



MSCI 

European Property  
Investment Awards  
**WINNER 2017**

IBEX<sub>35</sub>



4/17

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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





*Solid delivery on Business Plan*



Financial Results	Operational Performance	Disposals	Acquisitions	M & A
+21% TSR <sup>1</sup>	134,800 sqm let Strong Rental Growth	€ 445 m + 27% premium <sup>2</sup>	€ 389 m Alpha II	Take over bid 
Equity Raising	Bond Issuances	Rating Upgrade	REIT conversion & IBEX inclusion	Integration of Co-Working Platform
€669m 2 ABBs	€800m 2 tranches	 BBB Baa2 BBB+	Colonial SOCIMI, S.A. 	

(1) 2017 Total Shareholder Return per share = NAV growth per share + Dividend yield

(2) Premium on 2016 GAV



#### OUTSTANDING FINANCIAL RESULTS

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- > Total Shareholder Return: +21%
- > EPRA NAV of 8.60€/share: +19%
- > Net Rental Income, +4% like for like
- > Recurring earnings, +22%
- > Recurring EPS +14%
- > Net Profit of €683m, +149%

#### STRONG OPERATIONAL PERFORMANCE

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- > More than 134,000 sq m let with top tier clients
- > Very healthy vacancy levels at 4%
- > Strong growth in rental prices - double digit release spreads
  - ✓ Setting the benchmark in Prime
  - ✓ Driving GRI growth
  - ✓ Driving Capital Value growth

#### SMART CAPITAL ALLOCATION

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- > €445m disposals with +27% premium
- > Reinvestment of capital in Alpha projects
- > Strong balance sheet
- > Confident outlook on growth

## Excellent financial results with healthy growth

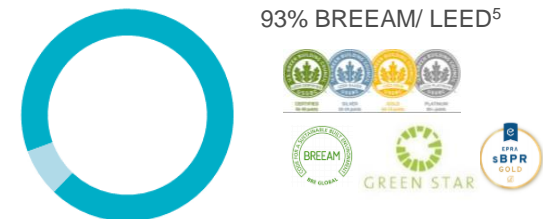
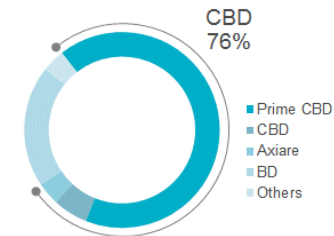
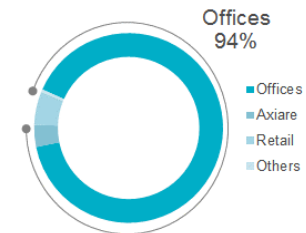
- > Total Annual Shareholder Return + 21%
- > Solid GRI growth: +4% EPRA like for like
- > Strong momentum in net profit, +149%

Return - € per share	2017	YoY Var
<b>TOTAL SHAREHOLDER RETURN</b>		<b>+21%</b>
EPRA NAV per share	8.60	+19%
FFO per share <sup>1 2</sup>	0.220	+8%
EPS Recurring <sup>1</sup>	0.215	+14%
DPS	0.180 <sup>3</sup>	+9%

Profit & Loss - €m	2017	YoY Var
Gross Rental Income	€283m	+4% EPRA LFL <sup>4</sup>
Recurring Net Profit	€83m	+22%
Net Profit	€683m	+149%

Balance Sheet - €m	2017
GAV Group	€9,282m
Group LTV	31%
Cost of Debt	1.86%

### BUSINESS MIX – GAV GROUP



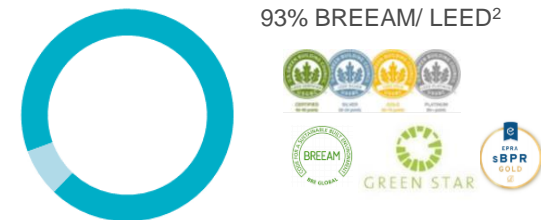
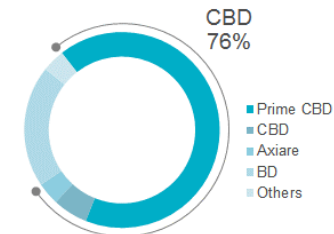
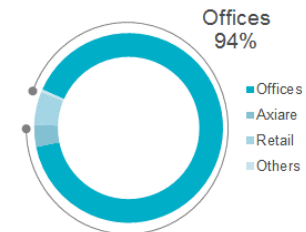
(1) Recurring EPS & FFO per share based on average NOSH  
 (2) Recurring FFO: Recurring Net Profit excluding amortisations and accrual of share remunerations  
 (3) Dividend proposal charged against 2017 results, subject to approval of to be approved in the General Shareholder Meeting 2018  
 (4) EPRA like for like: Like for like variance base on EPRA BPR methodology  
 (5) Portfolio in operation

## Outstanding operating performance

- > Significant rental growth in all segments
- > Strong fundamentals with low vacancy
- > Disposal at substantial premium

OPERATIONAL PERFORMANCE	2017
# Transactions signed	99
Volume of sq m signed	134,831
EPRA Vacancy	4%
<hr/>	
<b>Double digit release Spread<sup>1</sup></b>	<b>+13%</b>
Barcelona	+19%
Madrid	+11%
<b>Strong rental growth<sup>3</sup></b>	<b>+9%</b>
Barcelona	+10%
Madrid	+8%
Paris	+8%
<hr/>	
Disposal	€445m
Premium on GAV	+27%

## BUSINESS MIX – GAV GROUP



(1) Rental prices signed vs previous rents  
 (2) Portfolio in operation  
 (3) Rental prices signed vs ERV 12/16





## Macro Outlook remains strong

- > Eurozone with positive momentum
- > Spain growing above EU average
- > France improving significantly

### MARKET TRENDS

#### WORLD & EU

- ✓ World GDP improving +3.6% in 2017 & +3.8% in 2018
- ✓ Euro area: positive momentum with increased confidence
- ✓ Opportunity for reforms post French & German elections

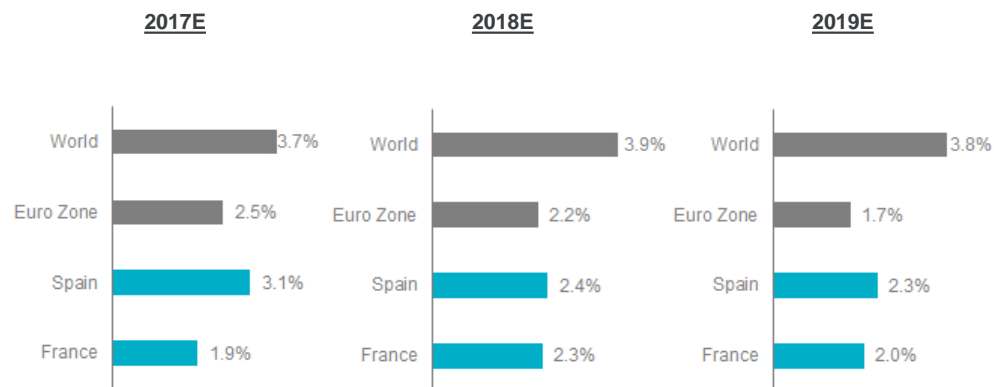
#### SPAIN

- ✓ Economy growing above EU average: +3.1% in 2017
- ✓ Improvement of private consumption and exports
- ✓ Mid term growth profile remains strong

#### FRANCE

- ✓ Strong upward revision – GDP at +2% levels
- ✓ GDP growth accelerating in 2018
- ✓ Reform agenda as catalyst for further growth

### GDP GROWTH



Source: February Monthly report "la Caixa"



## Office Markets remain strong

- > Barcelona with solid fundamentals
- > Madrid with accelerating take-up
- > Paris strong with attractive outlook

### MARKET TRENDS

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#### BARCELONA

- > Fundamentals remain strong: low vacancy rate combined with healthy take-up
- > Fourth European city with highest volume invested in startups (\$722m in 2017)<sup>1</sup>
- > Tech companies prepared to pay prime rents for Grade A product



#### MADRID

- > Government bodies and multinationals leading the highest take-up in 10 years
- > Scarcity of Grade A buildings, particularly in the city center
- > Cities with one of the highest rental growth profiles in Europe



#### PARIS

- > Strong job creation pushing annual take-up above 10-year average
- > Several mid term catalysts: Macron reforms, Grand Paris, Olympic Games, Brexit
- > Broker consensus expecting high dynamism and rental growth

<sup>1</sup>Source: "The state of the European Tech report 2017"

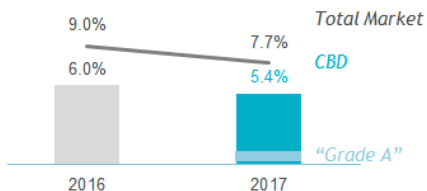
# Fundamentals remain solid in every market

## VACANCY %

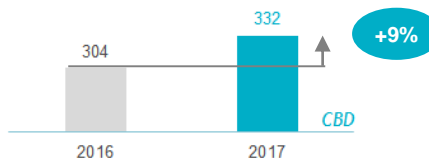
## TAKE UP

## HIGHLIGHTS

BARCELONA

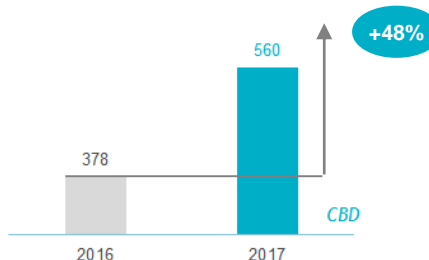
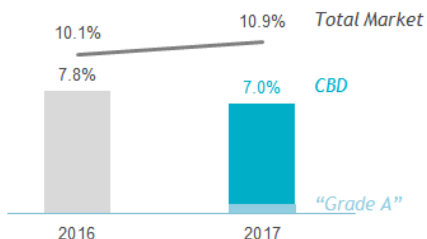


('000 sq m)



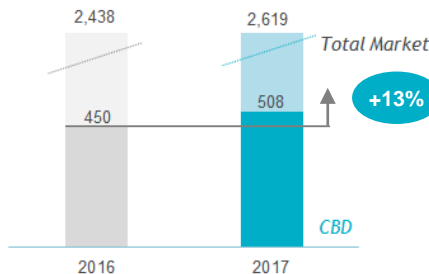
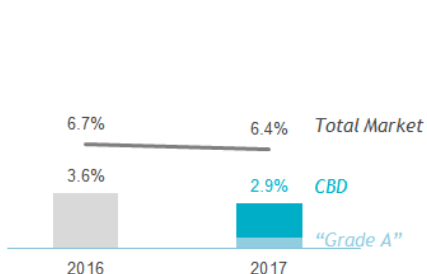
- > Full Year 2017 take-up of 332,000 sqm, + 9%
- > Take-up Q4 of 72,000 sqm, +42% Q-o-Q
- > Increased number of large transactions > 5,000 sqm
- > CBD vacancy historically low levels

MADRID



- > Full Year 2017 take-up of 560,000 sqm, + 48%
- > Highest take-up figure in the last 10 years
- > Take-up Q4 taking the lead on large deals (10,000 sqm)
- > CBD vacancy decreased to 7%

PARIS

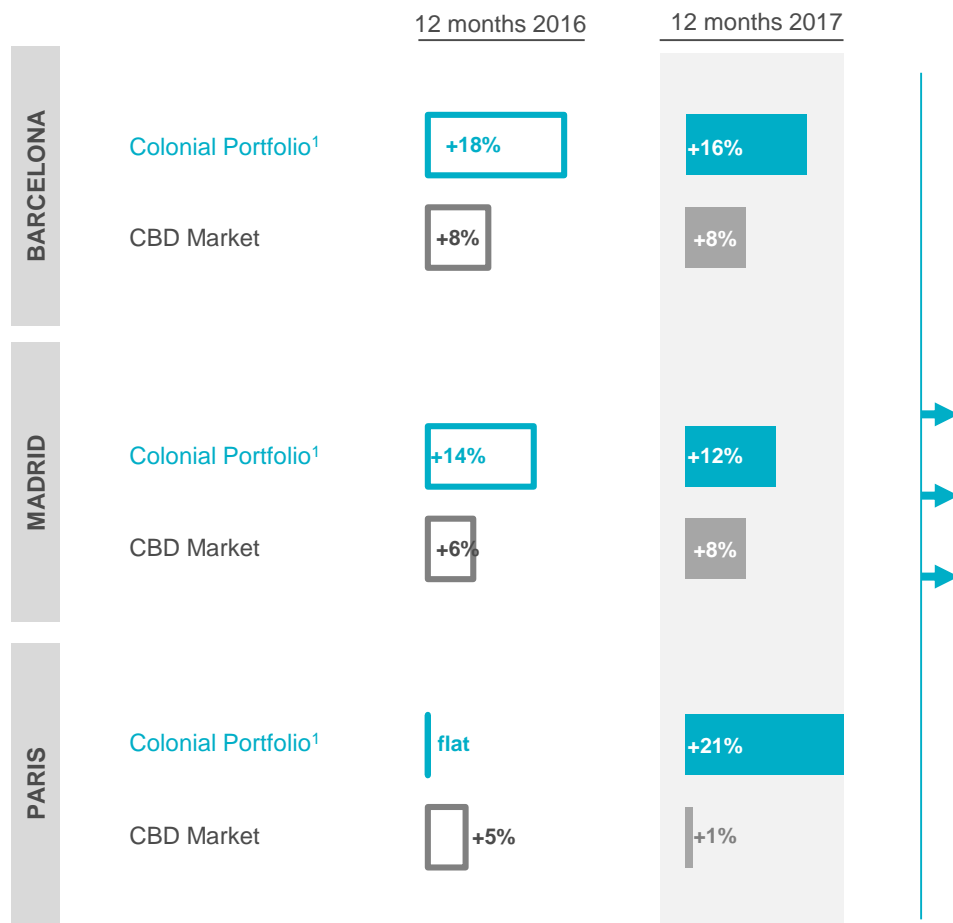


- > Full Year 2017 take-up of 2,619,000 sqm, + 8%
- > Q4 Take-up historically high with 850,000 sqm
- > CBD take-up, +13% y-o-y
- > CBD vacancy below 3% (Grade A product inexistent)

