

# Colonial

According to the article 82 of the *Ley 24/1988, de 28 de julio, del Mercado de Valores*, Inmobiliaria Colonial, S.A. ("**Colonial**") announces the following

## **HECHO RELEVANTE ("Relevant Effect")**

Following the Relevant Effect published on the 27<sup>th</sup> of February 2015, with the registered number 219445, Colonial publishes the documentation to support the 2014 results presentation with analysts and institutional investors that will be held today, Wednesday 11<sup>th</sup> of March 2015 at 5 PM (CET) through webcast.

The information regarding the presentation is detailed below:

From Spain: +34 917895131

From the UK: +44 (0)2077509908

The presentation can be followed online through the following link:

<http://event.onlineseminarsolutions.com/r.htm?e=963500&s=1&k=15BBF5DF533A2EA52A121905994E55CF>

The analysts and institutional investors that have been accredited will be able to make written questions during the presentation using the tool provided. These will be answered afterwards in the Q&A session.

In addition, the Spanish version of the presentation will be available on the website of the company.

Barcelona, 11<sup>th</sup> of March 2015

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# COLONIAL

- 2014 Annual Results Presentation -

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*Colonial*

*March 2015*

This document contains market estimates and financial forecasts and information from different sources regarding the Colonial Group financial situation, operating results, business, strategies and plans.

These forecasts represent no guarantee of the future performance of the companies mentioned and are subject to risks and uncertainties. Actual results may differ significantly from those envisaged in the abovementioned forecasts as a result of various factors.

Investors and analysts are advised of the risk of using these estimates and forecasts, which are only representative at the current date. The Colonial Group makes no commitment to publish any revision to these forecasts that could be made to reflect occurrences and circumstances subsequent to the date of this presentation, including in particular changes in the Group business or strategy, or to reflect unforeseen events.

- 1 Colonial at a Glance
- 2 Operating Performance
- 3 Financial Review
- 4 Conclusion & Outlook



1

# Colonial at a Glance



# 1 Colonial at a Glance

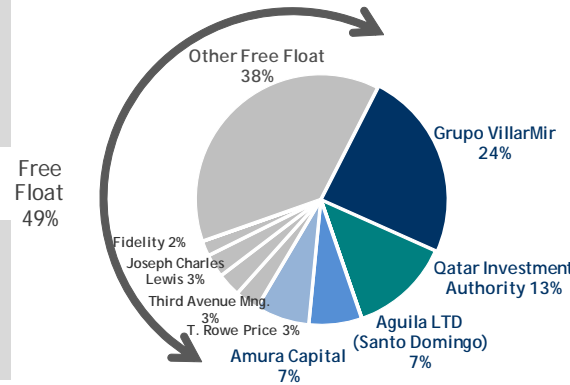
## A successful recapitalization - The new Colonial

A successful recapitalization - Key milestones

### Creation of the leading European Prime Office Platform

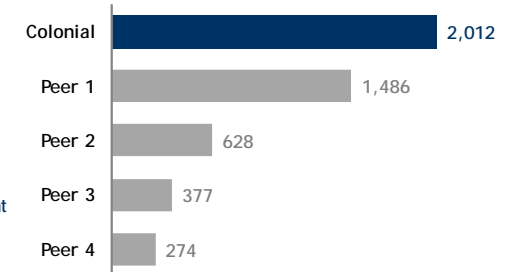
- 1 Largest listed property company in Spain with a market cap > €2bn
- 2 Long term oriented investor base and significant free float
- 3 An office pure play focused on prime assets
- 4 A solid capital structure with a LTV of 38%

#### Colonial's shareholder structure



As of 2 February, 2015

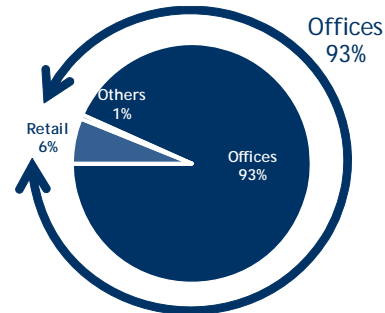
#### Market Capitalization €m



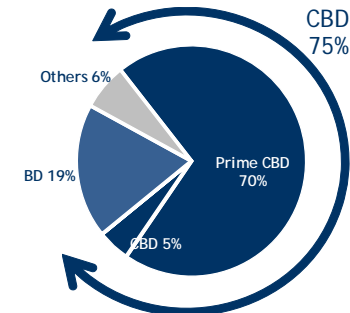
As of 23 February, 2015. Companies with an average daily trading volume >€0.5m

