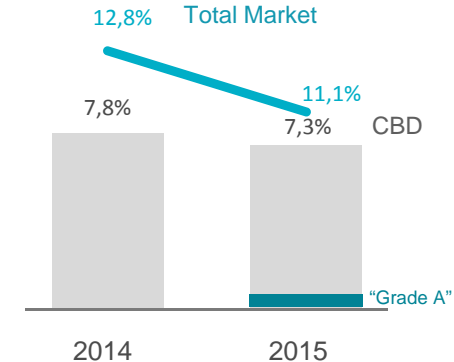


**PARIS**

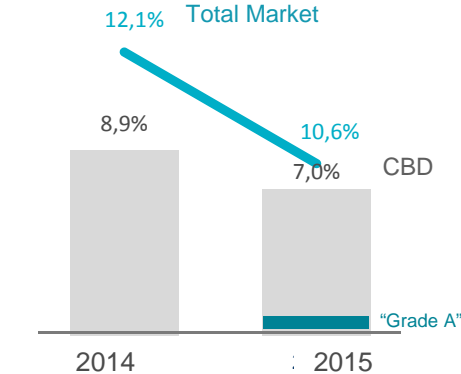
TAKE-UP CBD ('000 sq m)



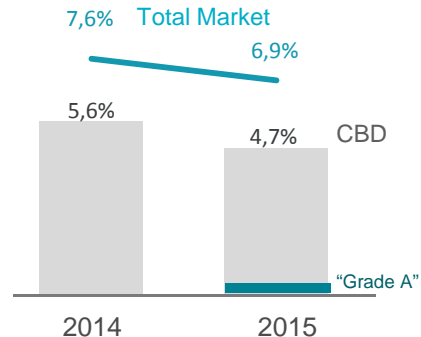
VACANCY



VACANCY



VACANCY



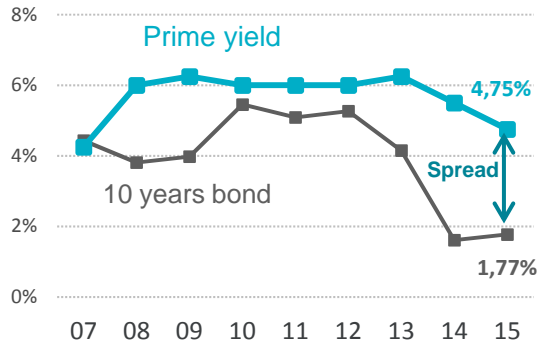
Source: JLL



- > Significant yield compression in every market
- > Spread vs reference rates remain at very attractive levels
- > Room for further capital value growth

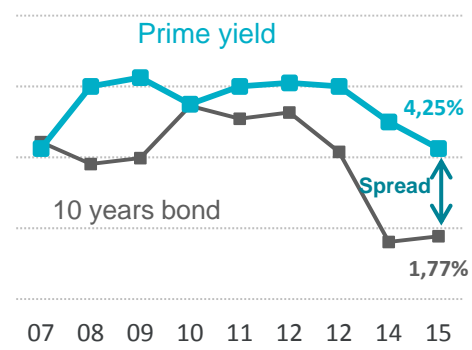
PRIME YIELDS (1)

BARCELONA



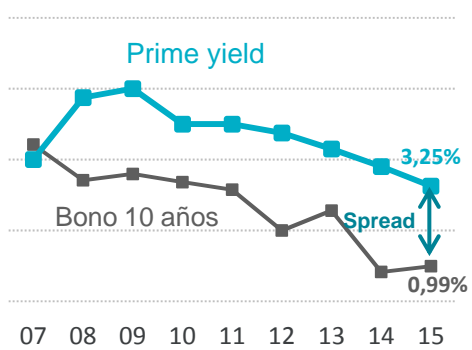
Investment Volume of 530€m

MADRID



Investment Volume of 2,600€m

PARIS



Investment Volume of 29,000€m

(1) Market consultants in Spain report gross yields and in France they report net yields  
Source: JLL & Bloomberg







## A YEAR WITH LANDMARK RESULTS

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- > EPRA NAV €62cts/share, +29% total return
- > Rental Income, +9% (+6% like for like)
- > Net Recurring Profit, +121%
- > Net profit of €415m

## PERFORMANCE AND TRANSACTIONS

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- > Record Volume in commercial effort: more than 163,000 sq m in a year
- > High growth in office occupancy, +845bp reaching 94%
- > Success in project execution and repositioning strategies
- > Selective acquisition plan “on track” with attractive return

## KEY FINANCIAL ASPECTS

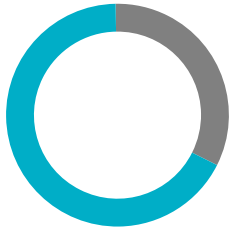
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- > First Spanish Real Estate Company obtaining “Investment Grade” rating
- > Successful bond issuance of €1,750m
- > Reporting transparency recognition by the EPRA
- > Significant increase of analysts coverage