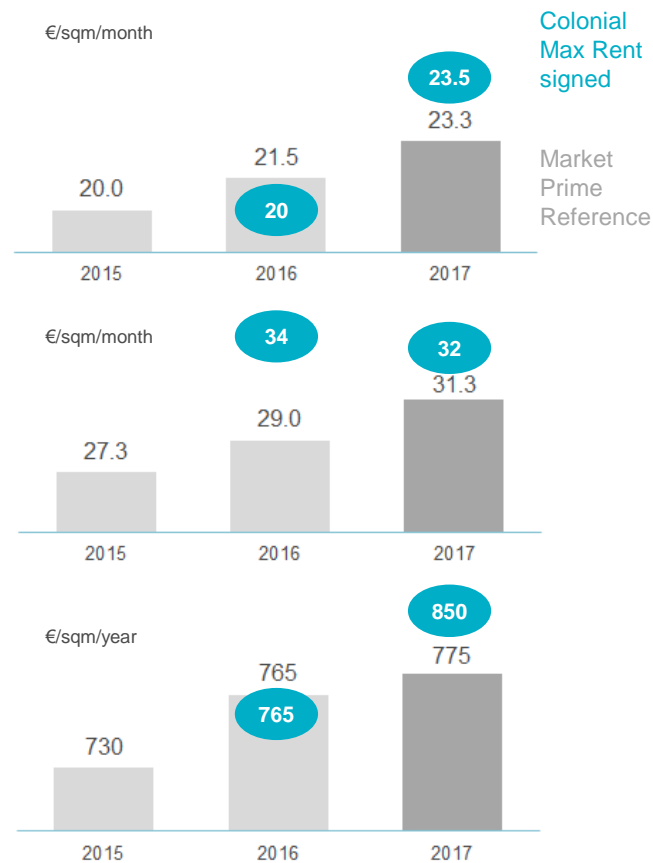
## Colonial as leading market indicator for rental growth

- > Colonial outperforming the market in the last two years
- > Colonial portfolio setting the benchmark for prime rental levels

### ERV GROWTH – COLONIAL VS MARKET



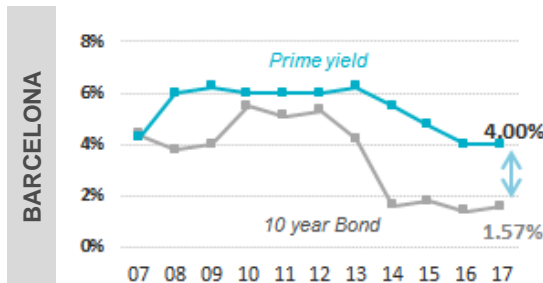
### PRIME ERVs



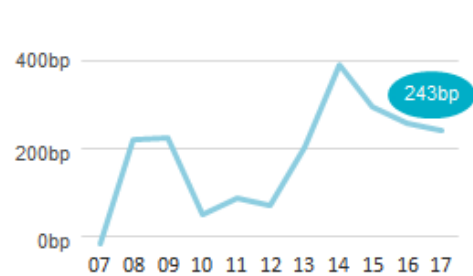
(1) ERV Growth 12 months: 4Q16 vs ERV12/15 & ERV Growth 12 months: 4Q17 vs ERV 12/16

## Investment Markets remain strong

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

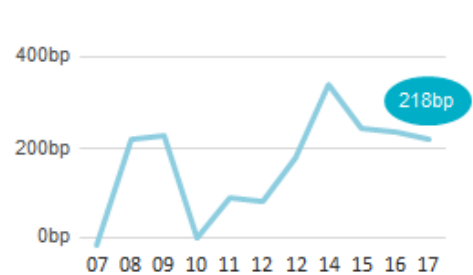
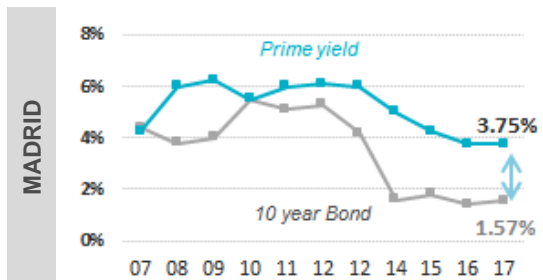
PRIME YIELDS <sup>(1)</sup>

SPREAD VS 10Y BOND

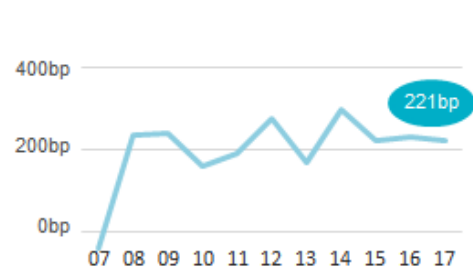
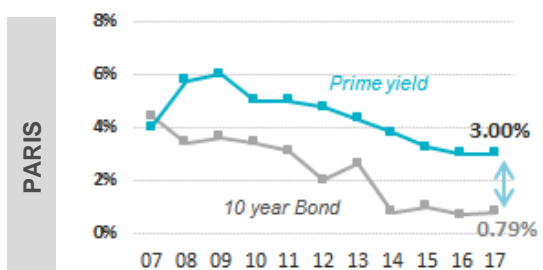


HIGHLIGHTS

- > Investment volume of €0.7bn in line with 2016
- > Lack of quality product for sale
- > Prime yields around 4%
- > Healthy spread of 240 bp



- > Investment volume of €1.7bn
- > Prime yields at 3.75%, some singular deals even lower
- > Some acquisitions for residential reconversion



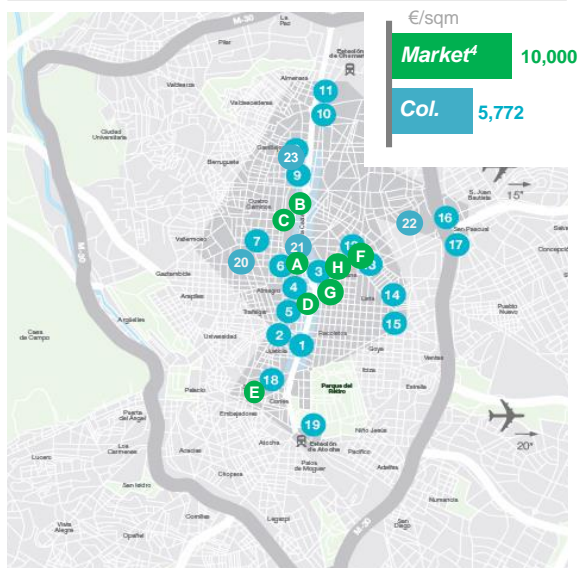
- > 2017 with more than €18bn in commercial real estate:
  - +8% increase versus 2017
  - +35% above ten year average
- > More than €16bn of office transactions
- > Prime Yield at 3%

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

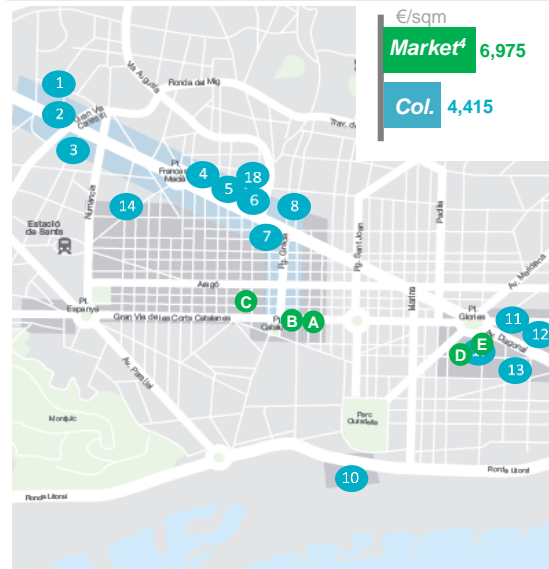
## Investor interest for prime product remains strong

- > Significant capital value increases in recent quarters
- > Colonial capital values significantly below recent transactions evidence
- > Premiums on recent disposals highlight room for mark to market catch-up

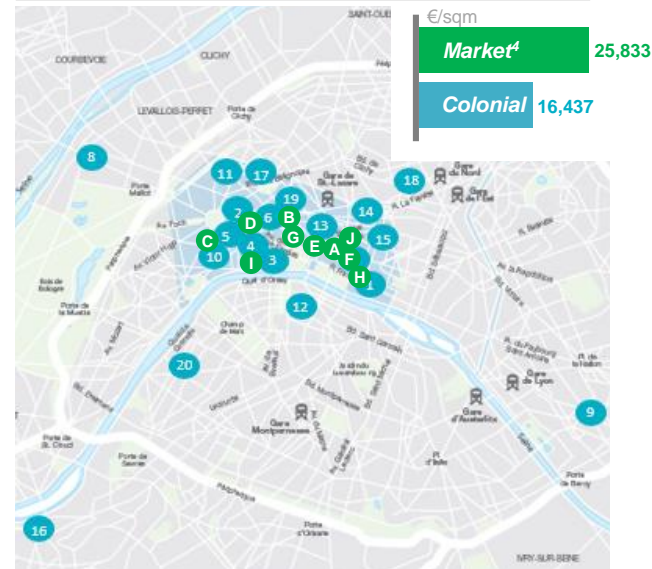
### Madrid City Center (inside M30)



### Barcelona City Center



### Paris CBD



#### Latest investment transactions inside M30

#### Latest investment transactions in city center

#### Latest investment transactions in Paris CBD

	Price <sup>(2)</sup>	Cap. Value <sup>(3)</sup>
A Plaza de Colón, 1 <sup>(1)</sup>	58	14,834
B Paseo de Recoletos, 5	33	9,863
C Gran Vía, 18	44	9,430
D Fernando el Santo, 15	30	9,219
E Carrera de San Jerónimo, 15	60	8,602
F Suero de Quiñones, 42	38	8,209
G Alcalá, 17	23	7,667
H Velázquez, 108	30	7,143
<b>CBD Transactions - Average</b>	<b>316</b>	<b>9,371</b>
<b>Colonial Average (12/17 appraisal)</b>		<b>5,772</b>

	Price <sup>(2)</sup>	Cap. Value <sup>(3)</sup>
A Carrer de Fontanella, 6-8	65	8,414
B Carrer de Fontanella, 9	20	6,030
C Enric Granados, 84	12	5,838
D Carrer Tanger, 66	90	5,294
E Av. Diagonal, 211 - Torre Agbar	142	3,775
<b>CBD Transactions - Average</b>	<b>329</b>	<b>5,870</b>
<b>Colonial Average (12/17 appraisal)</b>		<b>4,415</b>

	Price <sup>(2)</sup>	Cap. Value <sup>(3)</sup>
A Boulevard Haussmann, 91	50	24,740
B Rue de la Baume, 20	128	21,317
C Rue Leroux, 4	32	19,482
D Rue de Lisbonne, 44	80	19,417
E Rue la Boetie, 81-85	62	19,207
F Boulevard Haussmann, 6-8	462	18,865
G Rue de Londres, 43-51	408	17,000
H Avenue de l'Opera, 5	108	15,582
I Rue Bayard, 22	114	14,238
J Rue de Choiseul, 25	24	13,521
<b>CBD Transactions - Average</b>	<b>1,468</b>	<b>18,337</b>
<b>Colonial Average (12/17 appraisal)</b>		<b>16,437</b>

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

<sup>(2)</sup> €m

<sup>(3)</sup> €/sqm

<sup>(4)</sup> Source: JLL research Q4 2017

Source: Savills-Aguirre Newman and public information





### 03 Operational performance

## Prime positioning ensures strong letting performance

- > More than 134,000 sq m signed in 99 transactions
- > Incentives far below market average
- > Healthy vacancy levels across all segments

		# CONTRACTS	SQM SIGNED	GRI SECURED <sup>1</sup>	INCENTIVES <sup>2</sup>	EPRA VACANCY <sup>3</sup>
BARCELONA		32	51,614	€11m	5%	1%
MADRID		39	62,175	€18m	3%	7%
PARIS		28	21,042	€18m	14%	3%
<b>TOTAL</b>		<b>99</b>	<b>134,831</b>	<b>€48m</b>	<b>8%</b>	<b>4%</b>

(1) Annualized figures of signed contracts

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

(3) Financial vacancy calculated according to EPRA vacancy methodology



### 03 Operational performance

Prime positioning captures top tier clients paying maximum rents

- > High quality premises attract top tier tenants
- > Colonial captures rental prices at the top of the market

	# CONTRACTS	MAX. RENT SIGNED COLONIAL	PRIME RENTS MARKET	CAPTURING & RETAINING TOP TIER CLIENTS
<b>BARCELONA</b> 	32	23.5 €/sqm/month	23.3 €/sqm/month	
<b>MADRID</b> 	39	32 €/sqm/month	31.3 €/sqm/month	
<b>PARIS</b> 	28	850 €/sqm/year	775 €/sqm/year	