#### Business Mix

##### Valuation - by use



##### Valuation - by area





# 1 Colonial at a Glance

## Key characteristics

### Group Key Portfolio Metrics

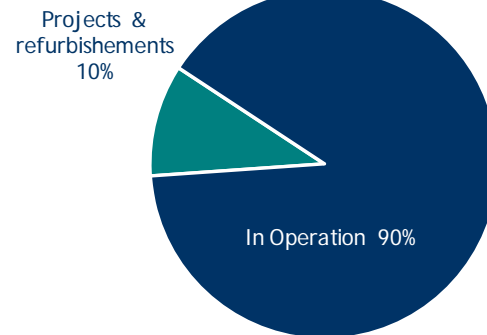
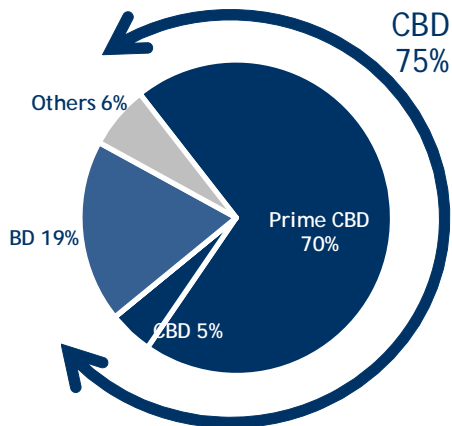
Group GAV 12/14	€5,757 m	+9.6% LFL
# of assets	32 Spain 19 France	
Surface Above Ground	725,341 sq m	
There of Projects	88,698 sq m	

### Capital Structure Metrics

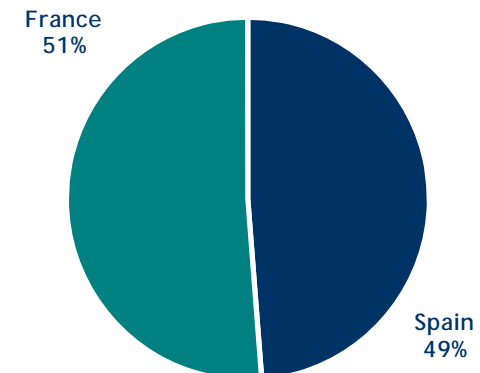
Market Capitalization <sup>(1)</sup>	€2,012 m	
EPRA NAV 12/14 (cents €/share)	47.7 cents €/share	+6.3% (6 months)
Prem./Disc. on NAV <sup>(1)</sup>	32%	
LTV Holding 12/14	38%	

### Business Mix

#### GROUP GAV



#### HOLDING GAV - Exposure



*Leading European Prime Office Platform*

(1) As of 23 February, 2014

**1** Colonial at a Glance  
*Highlights 2014 - Positive Momentum on all the metrics*

Highlights 2014 - Positive momentum on all the metrics

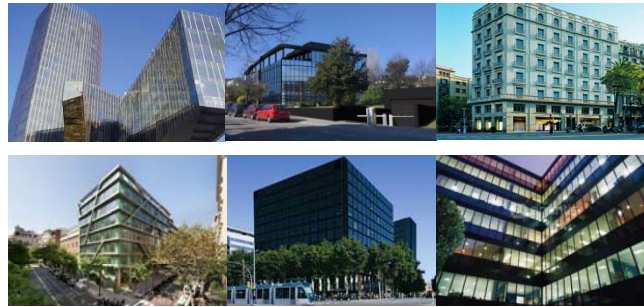
EPRA OCCUPANCY - Total Portfolio	87%	+3.9 pp
GROSS RENTS	€211m	+3.2% LFL
RECURRING EBITDA	€161m	+4.1% LFL
RECURRING EARNINGS	€17m	+€13m
GAV	€5,757m	+9.6% LFL
EPRA NAV	47.7 Cts€/share	+6.3% (6 months)
New Investments		€369m