Continued positive momentum on letting activity in every market

**BARCELONA**

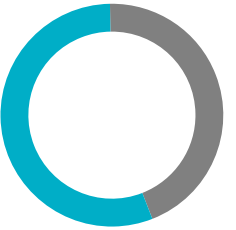
> SQ M LET



- 67% New Lettings
- 33% Renewals & Revisions

**MADRID**

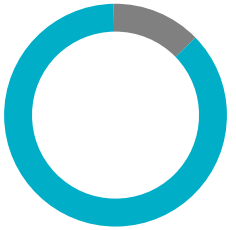
> SQ M LET



- 56% New Lettings
- 44% Renewals & Revisions

**PARIS**

> SQ M LET

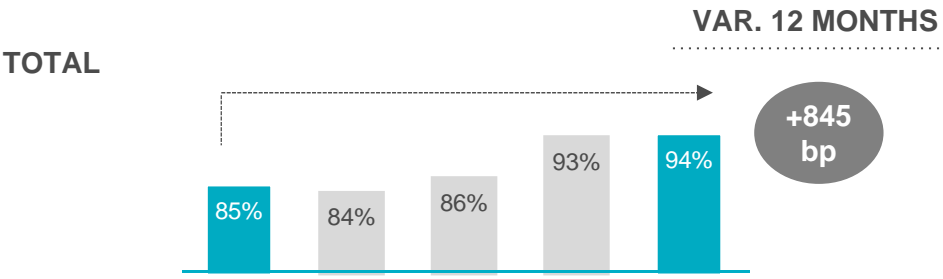
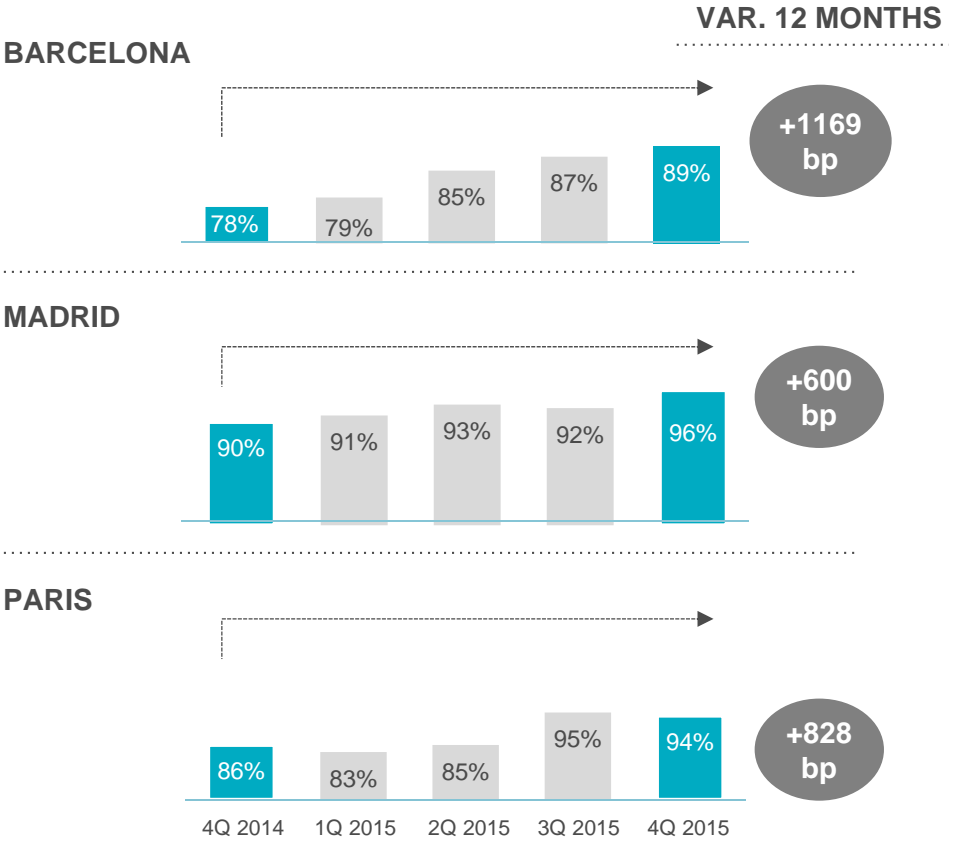