### 03 Operational performance

## Strong delivery on rental price increases

- > High rental growth in every city
- > Double digit release spreads in Spain

### SOLID INCREASE IN RENTAL PRICES



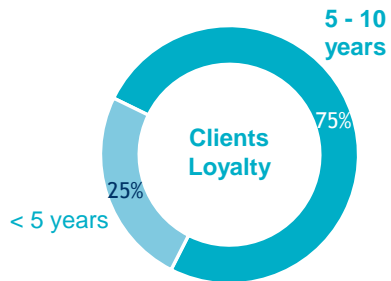
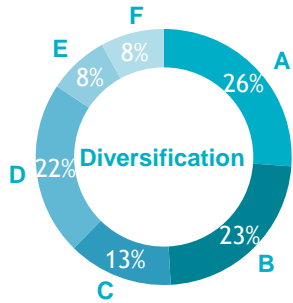
(1) Signed rents vs 12/16 ERV (new lettings & renewals)  
 (2) Signed rents vs previous contracts (renewals)

### 03 Operational performance

## A highly resilient tenant portfolio

- > Long term relationships with high quality clients
- > Strong diversification across sectors

### High quality tenants



#### A Law firms & Consultancy



#### B Finance & Insurance



#### C Digital & Information Technology



#### D Consumer Goods & Industry



#### E Government Bodies



#### F Leisure & Others



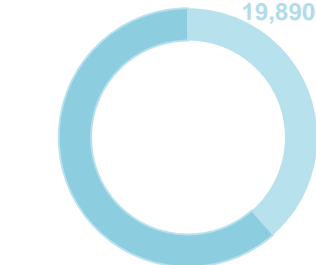
BARCELONA – LETTING PERFORMANCE

Solid Performance

51,614 sq m let

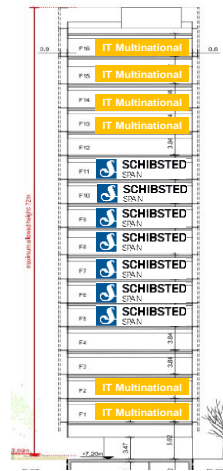
- > Max. rent signed **23.5 €/sqm/month**
- > ERV growth **+10%<sup>(1)</sup>**
- > Release spread<sup>2</sup> **+19%**

New Lettings  
19,890 sq m



Renewals  
31,724 sq m

Strong Rental Growth



> 9,338 sq m signed in 2016



More than 10,000 sqm of pre-let in Q4 2017

> 1,348 sqm signed in Oct'17

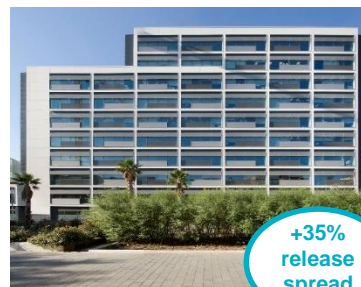


> 8,837 sq m signed in Dec'17



Strong rental growth - Highlights

Illacuna



**+35%  
release  
spread**

Glories-Diagonal



**+38%  
release  
spread**

Parc Glories



**+17%  
vs ERV<sup>1</sup>**

**+29%  
vs initial  
underwriting**

80% pre-let



(1) Signed rents vs 12/16 ERV (new lettings & renewals)  
(2) Signed rents vs previous contracts (renewals)

MADRID – LETTING PERFORMANCE

Solid Performance

62,175 sq m let

> Max. rent signed

32  
€/sqm/month

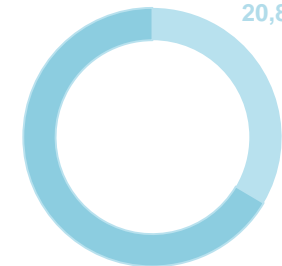
> ERV growth

+8%<sup>(1)</sup>

> Release spread<sup>2</sup>

+11%

New Lettings  
20,826 sq m



Renewals  
41,348 sq m

Strong Rental Growth - Highlights

Santa Engracia



+20%  
release  
spread



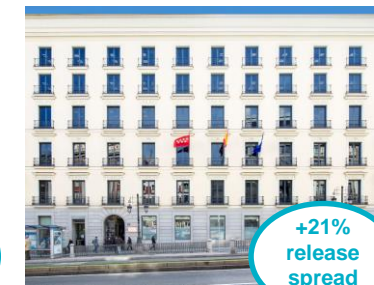
Recoletos 37-41



+4%  
release  
spread



Alcalá 30-32



+21%  
release  
spread



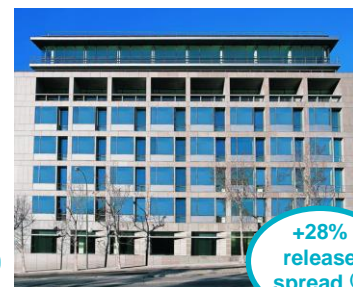
Génova 17



+119%  
release  
spread<sup>(3)</sup>



Alfonso XII 62



+28%  
release  
spread<sup>(3)</sup>



Castellana 43



+16%  
vs ERV<sup>1</sup>



(1) Signed rents vs 12/16 ERV (new lettings & renewals)  
(2) Signed rents vs previous contracts (renewals)

(3) New rent vs rent of previous tenant



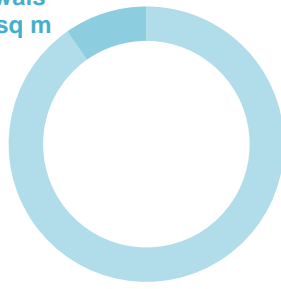
PARIS – LETTING PERFORMANCE

Solid Performance

21,042 sq m let

- > Max. rent signed **850** €/sqm/year
- > ERV growth **+8%<sup>(1)</sup>**
- > EPRA Vacancy **3%**

Renewals  
2,050 sq m



New Lettings  
18,992 sq m

Strong Rental Growth - Highlights

92 Champs Elysées



+23%  
vs ERV<sup>1</sup>

wework

131 Wagram



+14%  
vs ERV<sup>1</sup>

CBRE

Washington Plaza



+14%  
vs ERV<sup>1</sup>

WELLS FARGO MIZUHO  
harmonie technologie

9 Percier



+9%  
vs ERV<sup>1</sup>

helvetia

Cézanne Saint-Honoré



+5%  
vs ERV<sup>1</sup>

KBL RICHELIEU L.E.K.

Galerie des Champs-Elysées



+49%  
release spread

PIERRE HERMÉ L'OCCHITANE EN PROVENCE  
Häagen-Dazs

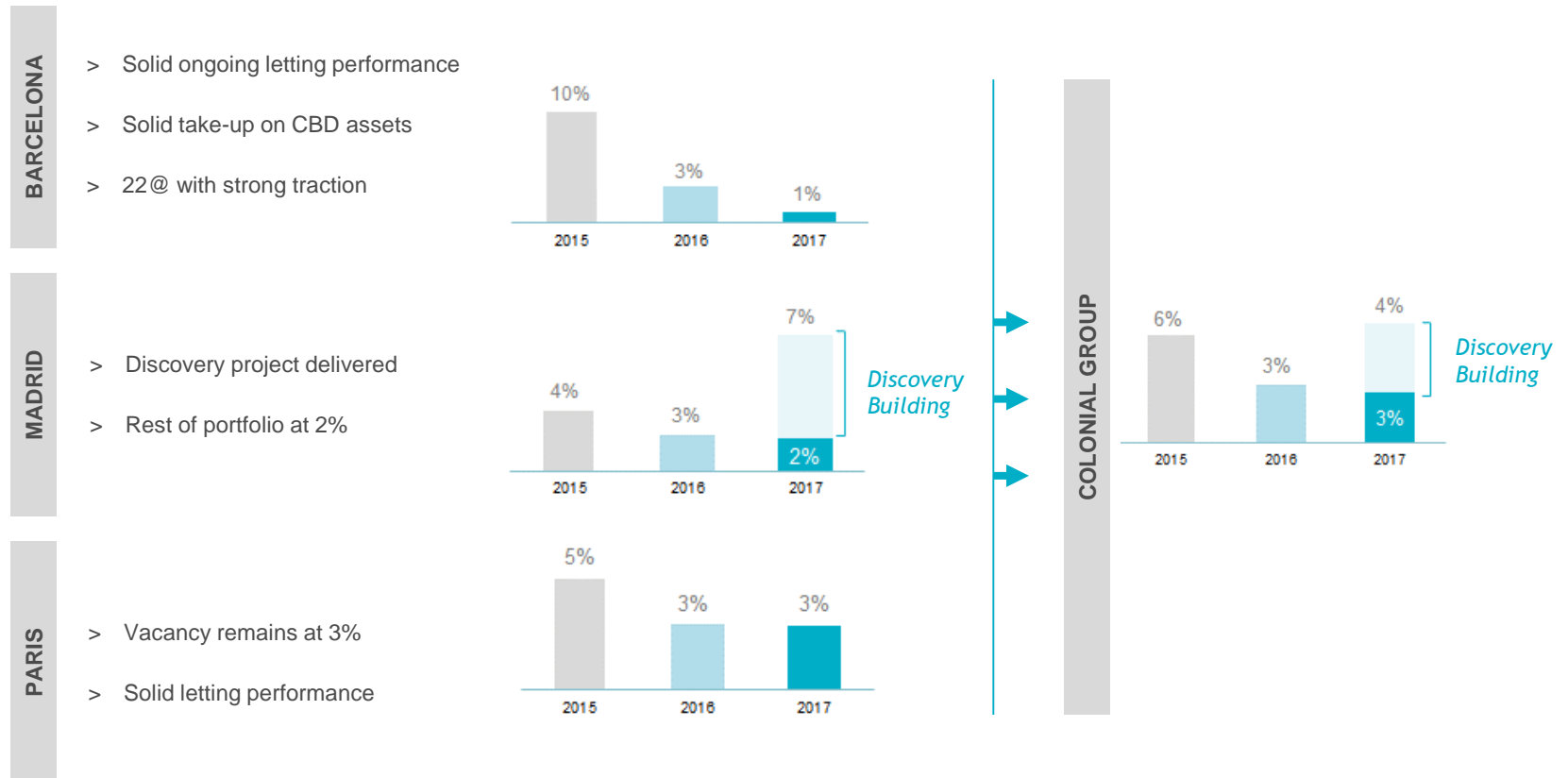
(1) Signed rents vs 12/16 ERV (new lettings & renewals)  
(2) Signed rents vs previous contracts (renewals)

### 03 Operational performance

## Vacancy remains at healthy levels

- > Barcelona fully occupied
- > Madrid at 2% excluding Discovery
- > Paris remains at 3%

### EPRA VACANCY

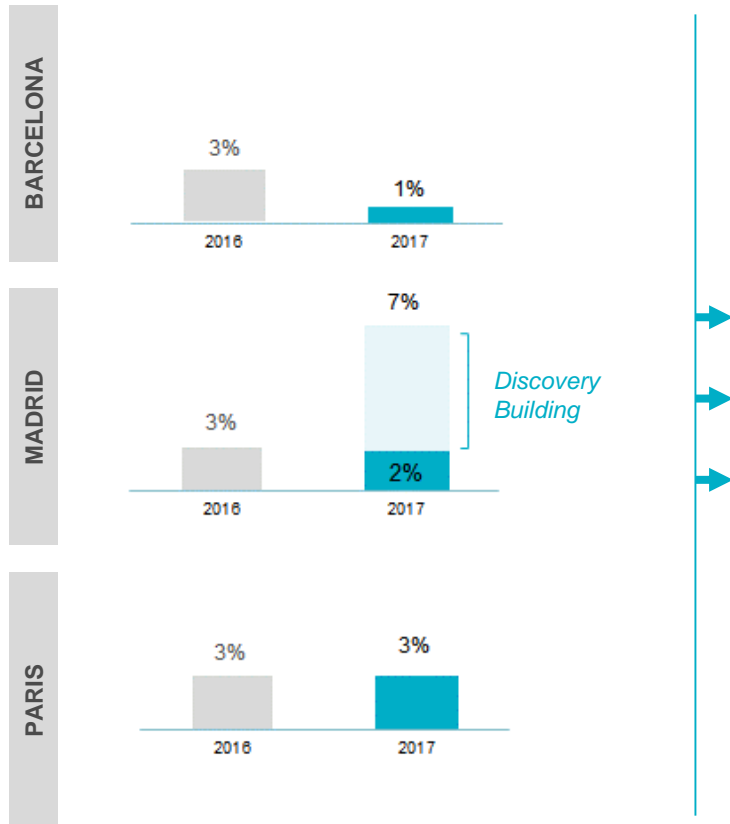




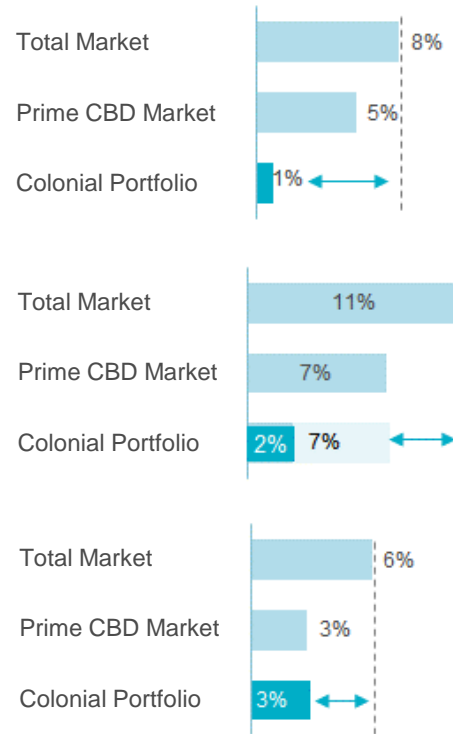
Colonial portfolio outperforming the market on occupancy

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

EPRA VACANCY



VACANCY COLONIAL VS. MARKET



### 03 Operating Performance

## Corporate Social Responsibility at the core of strategy

- > Colonial with strong commitment on CSR
- > CSR as base to offer long term sustainable returns