# Colonial

## 1 Colonial at a Glance Highlights 2014 - Prime positioning permits strong performance

### Barcelona



GAV	€594m	+6.3% LFL
Gross Rents	€28m	(4.6)% LFL
EPRA Office occupancy		78%
<i>EPRA Office occupancy (excluding Diagonal 409 &amp; Travesera/Amigó)</i>		83%

### Madrid



GAV	€687m	+13.3% LFL
Gross Rents	€32m	+5.4% LFL
EPRA Office occupancy		90%

### Paris



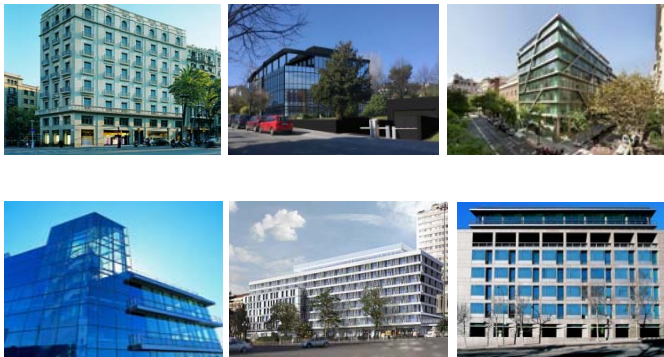
GAV	€4,466m	+9.5% LFL
Gross Rents	€152m	+4.3% LFL
EPRA Office occupancy		86%
<i>EPRA Office occupancy (excluding In &amp; Out)</i>		95%

# 1 Colonial at a Glance

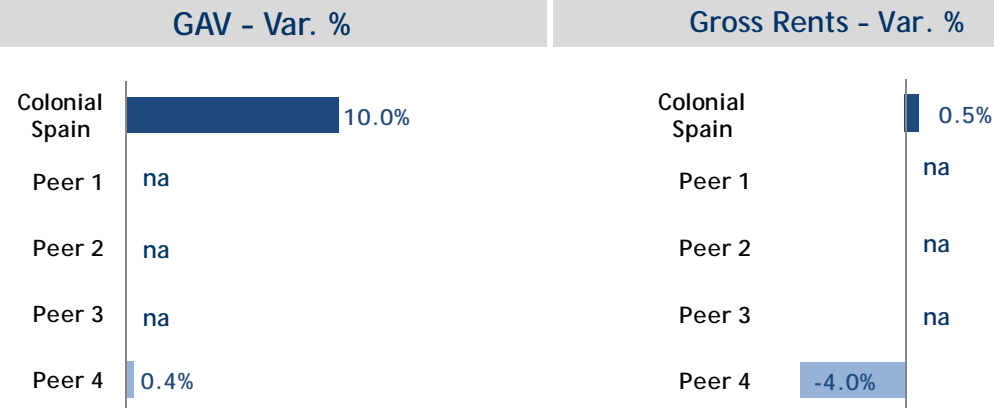
## Highlights 2014 - Prime positioning permits strong performance