- 87% New Lettings
- 13% Renewals & Revisions



Significant progress in every market

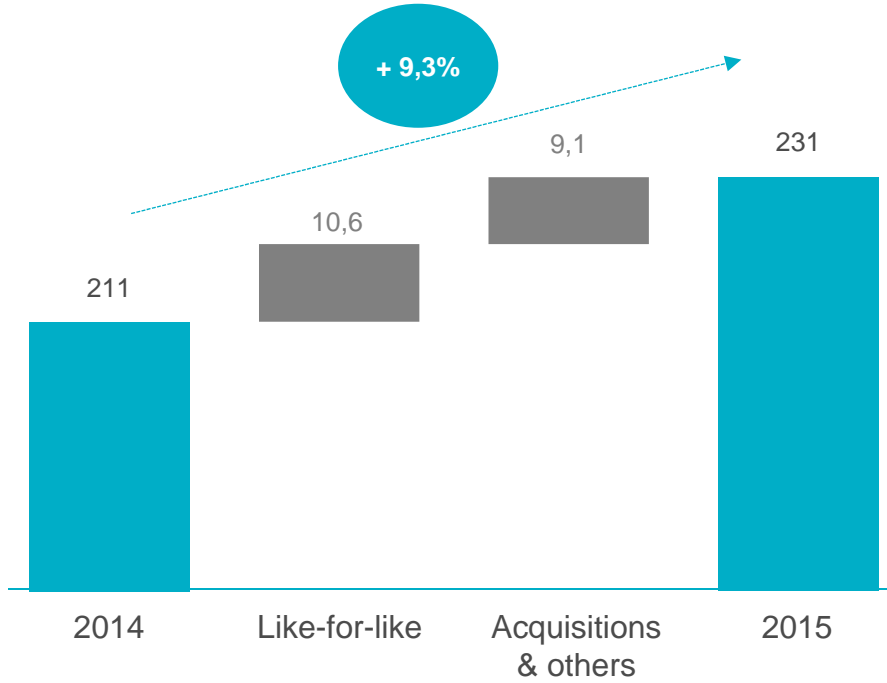
EPRA FINANCIAL OFFICE OCCUPANCY



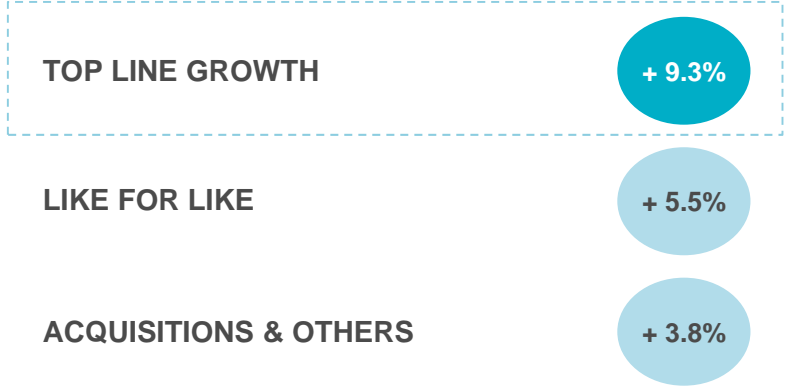
**Strong top line growth driven by:**

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

**GROSS RENTAL INCOME- €M**



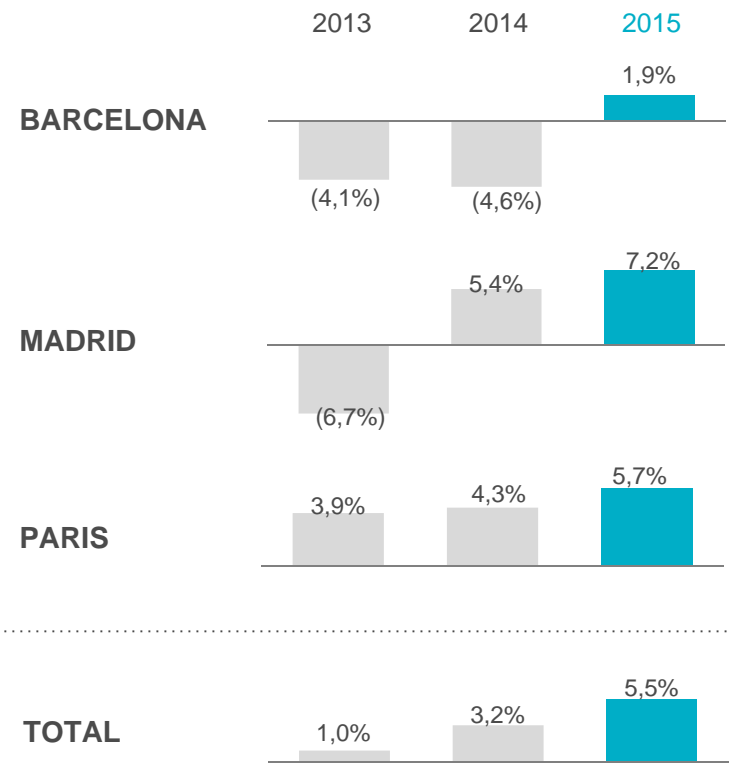
**GROSS RENTAL GROWTH**



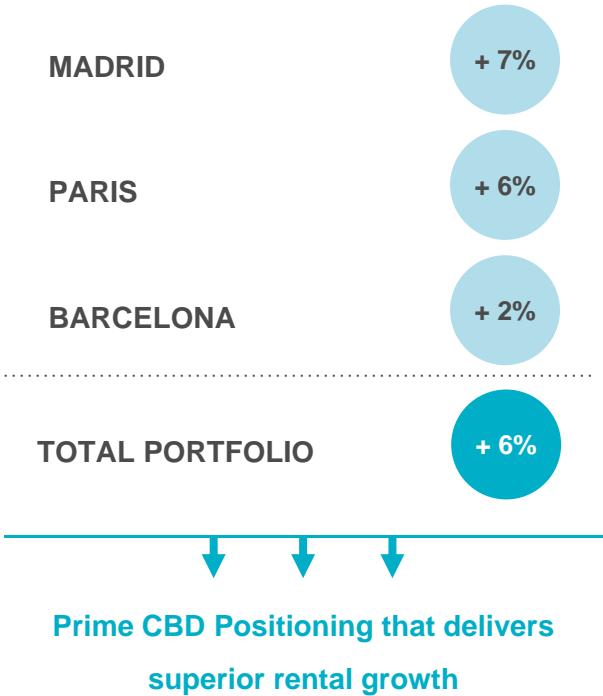
Strong recovery of gross rental income in all markets

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

“LIKE FOR LIKE” RENTAL GROWTH



STRONG RECOVERY IN ALL MARKETS



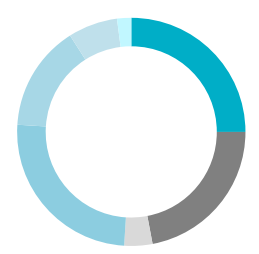


High quality premises attract and retain top tier tenants  
 > A well diversified tenant base with long-standing clients  
 > 2015 – another year of capturing many new high quality clients

**TOP QUALITY TENANTS**



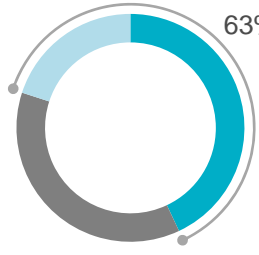
**DIVERSIFIED SECTOR MIX**



- 25% Professional Services
- 22% Finance/Insurance
- 4% Telecoms/ Informatics
- 25% Consumer Goods & Industry
- 15% Government Bodies
- 7% Media & Communication
- 2% Leisure/ Restoration

**LONG STANDING CLIENTS**

Length of time tenants stay



- 43% >10 years
- 20% Between 5 and 10 years
- 37% <5 years

Successful project execution– Superior returns through value added strategies

- > Highly successful value added strategies – Prime Factory Projects
- > Superior returns & value creation for shareholders

#CLOUD



Project Start	2012
Release	90% pre let
ERV Uplift	+42%
Capital Gain <sup>(1)</sup>	+54%
Yield on cost	+6,1%
<b>IRR ungeared<sup>(1)</sup></b>	<b>+16%</b>

90 CHAMPS ELYSÉES



Project Start	2012
Released	90% pre let
ERV uplift <sup>(2)</sup>	+35%
Capital Gain <sup>(1) (2)</sup>	+38%
Yield on cost <sup>(2)</sup>	+5,2%
<b>IRR ungeared<sup>(1) (2)</sup></b>	<b>+10%</b>

IN/OUT



Project Start	2011
Released	100% let
ERV(uptift <sup>3)</sup>	+90%
Capital Gain <sup>(1)</sup>	+31%
Yield on cost	+6,6%
<b>IRR ungeared<sup>(1)</sup></b>	<b>+7%</b>

(1) Capital Gain and IRR from beginning of the4 Project until12/2015 (exit GAV at 12/2015)

(2) Including retail part (1st floor occupied by H&M

(3) Compared to Thomson CSF leasing conditions in 2009

Successful project execution– Superior returns through value added strategies

- > Highly successful value added strategies – Prime Factory Projects
- > Above average profitability and value creation

**JOSÉ ABASCAL**



Project start	06/2014
Released	98% let
ERV uplift	+14%
Capital Gain <sup>(1)</sup>	+36%
Yield on cost	+6,6%

**IRR ungeared<sup>(1)</sup> +35%**

**TILOS**



Project start	12/2013
Released	100% let
ERV uplift	+19%
Capital Gain <sup>(1)</sup>	+17%
Yield on cost <sup>(2)</sup>	+6,1%

**IIR ungeared<sup>(1) (2)</sup> +16%**

**DIAGONAL 409**



Project start	06/2013
Released	100% let
ERV uplift	+14%
Capital Gain <sup>(1)</sup>	+33%
Yield on cost	+6,6%

**IRR ungeared<sup>(1)</sup> +16%**

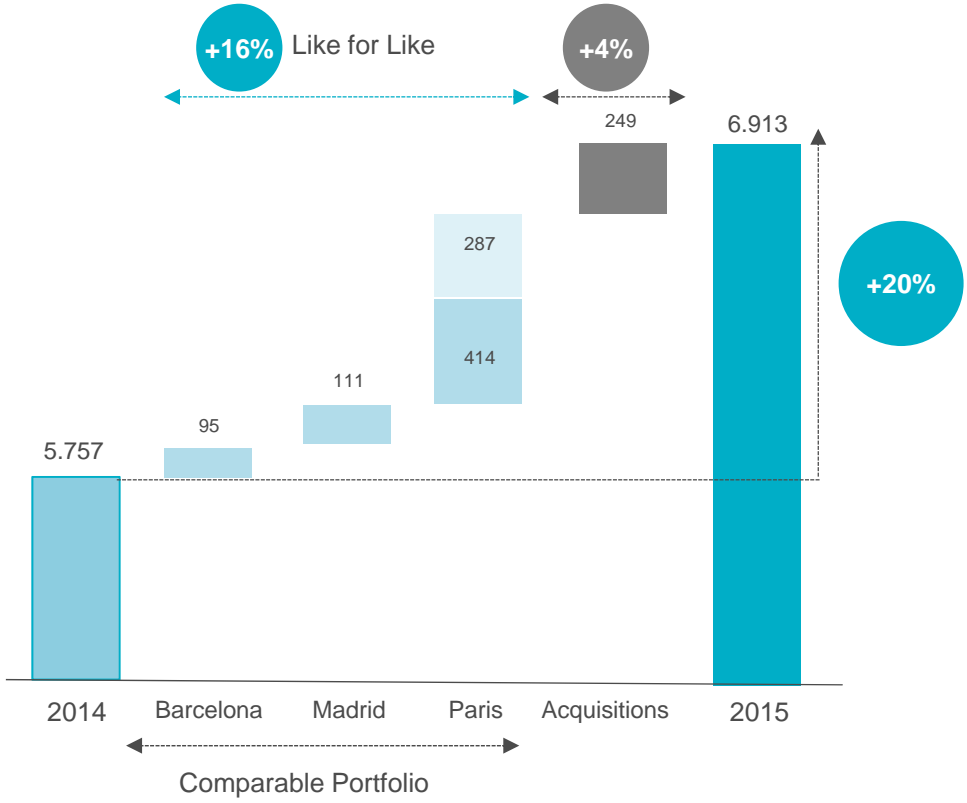
(1) Capital gain and IRR from beginning of the Project until 12/2015 (Exit GAV 12/2015)