**EPRA BPR Gold**  
*3<sup>rd</sup> year in a row*



**EPRA SBPR Gold**  
*2<sup>nd</sup> year in a row*



**Green Star rating  
by GRESB**



**2017 BREEAM Awards  
for SFL**

### ENERGY EFFICIENCY STANDARDS



**93% of operating  
portfolio with max.  
energy certificates**



Projects to be delivered **with maximum standards**

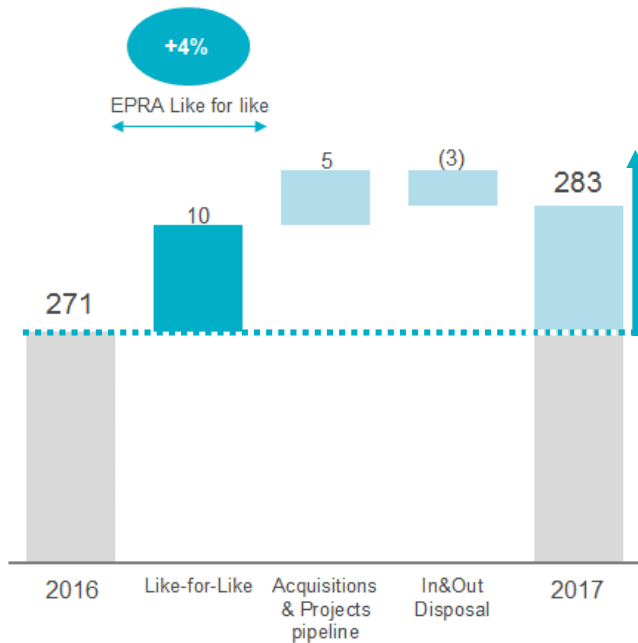


## 04 Financial performance

### Strong underlying rental growth

- > More than half of like for like driven by rental price increases
- > Barcelona + 10% like for like with outstanding rental price impact

#### GROSS RENTAL INCOME - €M



	EPRA Like for like <sup>1</sup>	Price	Volume
BARCELONA	+9.6%	+5.3%	+4.3%
MADRID	+2.1%	+1.9%	+0.2%
PARIS	+3.6%	+2.1%	+1.6%
GRI TOTAL	+4.2%	+2.5%	+1.7%

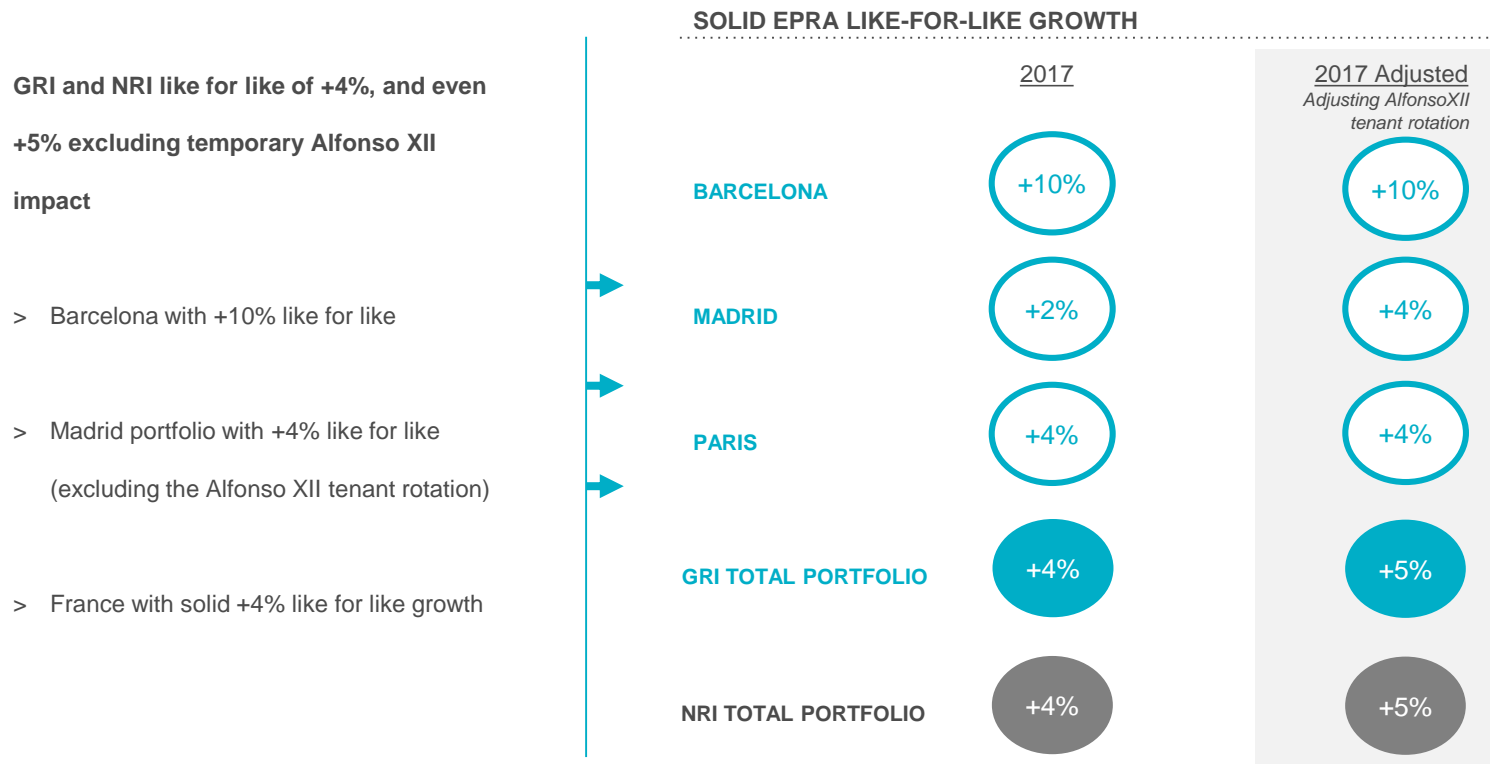
(1) Like for Like calculated following EPRA BPR recommendations  
 (2) Includes indemnities of tenant rotation

## 04 Financial performance

### Strong underlying rental growth

- > Strong like for like in net rental income
- > High efficiency and incentives clearly below market average

#### 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



## 04 Financial performance

### Disposals with premium

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

#### REAL ESTATE VALUE CREATION

##### Capturing optimal point in asset life cycle

Disposal Price

€445m

Premium on GAV

+27%

Implied yield

3.7%

#### SMART CAPITAL ROTATION

##### In & Out



Value creation through disposal of a mature asset



€445m



€265m<sup>1</sup>



Reinvestment in value add project in city center

Emile Zola

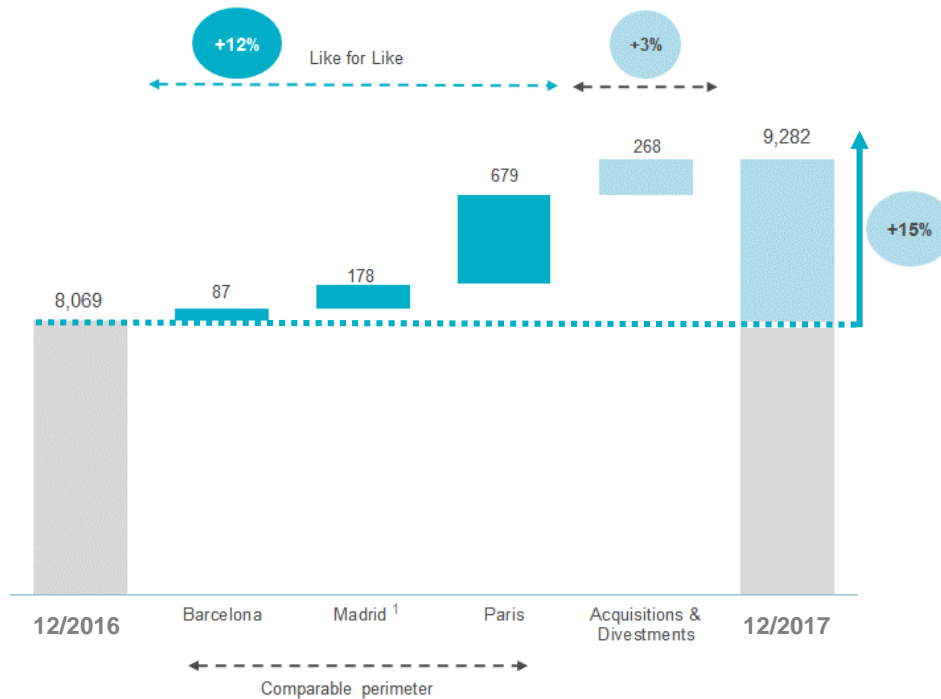
<sup>(1)</sup> Estimated total investment of (€245m - €265m) based on current project analysis

Strong underlying growth in Asset Values

Gross Asset Value of €9,282m (€9,741m including transfer costs)

- > +12% like for like growth in year
- > Solid growth rates in every segment
- > Rental price increases become relevant value driver

GAV 2017 YoY GROWTH



LIKE FOR LIKE VARIANCE

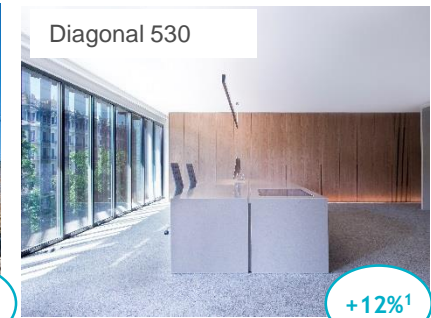
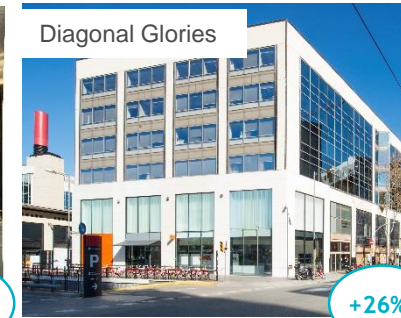
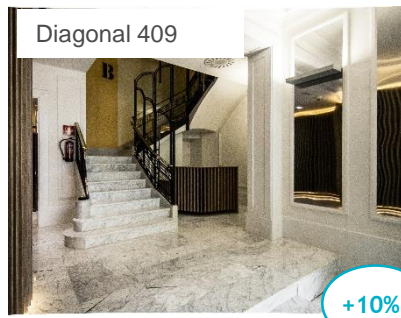
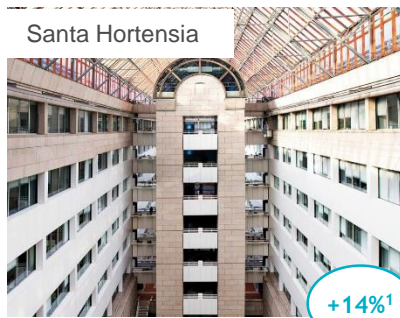
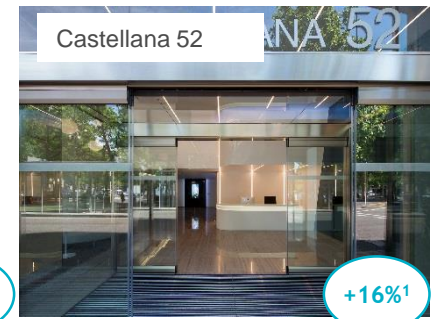
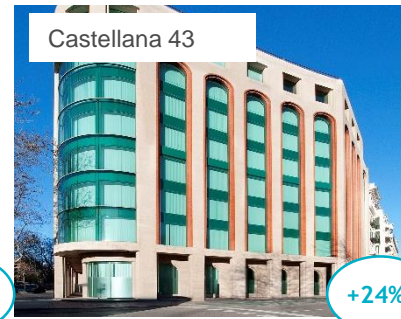
	Total Variance	Price & others	Yield
BARCELONA	+11%	+8%	+3%
MADRID	+11%	+7%	+4%
PARIS	+13%	+2%	+10%
LIKE FOR LIKE	+12%	+4%	+8%

(1) Includes the asset portfolio of shares in Madrid without taking into consideration the share in Axiare