### SPAIN

#### Colonial Spain

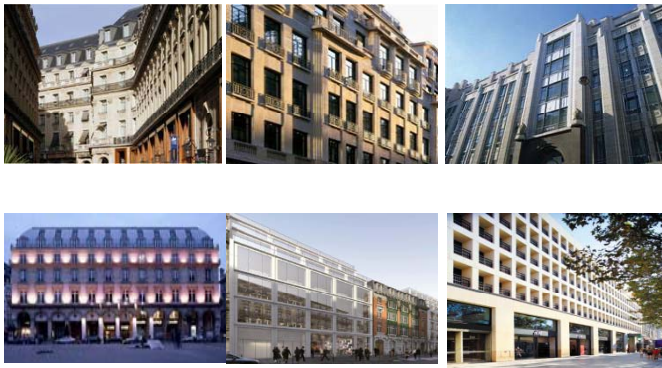


#### Performance vs Peers<sup>(1)</sup> (Like for like)

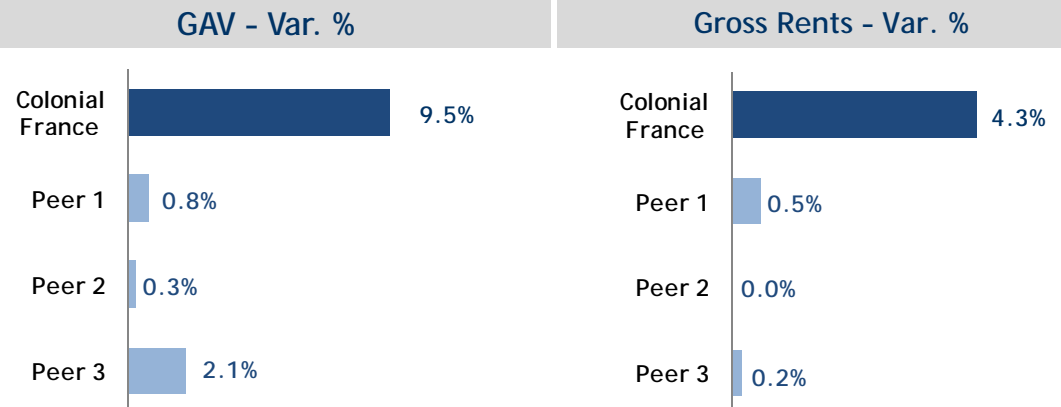


### FRANCE

#### Colonial France



#### Performance vs Peers (Like for like)

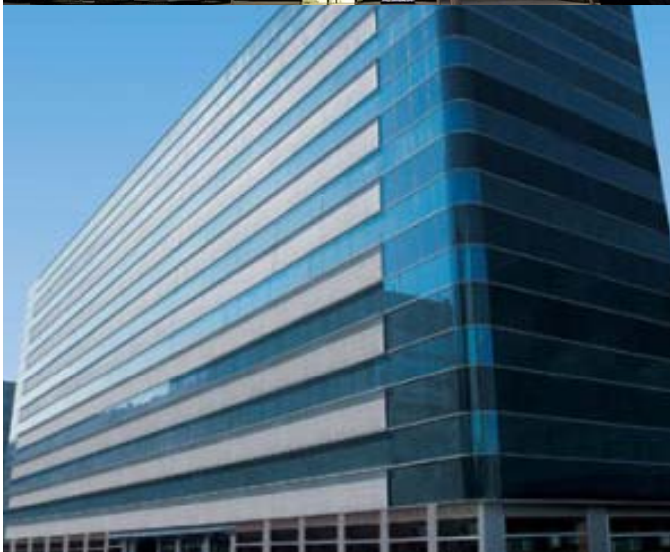


(1) Companies with an average daily trading volume >€0.5m  
Source: Colonial & Results Presentations Peers



# 2

## Operating Performance





## 2 Operating Performance

### Active Asset Management to boost value creation

Value creation through active asset management

DISPOSALS

€304m Disposal of a Minority Stake in SIIC de Paris (23.88 €/share)



- ✓ Disposal of a minority stake at maximum price capturing full value potential
  - Price in line with December 2013 NAV
  - Premium of 29% on acquisition price (18.48€/share)
- ✓ Attractive double digit return

INVESTMENTS & ACQUISITIONS

€135m "Prime Factory" Investments

Travessera/Amigó



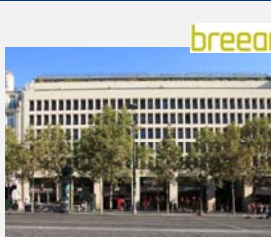
Paseo de los Tilos



Alfonso XII



90 Champs Elysées



In & Out

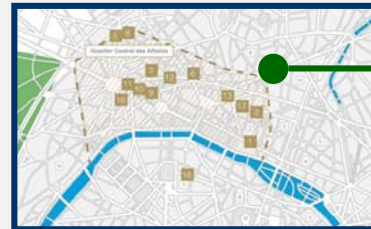


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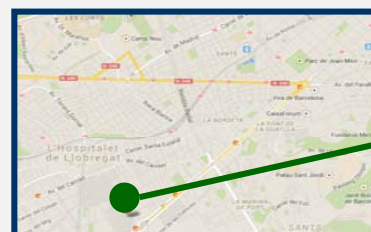