2015 Annual Results  
 Portfolio strong like for like growth

- > Gross Asset Value of €6,913m (€7,239m including transfer costs)
- > Significant growth in Gross Asset Values, +16% like for like in a year

GAV 12 MONTHS (€M)



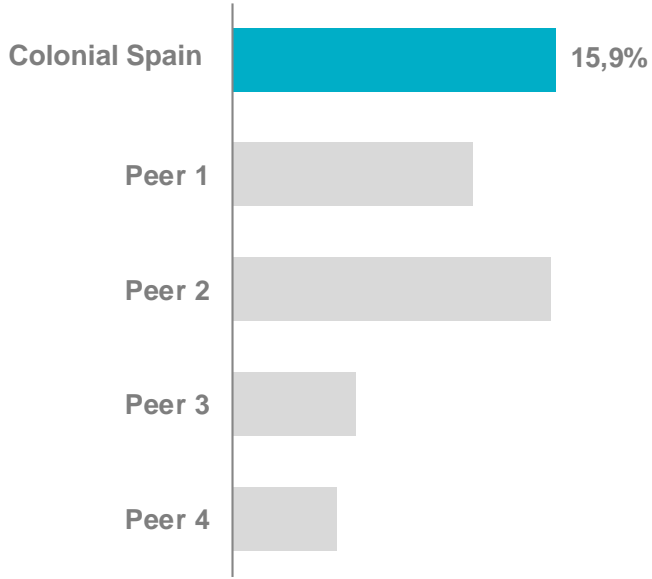
GAV VARIANCE LFL

	1H15	2H15	2015
BARCELONA	+10%	+6%	+16%
MADRID	+11%	+5%	+17%
PARIS	+7%	+8%	+16%
<hr/>			
TOTAL	+8%	+8%	+16%

The prime location and the active asset management of the portfolio allow Colonial superior a value creation compared to its peers

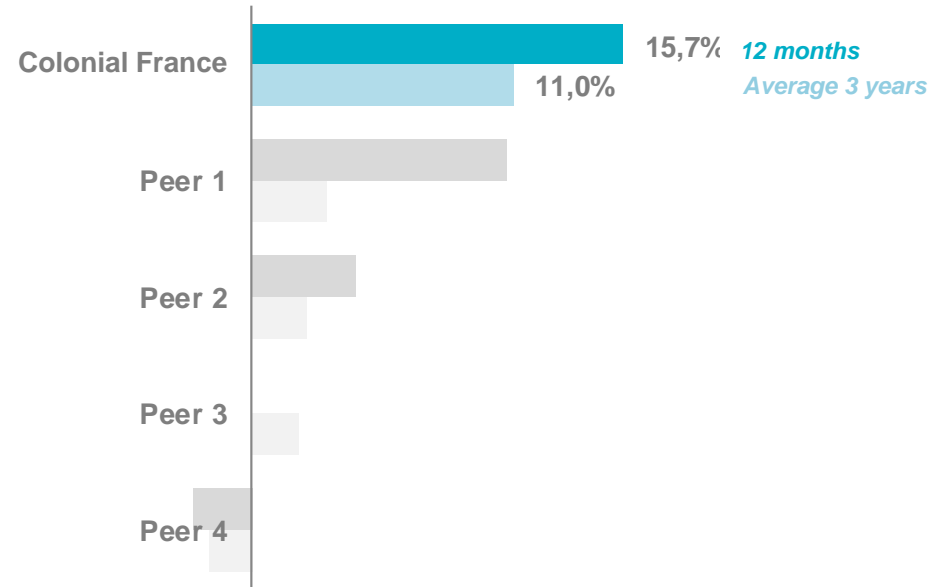
**GAV 12 MONTHS (€M) VS. PEERS SPAIN**

*LIKE FOR LIKE Growth 12 months*



**GAV 12 MONTHS (€M) VS. PEERS FRANCE**

*LIKE FOR LIKE growth 12 months & 3 years<sup>1</sup>*



(1) Like for Like growth of 3 years: Average of the like for like reported in the last three years.

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 (S&P)

SFL

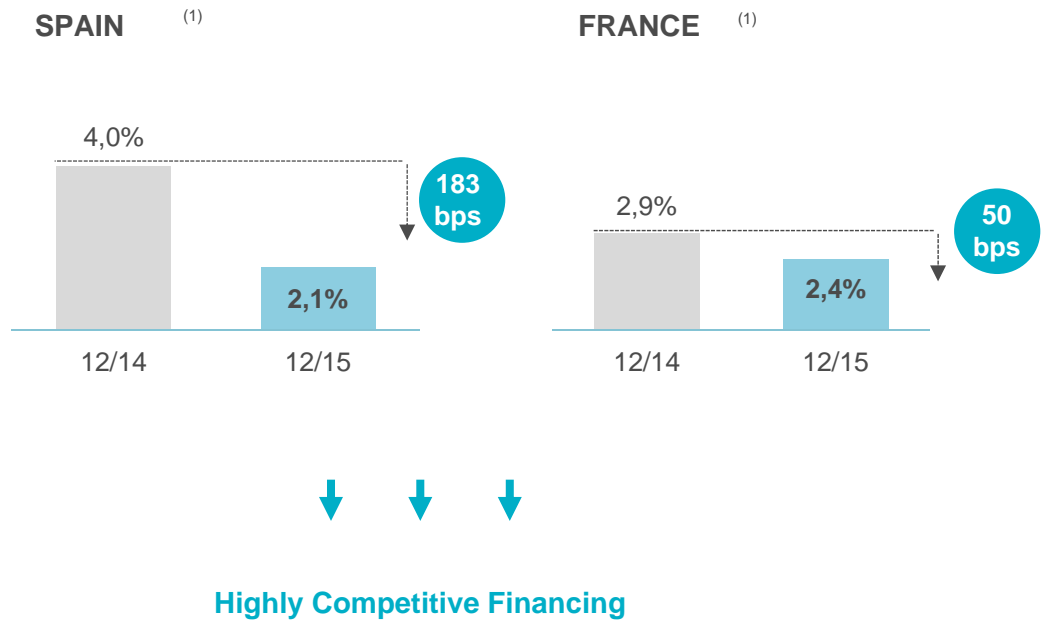
BBB with stable outlook (S&P)