VALUE CREATION THROUGH PRIME PRODUCT IN SPAIN

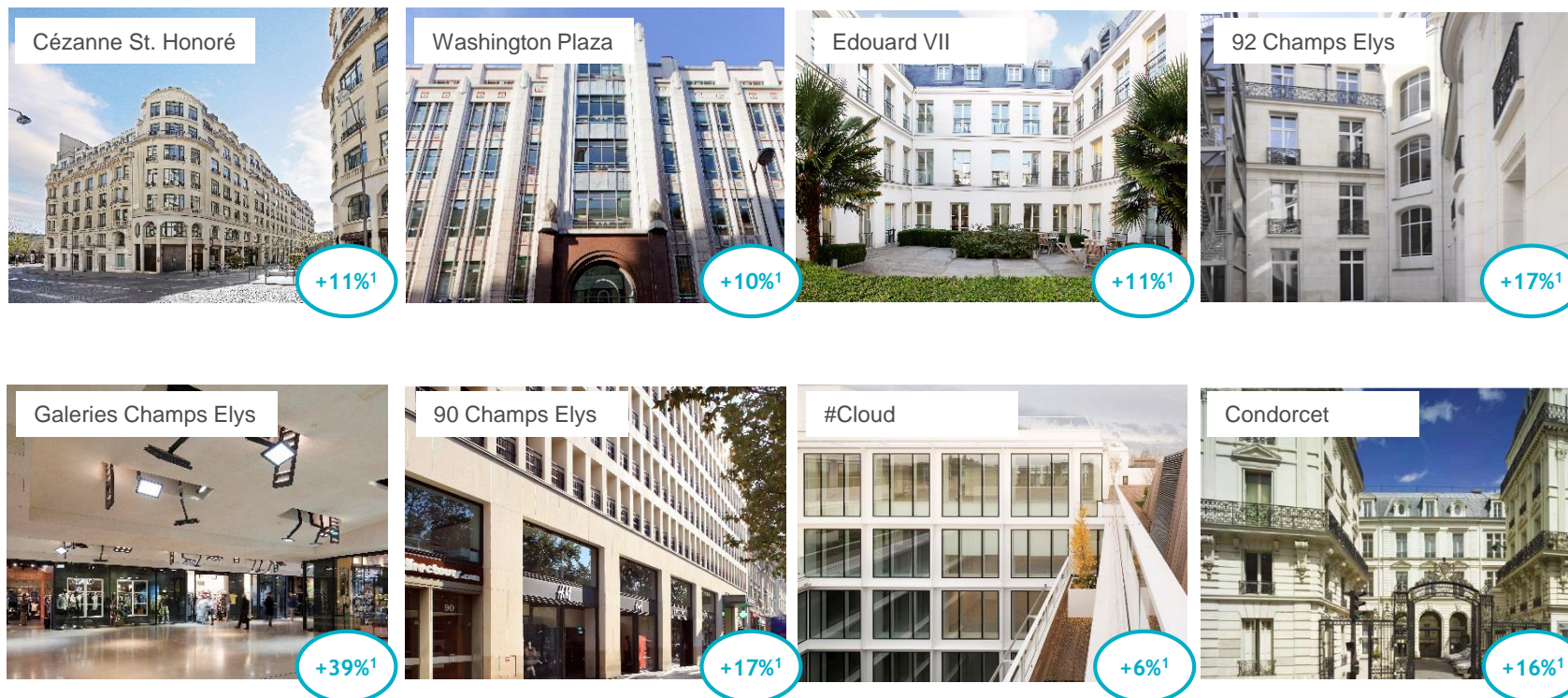
GAV increase of +€110m YoY in 8 assets



(1) 2017 YoY GAV growth in %

VALUE CREATION THROUGH PRIME PRODUCT IN PARIS

GAV increase of +€500m YoY in 8 assets



(1) 2017 YoY GAV growth in %

## Positive momentum in earnings

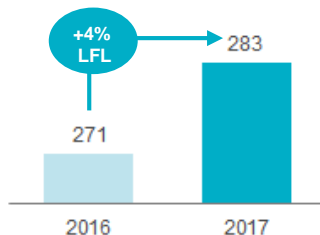
## Significant increase in Group Net Profit through

- > 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

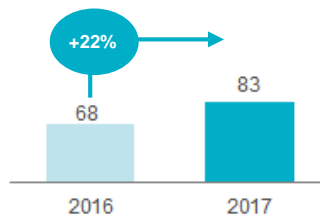
## GROSS RENTAL INCOME

€m



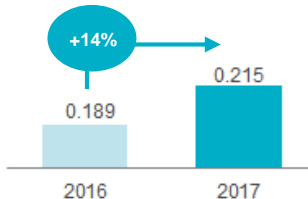
## RECURRING EARNINGS

€m



## EARNINGS PER SHARE

€/share



## PROFIT &amp; LOSS ACCOUNT

## Results analysis - €m

	2017	2016	Var.
Gross Rents	283	271	4%
Net operating expenses <sup>(1)</sup>	(16)	(15)	
Overheads	(37)	(36)	
Recurring EBITDA	229	220	
Recurring financial result	(77)	(80)	
Income tax expense & others - recurring	(10)	(12)	
Minority interests - recurring	(59)	(61)	
<b>Recurring Earnings</b>	<b>83</b>	<b>68</b>	<b>22%</b>
Asset revaluation	921	554	66%
Non-recurring financial result & MTM	(2)	(25)	
Income tax & others - non-recurring	20	(98)	
Minority interests - non-recurring	(338)	(225)	
<b>Profit attributable to the Group</b>	<b>683</b>	<b>274</b>	<b>149%</b>

(1) Includes other income

- > Proactive management of capital structure
- > Providing a solid balance sheet with sufficient flexibility

**ABB – €253m**

- > **Capital increase** of €253m
- > Price of 7.1 €/share in line with trading price
- > **Neutral** to reported **NAV**

**Bond issuance - €800m**

- > Two tranches bond issuances
- > Average Maturity: 9.5yrs
- > All in cost: below 2%

**ABB - €416m**

- > **Capital increase** of €338m
- > Price: 7.9 €/sh., premium of 2% over share price
- > €78m of **sale of treasury shares**

**Rating Upgrade**

- > **Improvement** of Colonial **rating** to **BBB** by S&P
- > Improvement of SFL rating to BBB+ by S&P
- > **Baa2** by Moody's

**SOCIMI / REIT conversion**

- > **Enhancement of EPS**
- > Access to "REIT" only investors **enhancing liquidity**

**IBEX inclusion**

- > Spanish **Blue-Chip index**
- > Improvement of liquidity

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



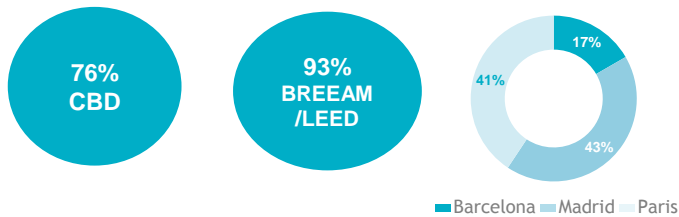
## 04 Financial performance

### A solid capital 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 well diversified high quality assets



#### Available cash & undrawn balances

Spain	€1,651m <sup>1</sup>
France	€776m
<b>Total</b>	<b>€2,427m<sup>1</sup></b>

#### Debt Maturity

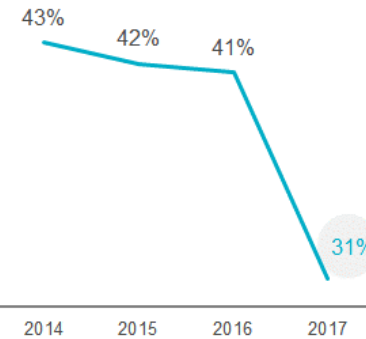
Spain	6.4 years
France	4.1 years
<b>Total</b>	<b>5.5 years</b>

#### Easy access to bond market

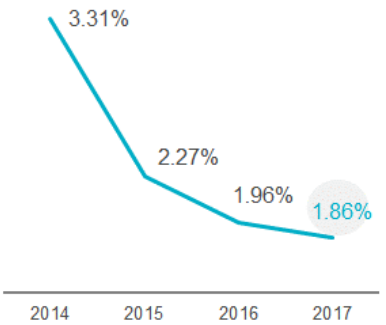
- > More than **€ 3.3bn issued**
- > **6 issuances** in the last 3 years

#### ... SOLID CAPITAL STRUCTURE

##### LTV Group



##### Cost of Debt



STANDARD & POOR'S

BBB Stable Outlook

MOODY'S

Baa2 Negative Outlook



STANDARD & POOR'S

BBB+ Stable Outlook

(1) Including €1,034m, as guarantee for the takeover bid for Axiare Patrimonio, SOCIMI, S.A.

## 04 Financial performance

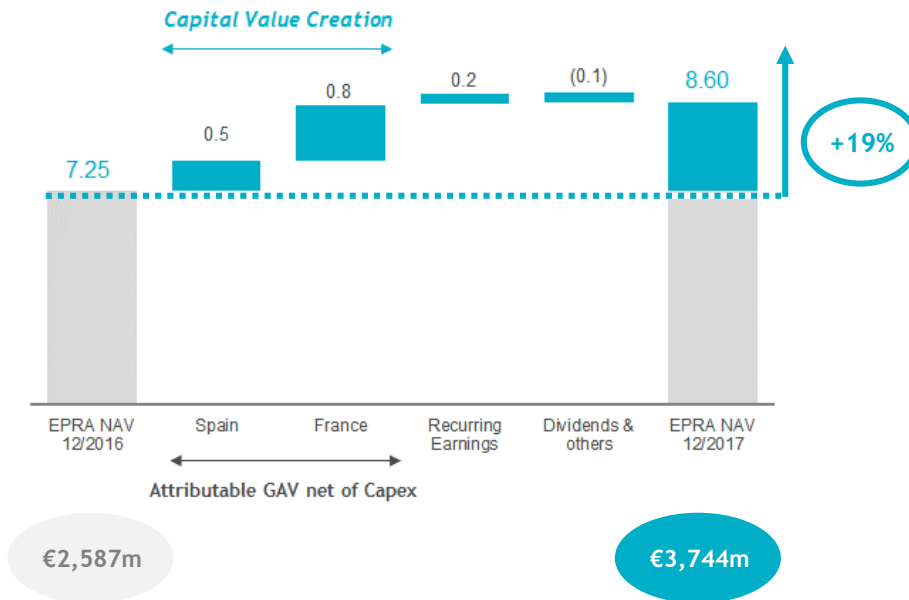
### Superior Risk Adjusted Returns

#### +21% Total Shareholder Return

- > EPRA NAV of 8,60 €/share, + 19%
- > Highest total return in Spain since recap. of the sector

#### STRONG MOMENTUM IN NAV GROWTH

€/share



#### TOTAL SHAREHOLDER RETURN

	FY 2017	6/14 – 12/17
NAV Growth per share	+19%	+92%
Dividend paid per share	+2%	+7%
<b>Total Return per share</b>	<b>+21%</b>	<b>+99%</b>

Total Shareholder Return= NAV growth per share + dividends

## 04 Financial performance

### “Alpha” as significant driver in value creation

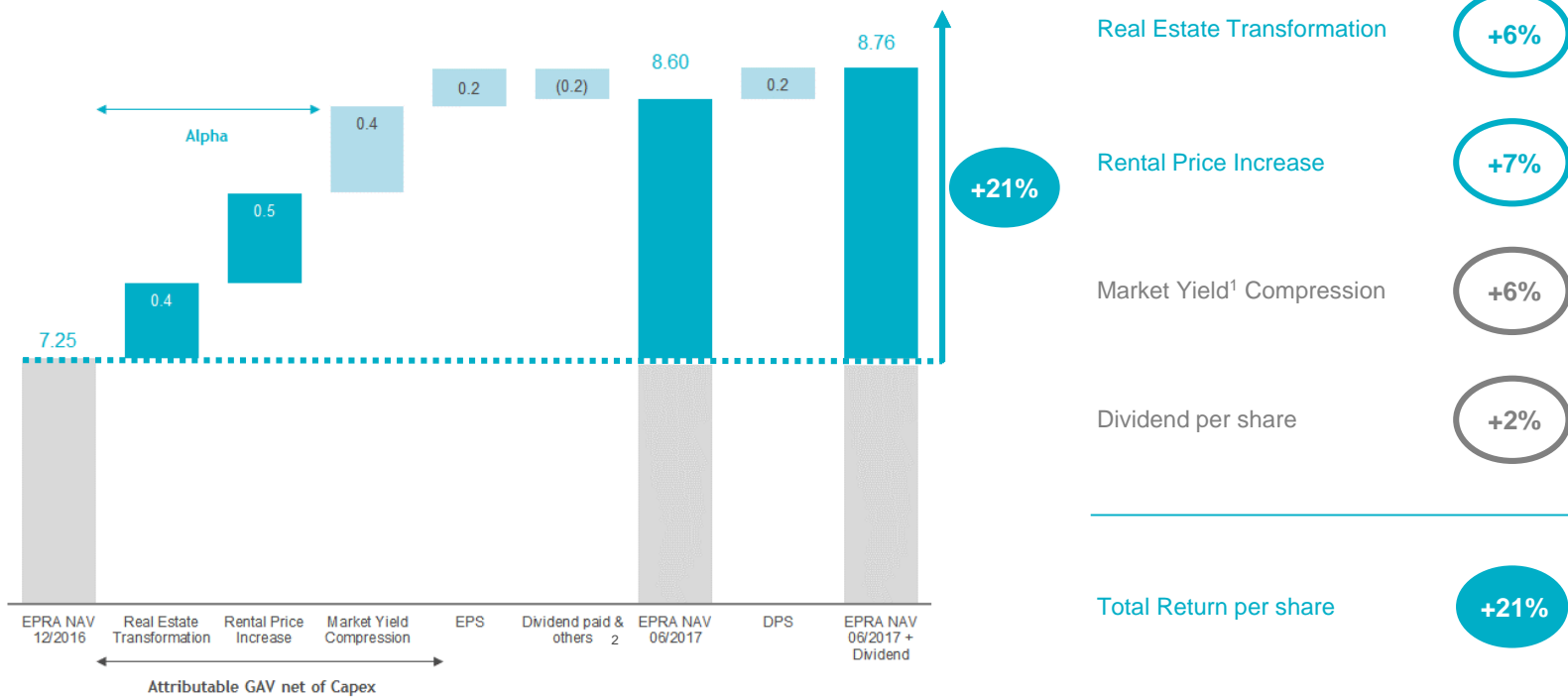
Total Shareholder Return 2017 relies on “Alpha”

- > More than half of the NAV growth per share through “Alpha” strategies
- > High double digit shareholder return with one of the lowest LTVs among peers