€234m Acquisitions

Rue Condorcet - Paris



Plaza Europa 42-44 - Barcelona

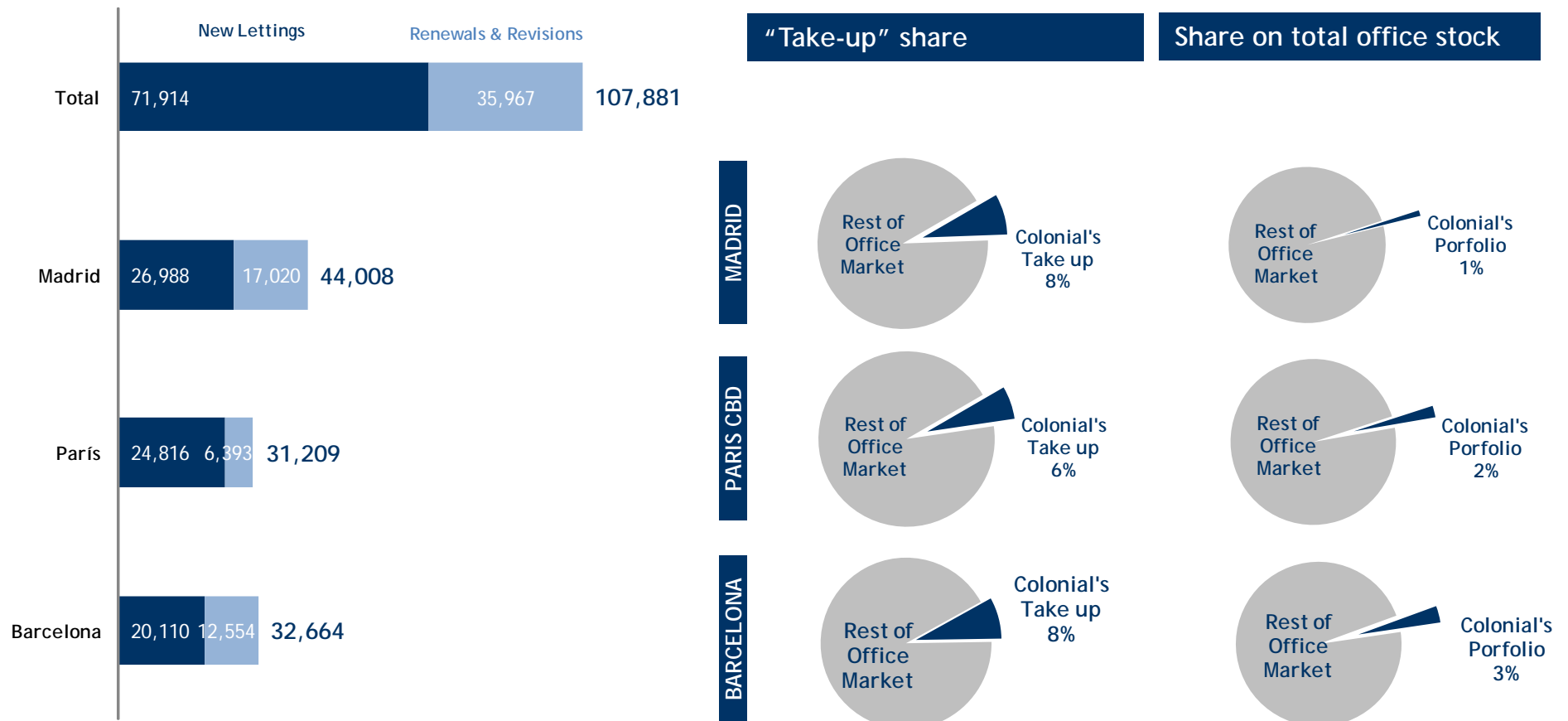




## 2 Operating Performance Strong Letting Performance

- Strong letting performance in the three cities
- Take-up share of Colonial clearly above Colonial's share on total stock
- Proven attraction of high quality premises