SOLID CAPITAL STRUCTURE

Group LTV 41.8%

Group Maturity 4.8 years

SIGNIFICANT IMPROVEMENT OF FINANCING COSTS



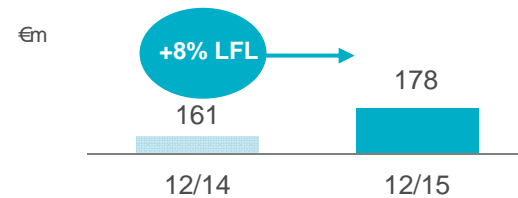
(1) Spot rate as December 2015



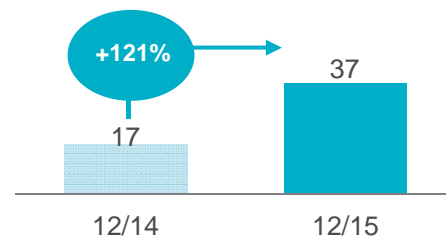
**Significant increase in Net Profit through:**

- > Strong operative performance
- > Important savings in financing costs
- > Prime positioning & Value Added Strategies generating above average growth

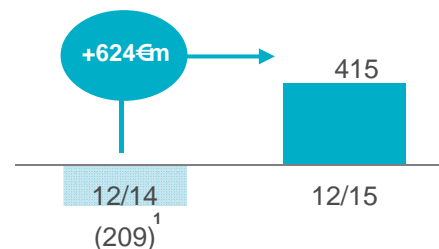
**RECURRING EBITDA**



**RECURRING NET PROFIT**



**NET PROFIT <sup>1</sup>**



(1) Before discontinued Operations divested in 2014

**PROFIT & LOSS ACCOUNTS €M**

Profit & Loss Accounts		
Results analysis - €m	2015	2014
Gross Rents	231	211
Net operating expenses <sup>(1)</sup>	(20)	(19)
Overheads	(33)	(32)
<b>Recurring EBITDA</b>	<b>178</b>	<b>161</b>
Results associated to SIIC de Paris - recurring	0	4
Recurring financial result	(83)	(102)
Income tax expense & others - recurring	(12)	(8)
Minority interests - recurring	(46)	(39)
<b>Recurring Earnings</b>	<b>37</b>	<b>17</b>
Variation of the asset value & Provisions	715	169
Non-recurring financial result & MTM	(48)	(124)
Income tax & others - non-recurring	(47)	(174)
Minority interests - non-recurring	(242)	(98)
<b>Profit attributable before discontinued operations</b>	<b>415</b>	<b>(209)</b>
Discontinued operations	0	701
<b>Profit attributable to the Group</b>	<b>415</b>	<b>492</b>

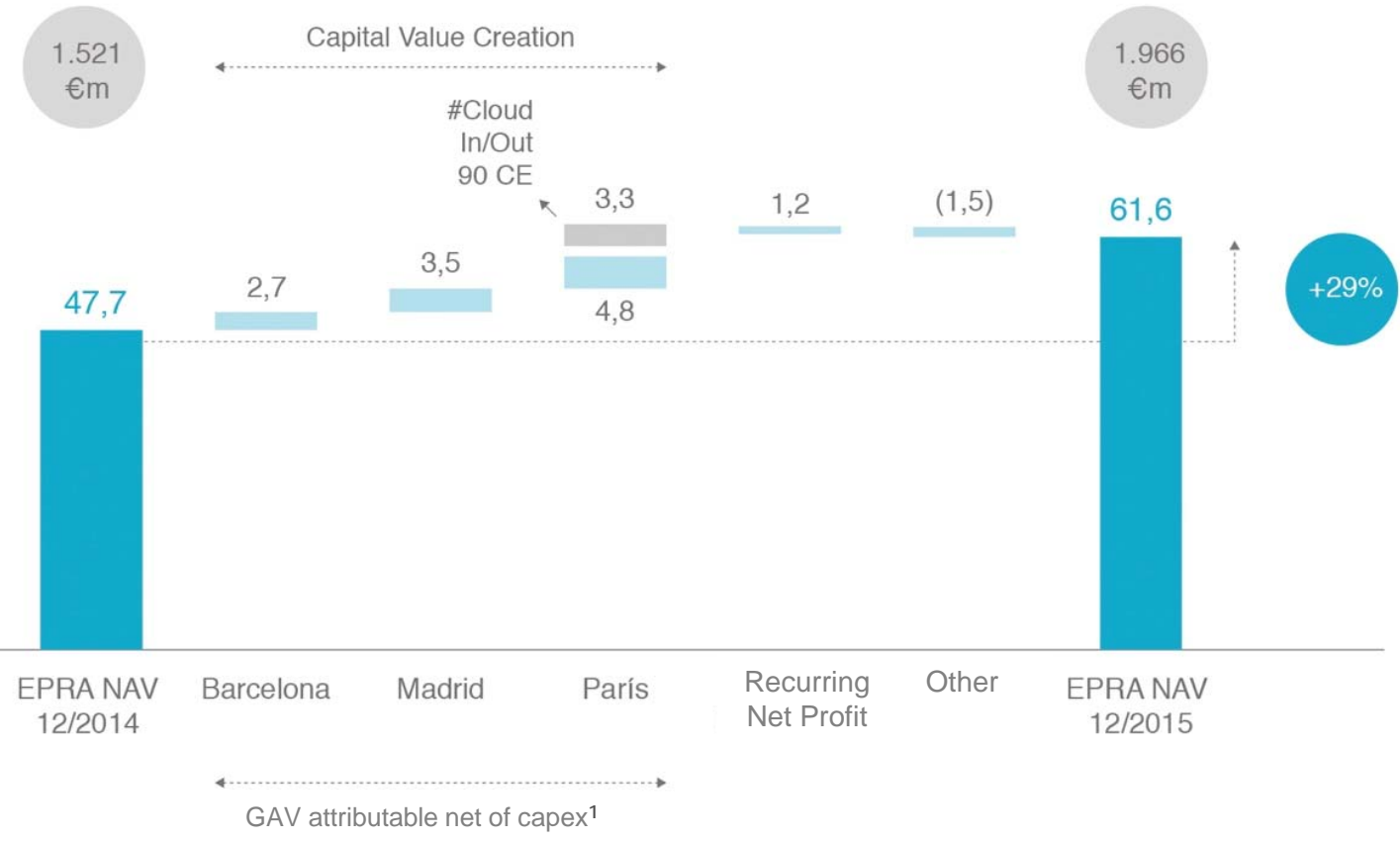
(1) Includes other income

2015 Annual Results  
 Double Digit Growth Total Shareholder Return

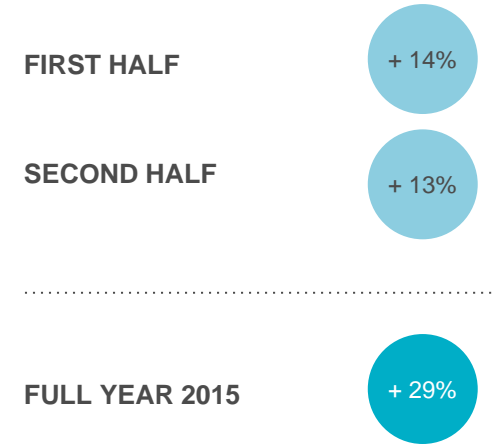
+29% Total Shareholder Return

**STRONG "MOMENTUM" IN GROWTH NAV**

Cts. €/share



**DOUBLE DIGIT TOTAL RETURN**



(1) Include the net impact of the increase of taxes associated to transfer costs effective from 1 of January 2016 (49€m)