#### TOTAL SHAREHOLDER RETURN

#### TOTAL SHAREHOLDER PER SHARE

€/share



1) Net of other impacts

2) Includes SFL dividend payment to SFL partners in France

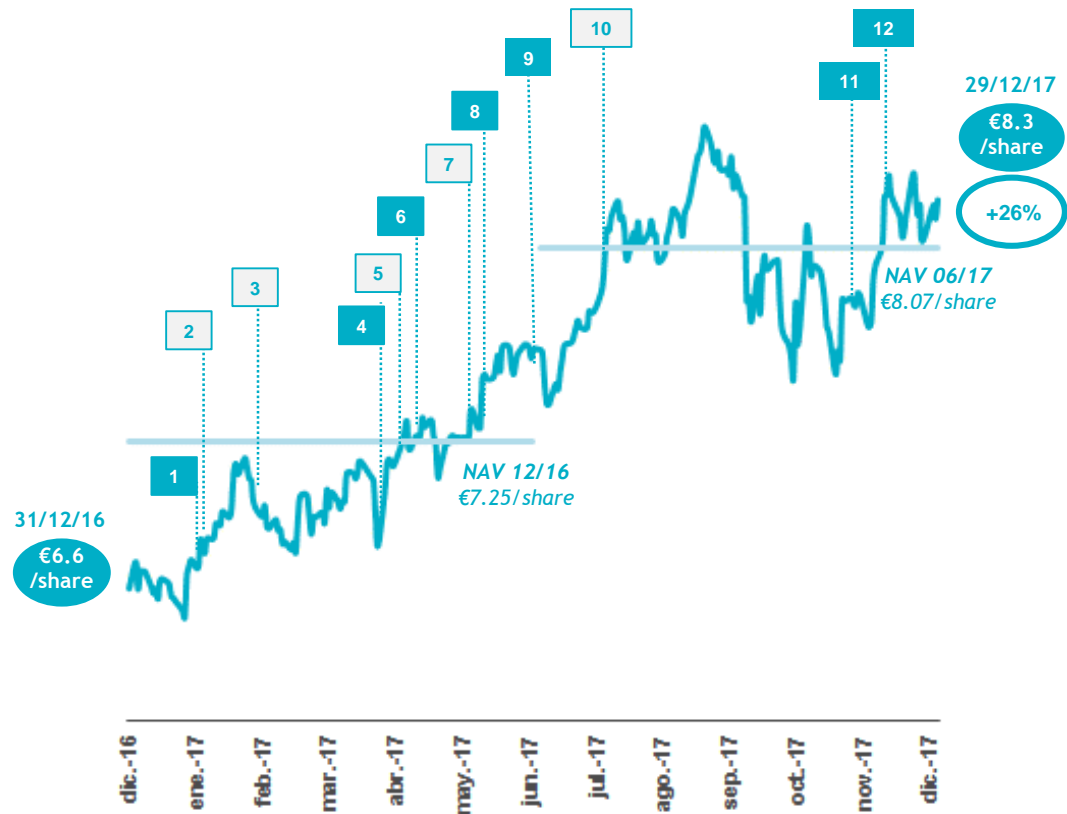
## 04 Financial performance

### Share price follows fundamental value

- > Share price driven by solid delivery of fundamentals
- > Capital markets recognize successful execution of Business Plan & NAV growth

#### SOLID DELIVERY RECOGNISED BY CAPITAL MARKETS

- 1 Alpha II
- 2 2016 Results, SFL
- 3 2016 Results, Colonial
- 4 Rating upgrade, S&P
- 5 1Q17 Results, Colonial
- 6 Capital Increase
- 7 SOCIMI announcement
- 8 IBEX35 Inclusion
- 9 AGM – SOCIMI approval
- 10 1H17 Results, Colonial
- 11 3Q17 Results, Colonial & OPA Axiare
- 12 Capital Increase





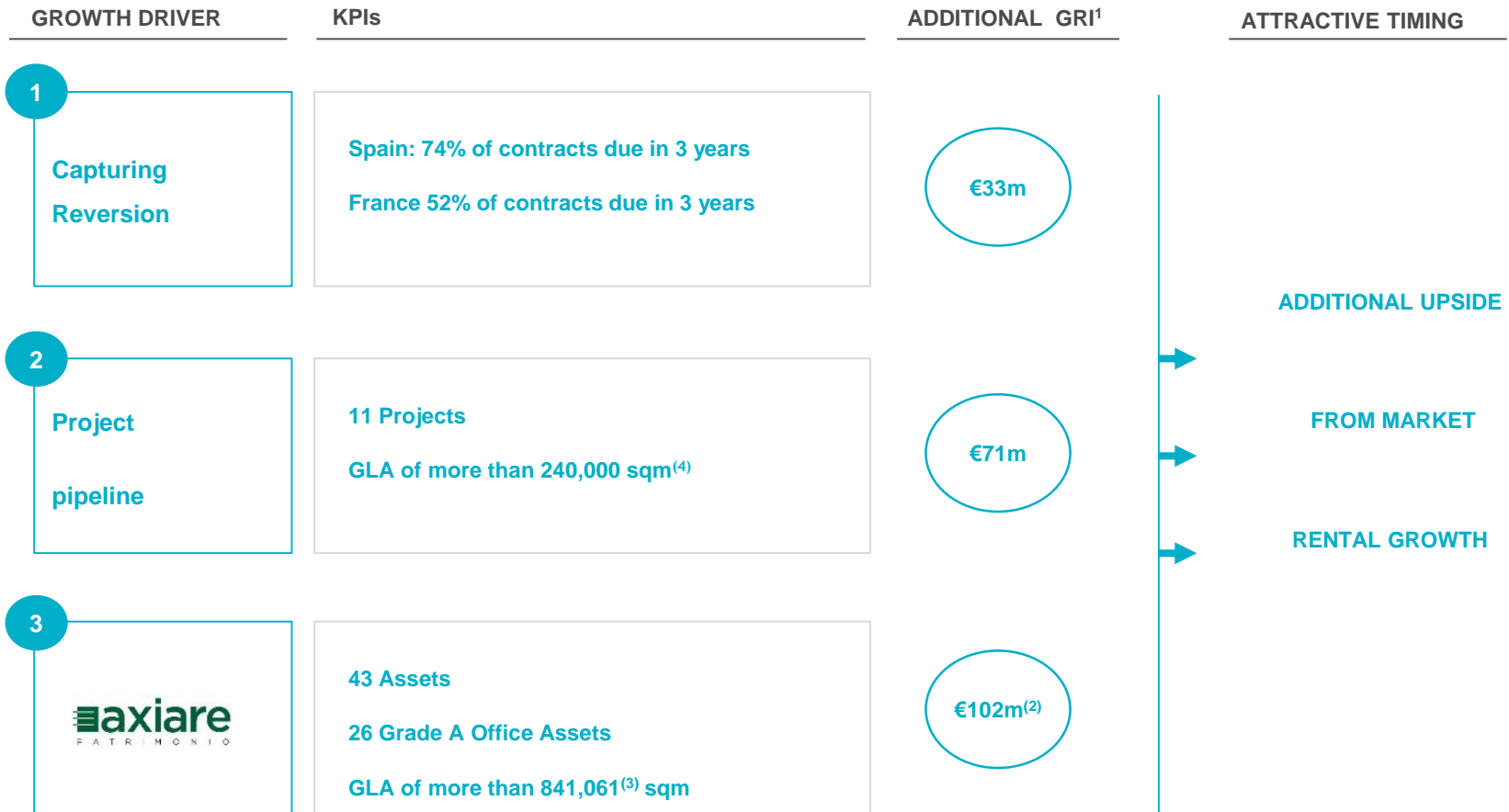
05 Growth drivers



*A solid base for future growth*



**05 Growth drivers**  
A solid base for growth



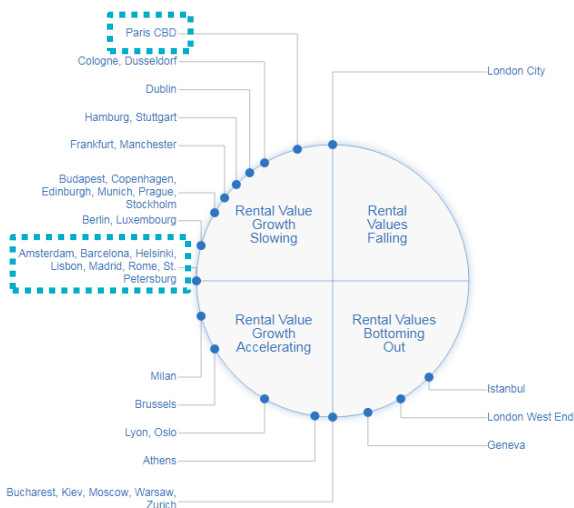
(1) Potential topped up GRI  
 (2) Potential topped up GRI as of 6/2017  
 (3) Including offices, logistics and other assets  
 (4) Projects & partial refurbishments on operating assets

## 05 Growth drivers

### 1 Colonial well positioned to capture reversion

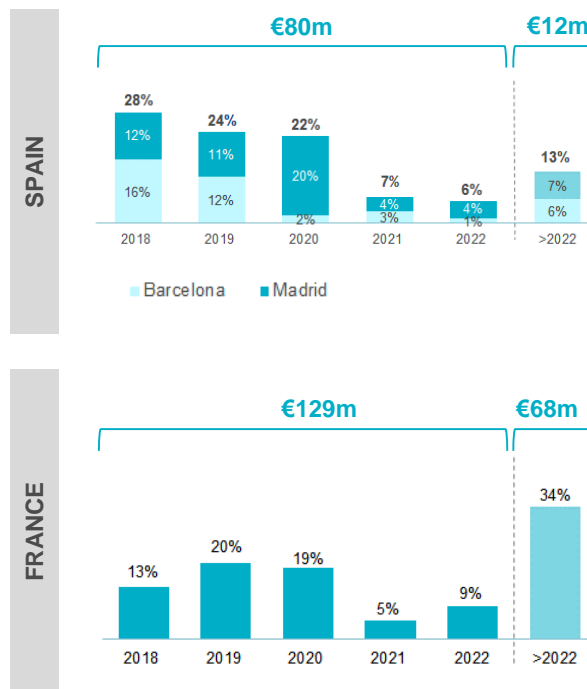
- > Attractive rent roll profile with prime exposure to growth markets
- > Double digit release spreads capturing reversion from under-rented contract portfolio
- > Strong static price reversion as of 12/17 to be enhanced with market rental growth

#### SOLID POSITIONING IN GROWING MARKETS

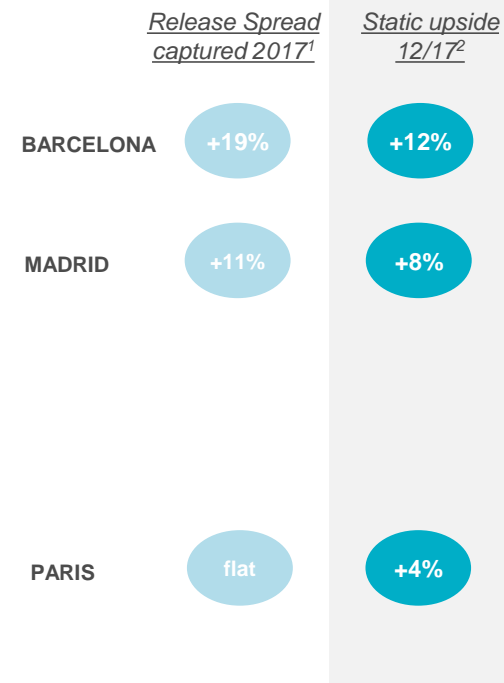


#### COMMERCIAL LEASE EXPIRY DATES

First potential exit as of 12/17



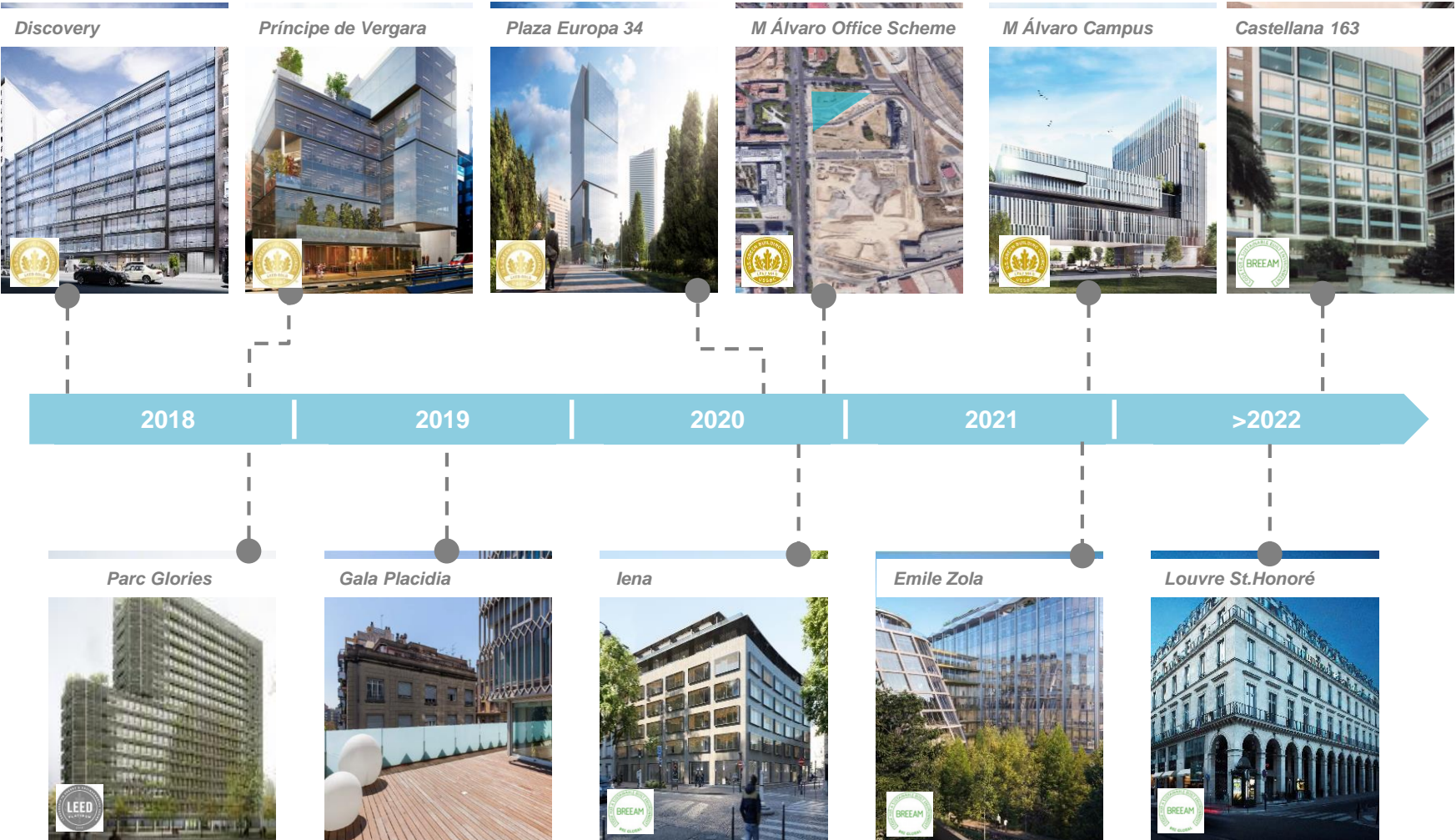
#### CONTRACT PORTFOLIO



1) New rents signed vs previous

2) Market rents vs current passing rents as of 12/17 without including future rental growth