### Letting Performance



## 2 Operating Performance Strong Letting Performance

Strong letting performance in all the markets

### Main actions - Spain

Building	Tenant	sq.m.
CAPITAN HAYA, 53	Loterías y Apuestas del Estado	12,375
MARTINEZ VILLERGAS, 49	Empresa líder en infraestructuras	6,425
PASEO DE LOS TILOS, 2-6	Abertis Infraestructuras	5,143
ALFONSO XII, 62	Aecom Inocsa	5,130
TORRE BCN	Empresa tecnológica	4,800
ALFONSO XII, 62	Entidad Financiera	4,100
AV. DIAGONAL, 530	Entidad Financiera	2,555
LLACUNA 22@	Empresa líder subastas por internet	2,130
AV. DIAGONAL, 609-615	Oracle Ibérica	1,948



Capitan Haya, 53



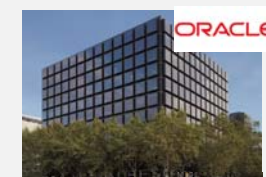
Paseo de los Tilos, 2-6



Alfonso XII



Torre BCN



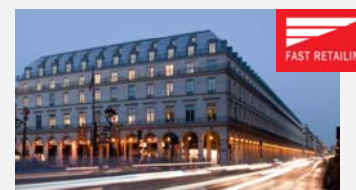
Av. Diagonal, 609-615



Lacuna 22@

### Main actions - France

Building	Tenant	sq.m.
LOUVRE ST. HONORE	Fast Retailing France	7,495
90 AV.CH. ELYSÉES	Empresa consultora 1er nivel	5,733
EDOUARD VII	Ashurst + Flusin	4,347
EDOUARD VII	Comgest	2,426
CEZANNE ST. HONORE	Apax Partners	1,940
CEZANNE ST. HONORE	Sumitomo Mitsui Banking	1,880
WASHINGTON PLAZA	SPB	1,415
WASHINGTON PLAZA	VTG France	1,100
176 Charles de Gaulle	Schoeller Allibert	652



Louvre St. Honoré



Edouard VII



Cezanne St. Honore



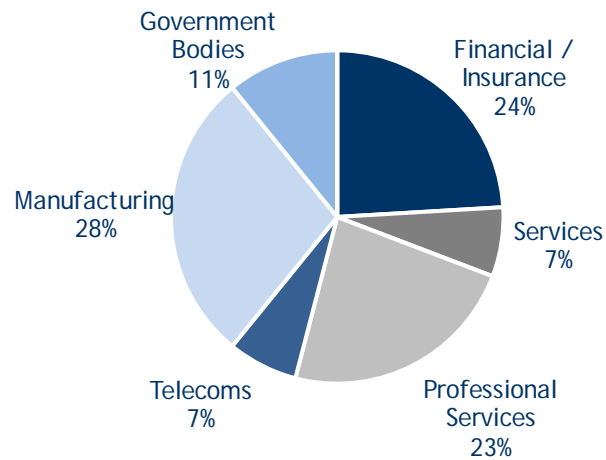
Washington Plaza

## 2 Operating Performance

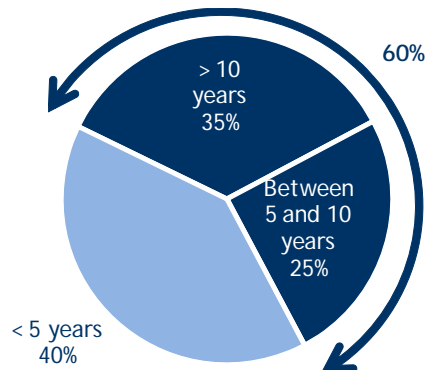
*Diversified & resilient tenant base*

- A well diversified client base with top tier clients
- Superior asset quality permits to retain clients