- > Acquisition plan on track: 475€m<sup>1</sup>
- > Selective investment approach – focus on Prime Assets in CBD

**ACQUISITIONS TARGET**

- > 1,500€m in 5 years
- > 300€m annually

**ACQUISITIONS NOV'14-DIC'15**

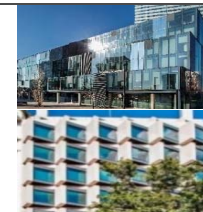
475€m<sup>1</sup> invested since Novembre 2014

			€m <sup>1</sup>
Nov 14	Condorcet	Paris	230
Dec 14	Plaza Europa	Barcelona	11
May 15	Estébanez Calderon	Madrid CBD	30
Jun 15	Percier	Paris CBD	68
Jul 15	Príncipe Vergara	Madrid CBD	31
Jul 15	Génova 17	Madrid CBD	37
Dec 15	Santa Engracia 120	Madrid CBD	68
			<b>475</b>

**INVESTMENTS 2015**

**MADRID & BARCELONA**

**CORE INVESTMENT**



**Plaza Europa**  
Barcelona New Business Area



**Génova 17**  
Madrid Prime CBD



**Santa Engracia**  
Madrid CBD



**PRIME FACTORY**



**Estébanez Calderón**  
Madrid Prime CBD

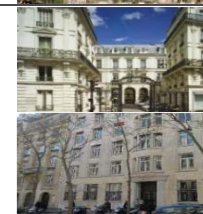


**Príncipe de Vergara**  
Madrid CBD



**PARIS**

**CORE INVESTMENT**



**Condorcet**  
Paris CBD



**Percier**  
Paris Prime CBD



(1) Acquisitions including transfer cost

Selective investment approach focused on assets in Prime CBD

MADRID

2015  

Estébanez Calderón

2015 

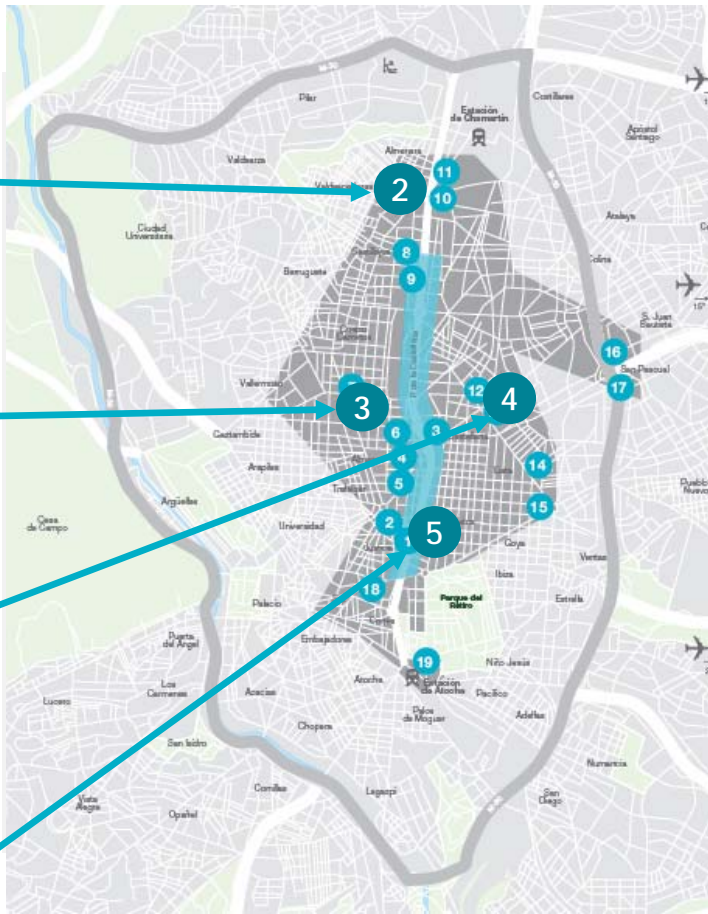
Santa Engracia

2015  

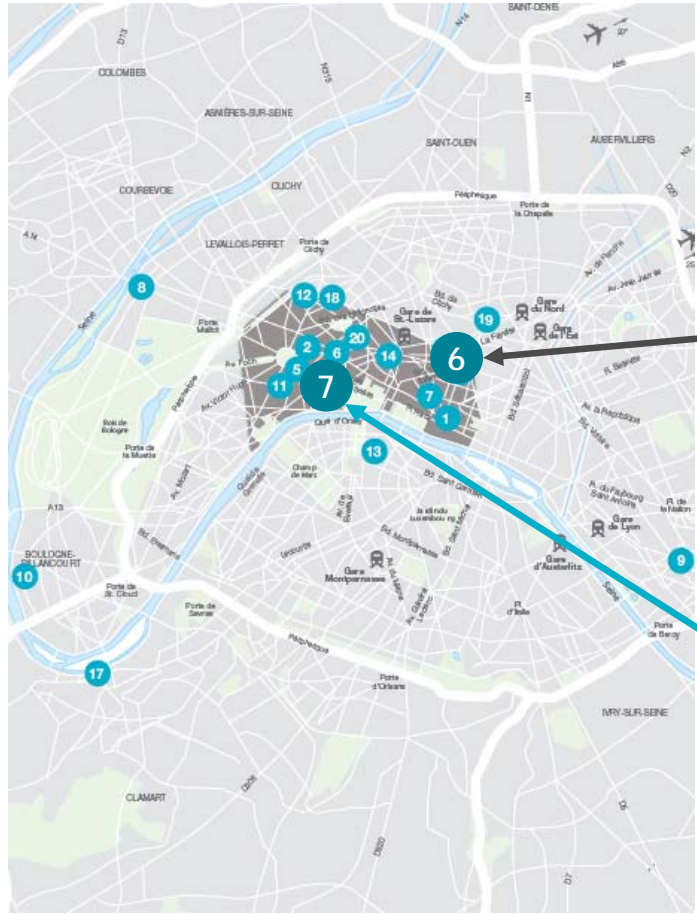
Príncipe Vergara, 112



2015 

Génova, 17



PARÍS



2014  

Rue Condorcet

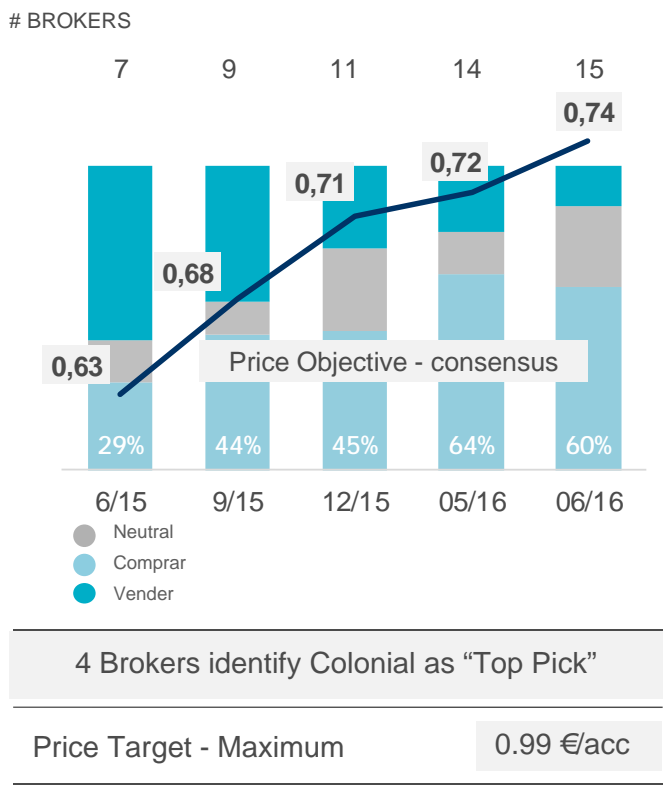
2015 

9, Av Percier

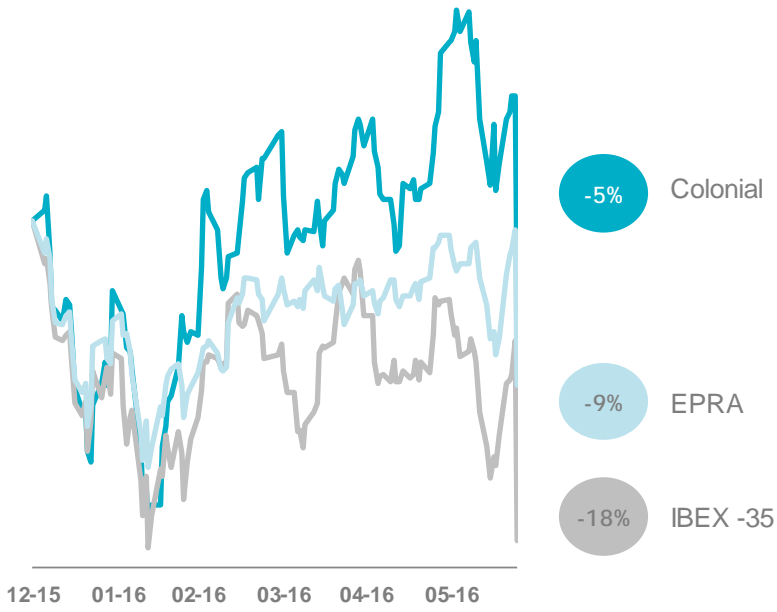


Good share evolution in a volatile capital markets  
 > The capital markets are rewarding Colonial's Strategy  
 > In 2016, Colonial share has outperformed its indexes and peers

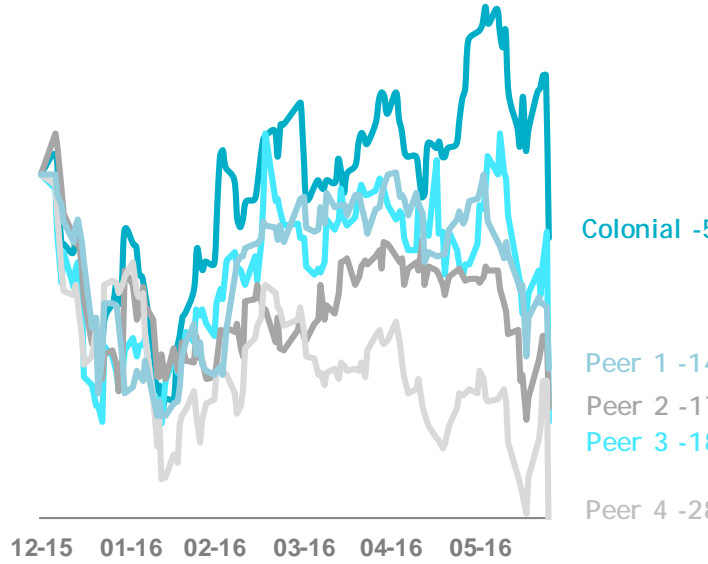
**ANALYSTS' RECOMMENDATIONS**



**COLONIAL VERSUS INDEX<sup>1</sup>**



**COLONIAL VERSUS PEERS SPAIN<sup>1</sup>**



(1) Closing June 24th 2016

Evaluation and transparency



Operating



CLOUD #



GÉNOVA 17

Corporate



Colonial, best European property management trading in the 'Europe Property Award'