2 Project pipeline



2 Project pipeline

Barcelona Projects

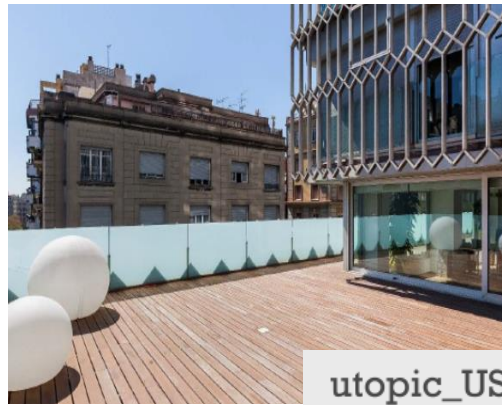
GLA of 43,169 sq m

Ungearred IRR 8-9%<sup>2</sup>

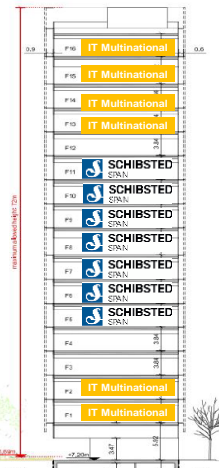
Parc Glories



Gala Placidia



Plaza Europa



80% PRE LET



FINAL PRODUCTS - KPIs

Total Cost<sup>1</sup>

€126m

Capital Value

2,900  
€/sqm

Yield on Cost

7-8%

BARCELONA PRIME MARKET

Capital Value

6,975  
€/sqm

Prime Yield

4%

(1) Acquisition cost + Capex  
(2) 10 year ungeared IRR



2 Project pipeline

Madrid Projects

GLA of 141,168 sq m

Ungearred IRR 8-9%<sup>2</sup>

Discovery

✓ Delivered



Príncipe de Vergara



Castellana 163



Méndez Álvaro Campus



Méndez Álvaro Office Scheme



FINAL PRODUCTS - KPIs

Total Cost<sup>1</sup> €495m

Capital Value

3,500  
€/sqm

Yield on Cost

>7%

PRIME MARKET

Capital Value

10,000  
€/sqm

Prime Yield

3.75%

(1) Acquisition cost + Capex  
(2) 10 year ungearred IRR

Paris Projects

GLA of 49,300 sq m

Ungeared IRR >> 7%<sup>2</sup>

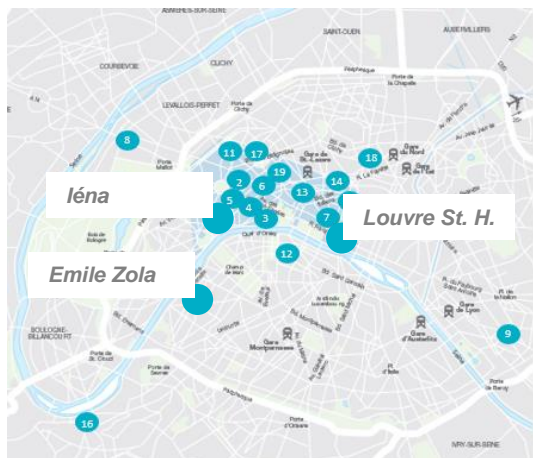
Emile Zola



léna



Louvre St. Honoré



FINAL PRODUCTS - KPIs

Total Cost<sup>1</sup>

€536m

Capital Value

11,000  
€/sqm

Yield on Cost

>6%

PARIS PRIME MARKET

Capital Value

25,800  
€/sqm

Prime Yield

3%

(1) Acquisition cost or GAV at start of the project + Capex  
 (2) 10 year ungeared IRR

3 Axiare acquisition

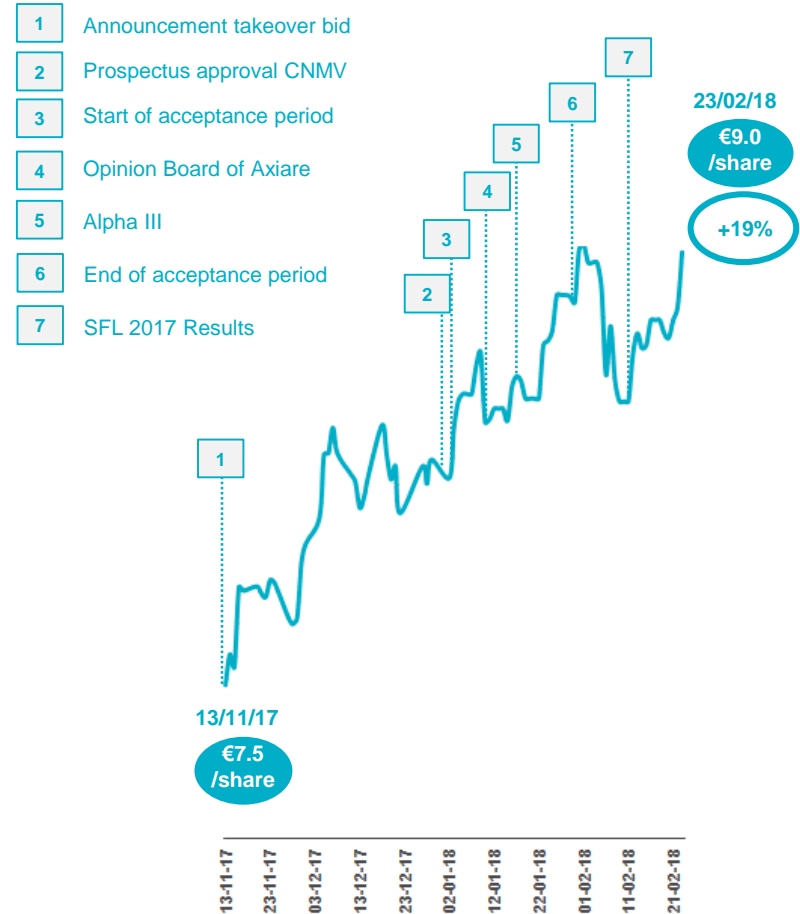
Acceleration of Colonial's Business Plan

Creation of a leader in offices

- > More than €10bn of GAV
- > GLA of 1.9 million sq m
- > Potential GRI of more than €508m
- > Consolidation in Spain with enhanced Madrid exposure
- > Unparalleled offer of Grade A Products
- > Value enhancement through synergies

Successful takeover bid

Full capital markets support for Colonial

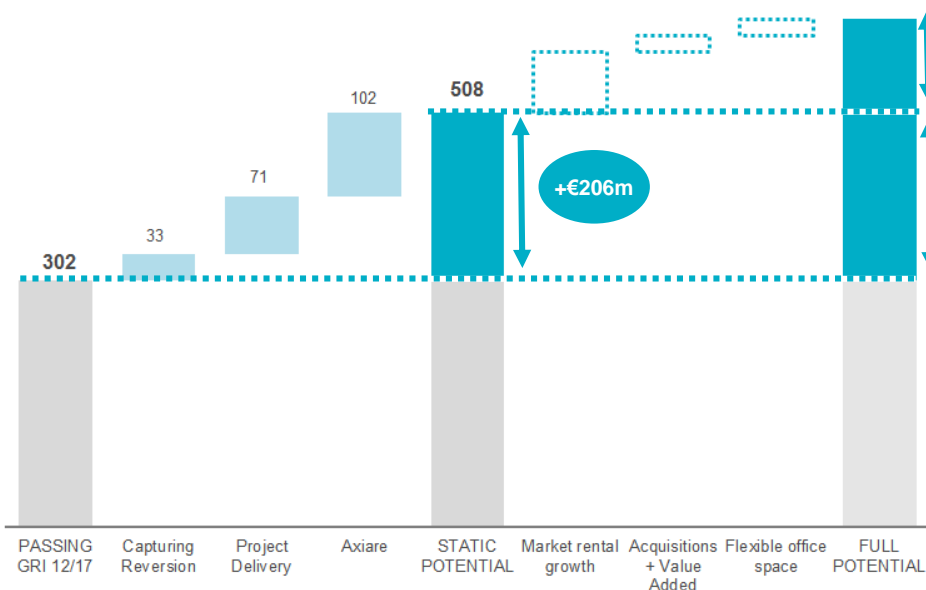


## 05 Growth drivers

### A strong growth profile

- > Potential GRI of more than 500 €m
- > Reversion relies on solid delivery on Alpha with current rental prices
- > Additional potential through market momentum and ongoing growth initiatives

#### Passing GRI <sup>1</sup> – Uplift Potential (€m)



#### Potential for Yield compression & reversion

	Topped-up Initial Yield <sup>4</sup>	High reversionary potential at current ERVs <sup>5</sup>	
Portfolio in Operation	Barcelona	4.4%	5.1%
	Madrid	3.9%	4.7%
	Paris	3.2%	3.5%
Project Portfolio	Yield on Cost ≥ 7%	Transformation to final product	

<sup>1</sup>Topped-up passing GRI

<sup>2</sup>Cap rate for exit value in 10Y DCF valuation

<sup>3</sup>Market analysts in Spain report gross yields and in France net yields

<sup>4</sup>Topped-up Initial Gross Yield for Spain & Net Yield for Paris

<sup>5</sup>12/17 ERV Gross Yield for Gross & Net Yield for Paris with full reversion (100% occupied and at current market rent)



Acquisitions – solid track record with €2bn in 4 years

- > Mainly off market transactions
- > High value added components
- > City center locations with strong fundamentals

INVESTMENTS SINCE 2015 - €m











### SOLID OPERATIONAL PERFORMANCE

---

- > More than 134,000 sq m let with top tier clients
- > Very healthy vacancy levels at 4%
- > Strong growth in rental prices - double digit release spreads
  - ✓ Setting the benchmark in Prime
  - ✓ Driving GRI growth
  - ✓ Driving Capital Value growth

### STRONG FINANCIALS

---

- > Solid like-for-like growth in rental income driven by price increases
- > Healthy growth profile underpinned by high quality asset base
- > Strong Alpha component of returns
- > Active balance sheet management optimizing capital structure
- > Strong top & bottom line performance



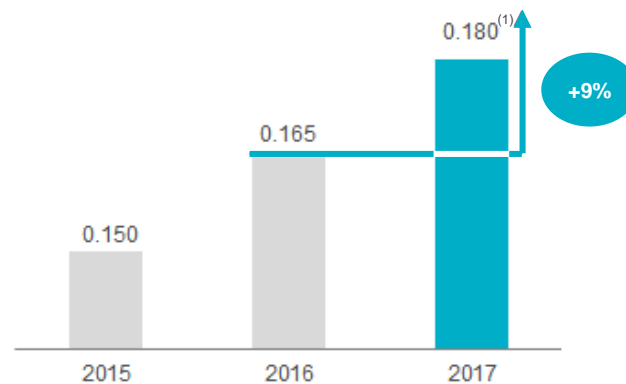
## CONFIDENT OUTLOOK

### Solid delivery on Business Plan as base for future growth

- > CBD markets and Colonial portfolio with solid growth perspectives
- > Colonial best positioned to capture rental cycle
- > Significant value creation through attractive project pipeline
- > Axiare accelerating Colonial's Business Plan
- > Strategy with superior risk adjusted returns

## DIVIDEND GUIDANCE

Dividend proposal of 0,180 €/ share subject to AGM approval



<sup>1</sup> Dividend Proposal charged against 2017 Results and subject to AGM in 2018