### Breakdown by economic sector

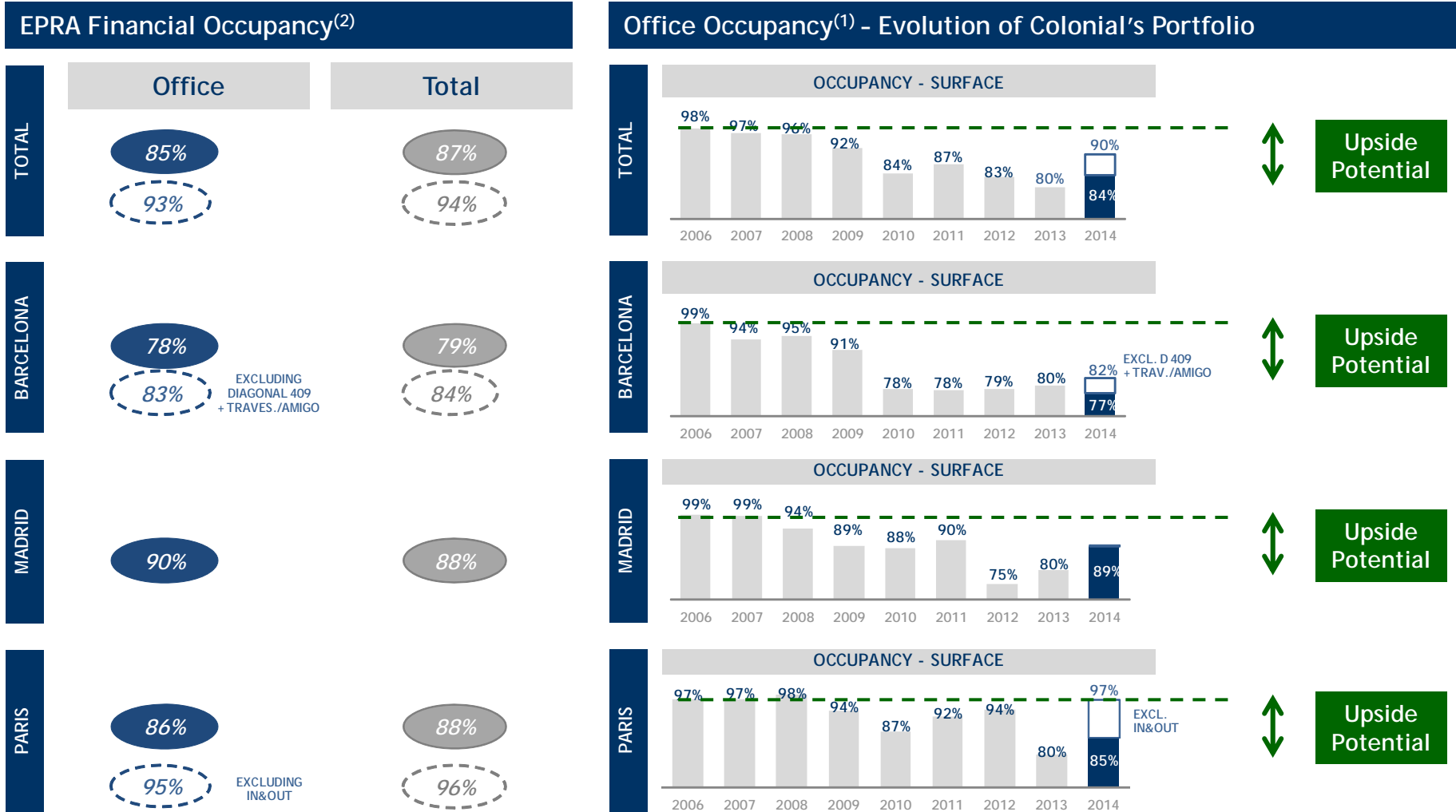


### Length of time the tenants stay



## 2 Operating Performance Occupancy

- Positive momentum in occupancy
- Upside potential in reaching pre crisis levels



1) Occupied surfaces/surfaces in operation

2) EPRA occupancy: Financial occupancy according to the calculation recommended by EPRA (Occupied surfaces multiplied by the market prices/surfaces in operation at market prices).