**2015 Annual Results - Conclusion**  
 2015 A year with landmark results

A year with an outstanding operating and financial performance

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- 01** / Occupancy improvement as a main achievement in recurrent operating business
- 02** / Strong and sustainable income growth in all markets
- 03** / Value creation through “prime” positioning and successful project execution
- 04** / Fulfilment of the acquisition objectives with a selective investment approach
- 05** / Significant Capital Structure optimization – “Investment Grade” rating
- 06** / High total shareholder return: +29% in 2015

Solid base for future growth

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- 01** / CBD markets with solid fundamentals
- 02** / Good positioning for capturing the rental cycle
- 03** / Selective approach in asset acquisition
- 04** / Active portfolio management in order to maximize value
- 05** / Capital markets support Colonial’s strategy





### 3 Project Alpha





**NEW COLONIAL SHARES<sup>1</sup>**

**Contribution of Serrano, 73 and Headquarters - Santa Hortensia**

- > Contribution of assets for €202m (valuation independent expert)
- > Issuance of 289m of new Colonial shares at €70cents/share
- > Transaction subject to AGM approval
- > Transaction subject to general clauses of Material Adverse Change (MAC), market stability and others<sup>2</sup>



Issuance with 14% premium on  
12/15 Colonial NAV

Issuance price in line with  
Analyst Consensus

**CASH + NEW COLONIAL SHARES**

**Acquisition of 4,4% stake in SFL**

- > €51m paid in cash
- > Issuance of 90,8mm new Colonial shares



Discount of 15%  
on reported 12/15 SFL NAV

<sup>1</sup> Increase of capital subjected to approval of the Shareholders meeting. <sup>2</sup> See details of the Directors' Report , available in the CNMV ([www.cnmv.es](http://www.cnmv.es))

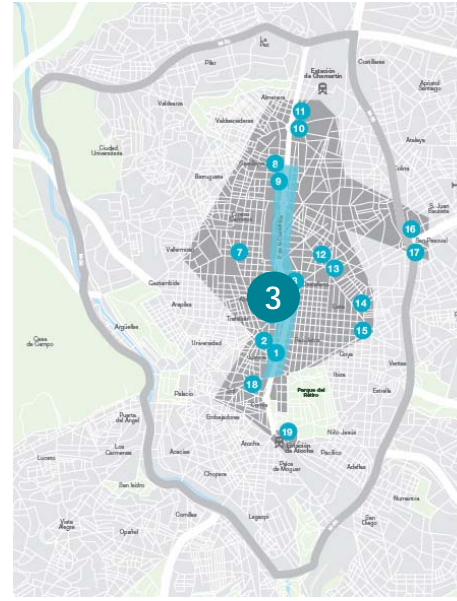
- > Trophy Prime premise in Madrid CBD
- > Unique positioning in “Super-Prime” market cluster