Q&A

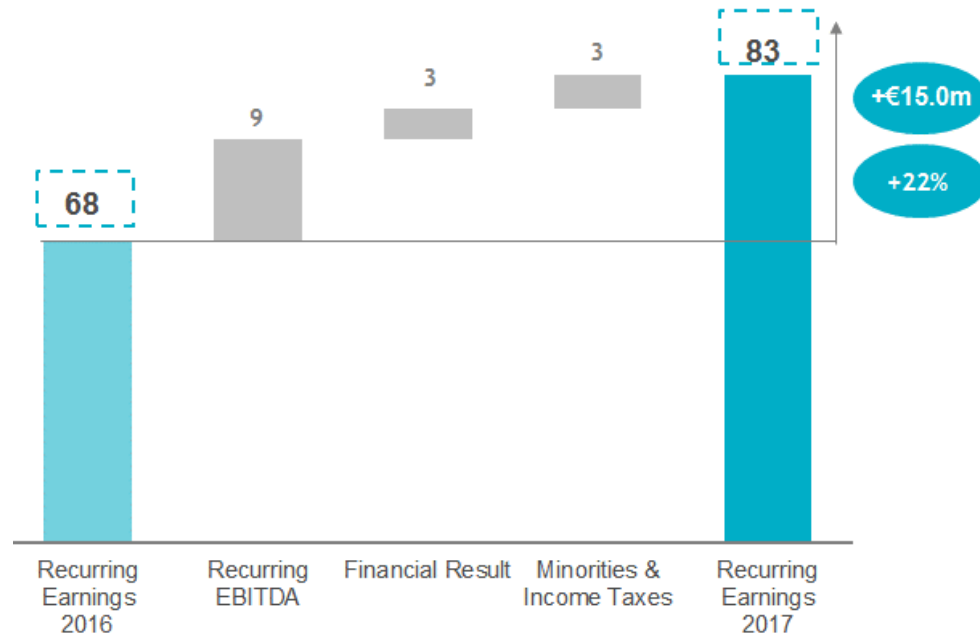


Positive momentum in earnings

High double digit profit increase based on high quality growth drivers

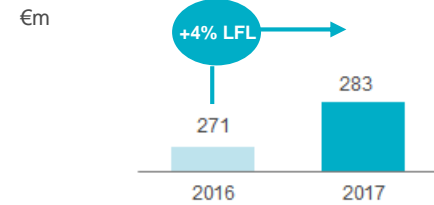
1. Solid GRI increase
2. Optimized financing through active liability management

PROFIT & LOSS ACCOUNT

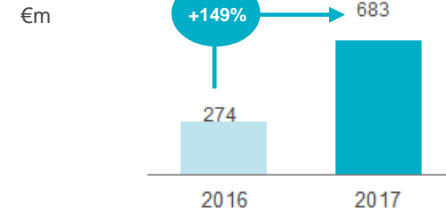


STRONG TOP & BOTTOM LINE PERFORMANCE

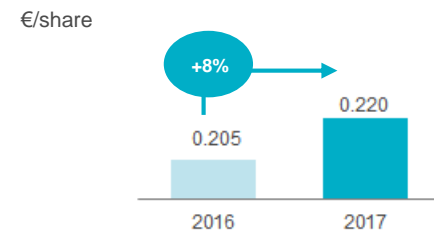
GROSS RENTAL INCOME



NET PROFIT



FFO per share<sup>1</sup>



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

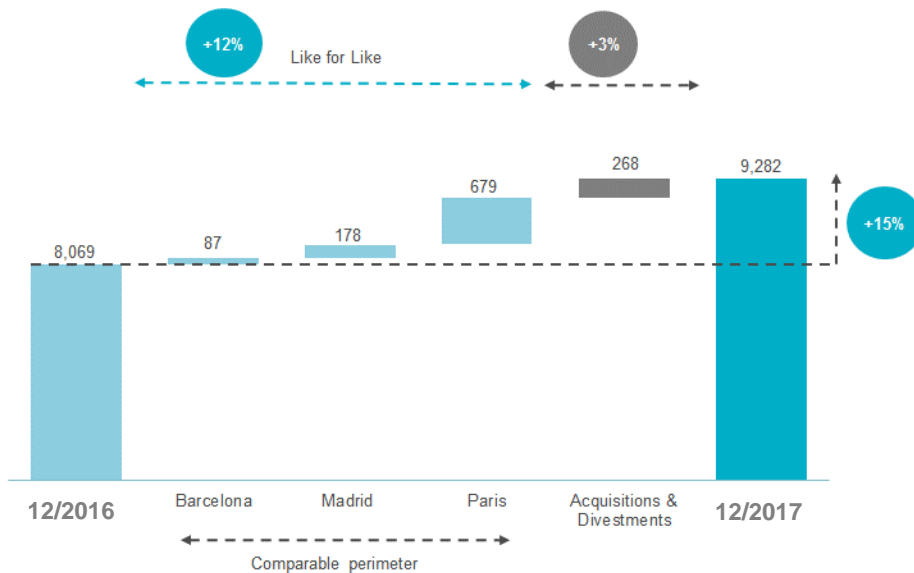


December 2017 Gross Asset Value

**Gross Asset Value of €9,282m (€9,741m including transfer costs)**

- > +12% like for like growth in year (+6% like for like in 12 months)
- > Solid growth rates in every segment
- > Significant value growth through real estate transformation

**GAV 2017 YoY GROWTH**



**GAV VARIANCE**

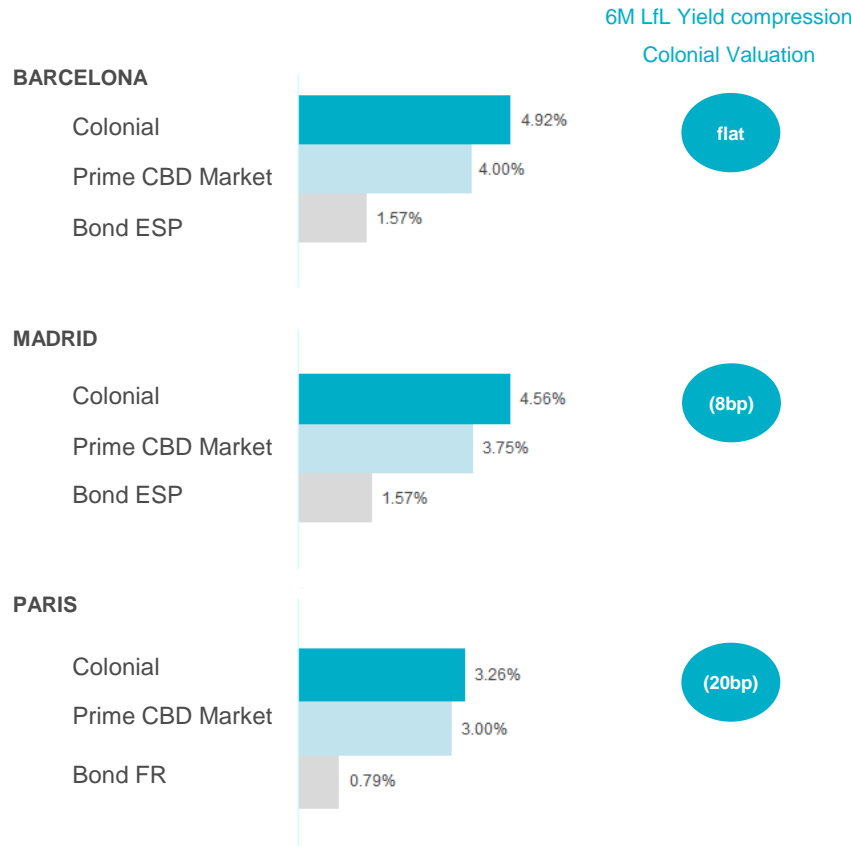
	2H 2017 (6 months)	Full Year 2017
BARCELONA	+1%	+11%
MADRID	+5%	+11%
PARIS	+6%	+13%
<b>TOTAL LFL</b>	<b>+6%</b>	<b>+12%</b>
ACQUISITIONS & DIVESTMENTS	+2%	+3%
<b>TOTAL VAR</b>	<b>+7%</b>	<b>+15%</b>

Attractive valuation levels of current portfolio

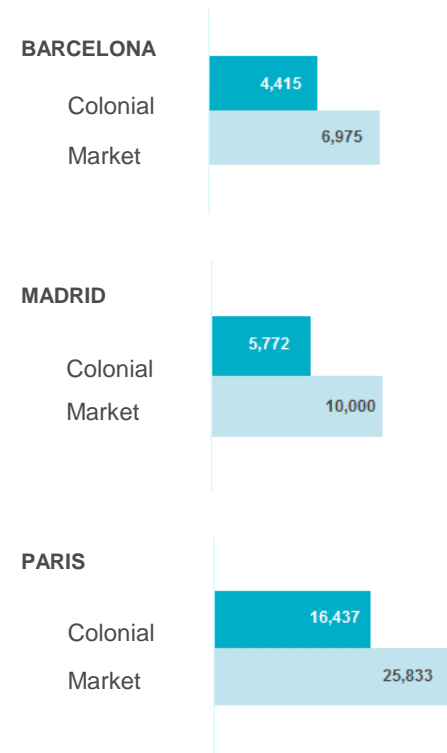
**Important value potential through Re-Rating to current market**

- > Colonial valuation yields still above market levels
- > Colonial capital values significantly below recent transactions evidence
- > Full impact of rental growth still to come through

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



**CAPITAL VALUE 12/2017 - €/sq m**



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

## A solid capital structure

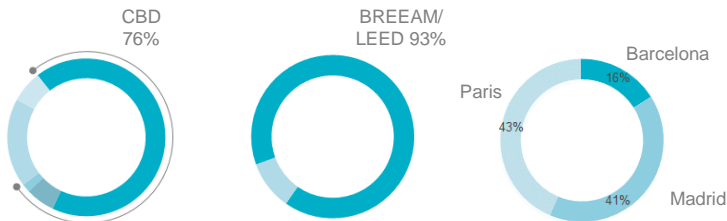
### A high quality collateral underpinned with a solid financial structure

- > 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 €9bn 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**

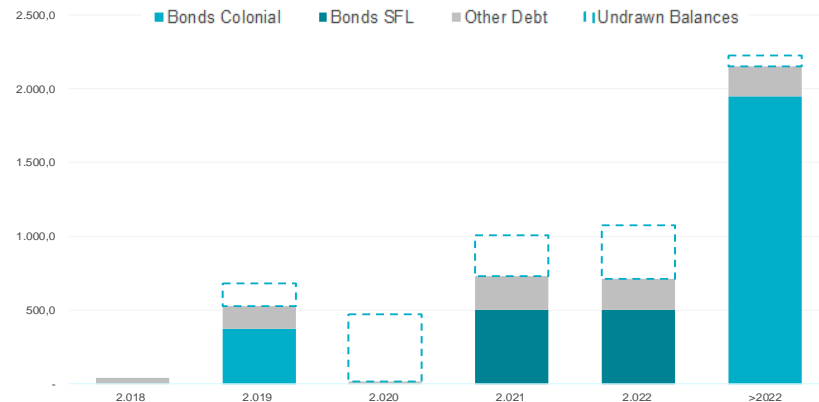


Rating Moody's  
**Baa2 Negative Outlook**

#### A SOLID FINANCIAL STRUCTURE

##### Capital Structure

	31/12/2016	31/12/2017
Cost of Debt Spain	1.96%	1.98%
Cost of Debt Group	1.96%	1.86%
Maturity Spain	6.0 years	6.4 years
Maturity Group	5.0 years	5.5 years
Cash	€105m	€1,105m
Undrawn balances	€768m	€1,322m
Group LTV	41%	31%
% Debt fixed or hedged	82%	90%



## Total Shareholder Return since June 2014

## Total Shareholder Return - Colonial (since June 2014)

Date	€/share			Return per share			Group LTV
	NAV	Dividend	NAV+ Div.	NAV Growth	Dividend	Total Return	
<b>06-14</b>	<b>4.49</b>	0	4.49	-	-	-	<b>43%</b>
12-14	4.77	0	4.77	6%	-	<b>6%</b>	<b>43%</b>
12-15	6.16	0	6.16	29%	-	<b>29%</b>	<b>42%</b>
12-16	7.25	0.150	7.40	18%	2%	<b>20%</b>	<b>41%</b>
12-17	8.60	0.165	<b>8.77</b>	19%	2%	<b>21%</b>	<b>36%</b>
<b>Total Return since 6/14 (NAV per share growth + dividends)</b>						<b>99%</b>	
Dividend Return						7%	
NAV growth						92%	

# Project pipeline and value-add programme

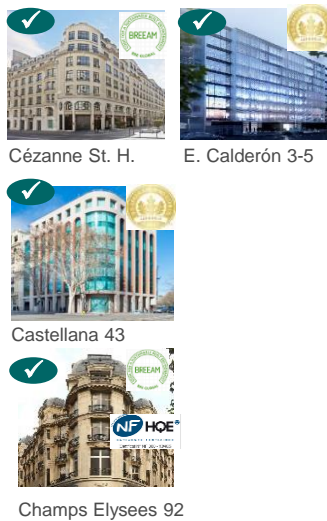
## A very attractive Project pipeline

- > Significant amount of additional rental income for the coming years
- > Additional value creation through created yield compression
- > Top product at optional market timing

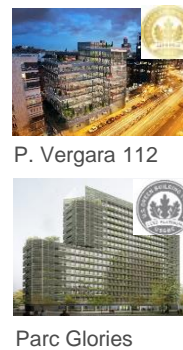
**PROJECTS AND REFURBISHMENTS**

	GLA <sup>1</sup>
Príncipe de Vergara, 112	11,368
Méndez Alvaro 1	89.871
Méndez Alvaro 2	20.275
Parc Glòries	24,551
Louvre Saint Honoré	16,000
Plaza Europa, 34	14,306
112 – 122 Avenue Emile Zola	24.000
Iena	9.300
Castellana, 163	10,910
Cezanne Saint Honoré	1.787
Torre BCN	1,600
Parc Central 22@	14,737
Other Areas	2.743
Gal-la Placidia 1-3 (acq. 2018)	4.285

**2017 YTD**



**2017-18**



**2019 - 22**



Additional Gross Rental Income <sup>2</sup>	<b>€14m</b>	Additional Gross Rental Income <sup>3</sup>	<b>€57m</b>
Yield on cost Spain > 7%	→ Final Product	Yield on cost Spain > 7%	→ Final Product
		Yield on cost France > 6%	→ Final Product

**Total** 245,733  
**Capex program €m** €490m<sup>4</sup>

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

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

<sup>(2)</sup> Figures as of 12/17 considering only marginal rental increases to passing rents on partial surface repositioning, excluding Discovery delivered in 12/17.

<sup>(3)</sup> Figures as of 12/17 adding Gal.la Placidia (acquired in 1/18) and excluding the development of Parc Central as well as 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



Colonial



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