SERRANO 73



CORE INVESTMENT





Project Alpha  
Corporate Headquarters in City Centre - Santa Hortensia 26-28

- > Unique positioning through one of the largest office premises in Madrid
- > Multinational tenant with very strong covenants in good location



SANTA HORTENSIA 26 – 28

CORE + VALUE ADDED

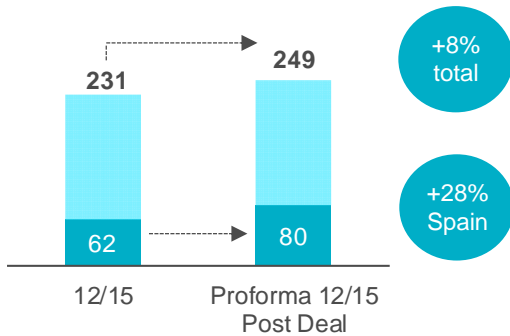


### Acceleration of Colonial growth strategy

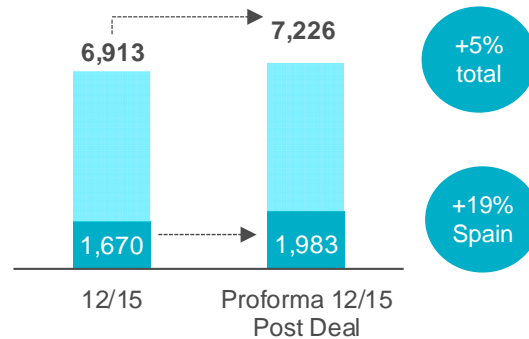
- > Significant growth of Spanish Portfolio (+28% in GRI1 & +19% in GAV)
- > Accretive transaction in EPS and NAV/share from day one
- > Investment projects with very attractive growth potential
- > Strong credit profile: LTV of 41.6% with improved cash flow profile

### SIGNIFICANT INCREASE IN SIZE

#### Gross Rental Income<sup>1</sup> (€m)

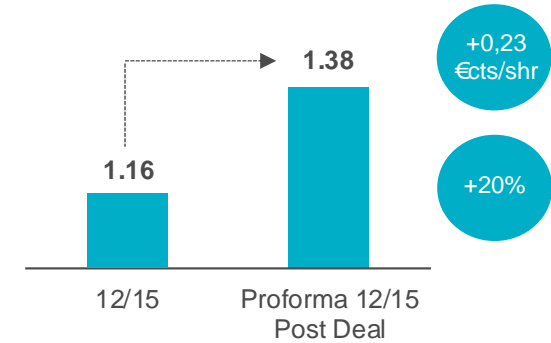


#### GAV<sup>1</sup> (€m)

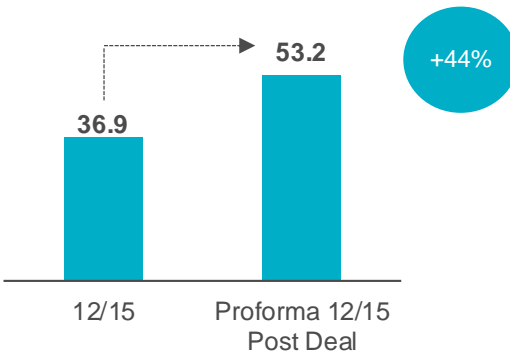


### HIGHLY ACREATIVE TERMS FROM DAY ONE

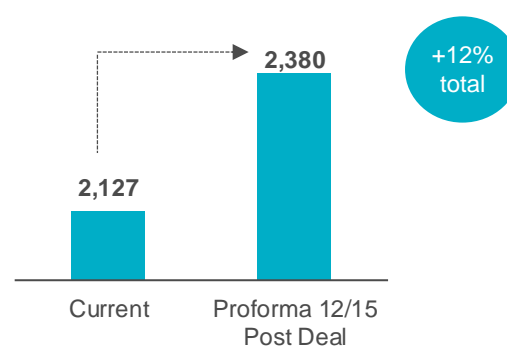
#### EPS<sup>2</sup> (€cts./acción)



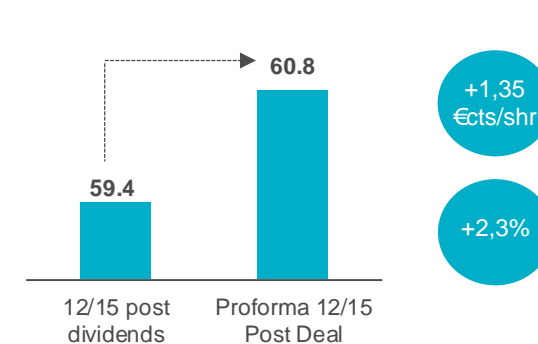
#### Recurring Net Profit<sup>1</sup> (€m)



#### Capitalization<sup>3</sup> (€m)



#### NAV/share (€cts./share)



<sup>1</sup> Including total capex and potential GRI, of finalized Parc Glories project and 100% in occupancy of acquired assets

<sup>2</sup> Considering current annualized passing rents (Jose Abascal present day occupancy and without rents for Parc Glories) <sup>3</sup> New shares valued at market price of 24/05/16 stock market price



**Project Alpha**  
2015 A year with landmark results

**Completion of all precedent conditions and AGM approval (1):**

Acceleration of growth strategy in accretive terms

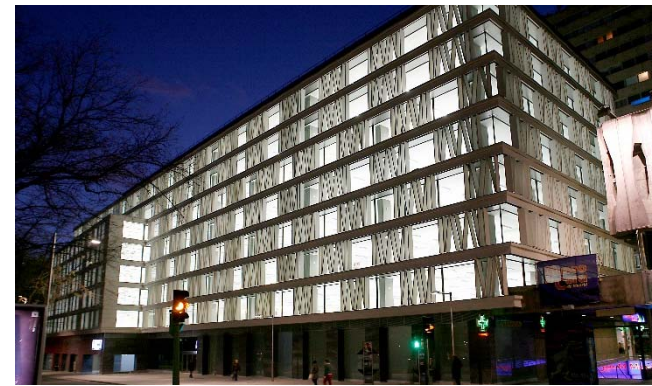
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- 01** / Significant growth of Spanish Portfolio
- 02** / Increased exposure to Paris CBD
- 03** / Accretive transaction in EPS4 and NAV/share from day one
- 04** / Solid capital structure with improved cash flow profile

Attractive growth profile maintaining investment discipline

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- 01** / Attractive entry prices at optimal market timing
- 02** / Assets located in city center with unique positioning in every segment
- 03** / Market segments with interesting growth perspectives
- 04** / Attractive ungeared IRRs
- 05** / Long term oriented shareholder base





**Colonial**



## Ordinary General Meeting of Shareholders

28 June 2016