## 2 Operating Performance

### Prime Factory - Additional rental upside

Prime Factory - Significant value & cash flow to be unlocked from current portfolio

#### Main Assets - Spain

Travessera/Amigó



Diagonal, 409



Jose Abascal



Paseo de los Tilos

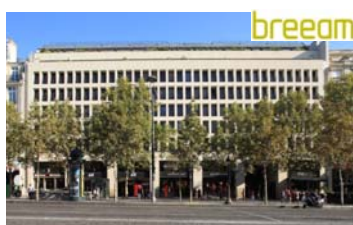


Alfonso XII



#### Main Assets - France

90 Champs Elysées



In & Out



#Cloud

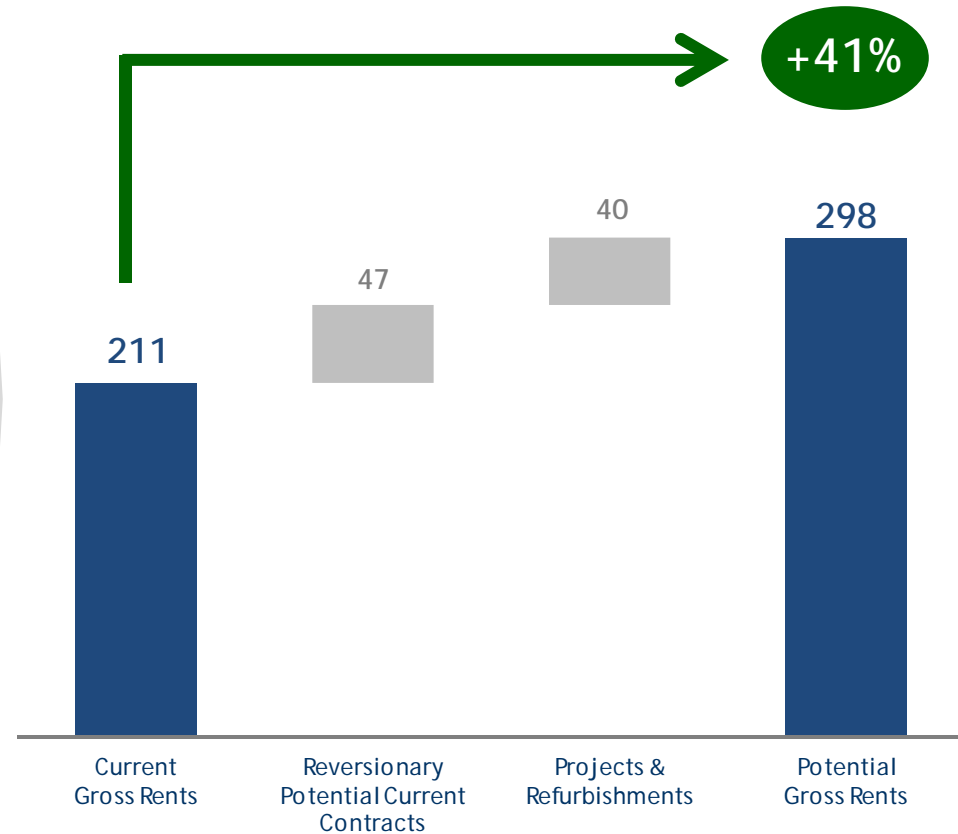


Louvre des Antiquaires



+€87m of additional rents from current portfolio

€m



## 2 Operating Performance

### Acquisitions of Trophy Assets in Paris & in Barcelona

INVESTMENT METRICS		<u>Rue Condorcet 4-8</u>
Gaz Réseau Distribution France (GrDF)		A "Trophy Asset" with a AAA client in an attractive location
Paris Centre - 9 <sup>th</sup> district		<ul style="list-style-type: none"> <li>✓ 25,000 sq m on 10,000 sq m of land, with redevelopment opportunities</li> <li>✓ Four buildings on an office campus</li> <li>✓ Proximity to the first Paris European railway station and major hub (Gare du Nord)</li> <li>✓ Blue Chip Tenant - Head Office of GrDF Group for 150 years</li> <li>✓ Recent renewal until 2024 (10 years)</li> <li>✓ Solid cash flow stream</li> <li>✓ Growth potential of the 9<sup>th</sup> district</li> </ul>
Price (excl. acquis. costs)	€224m	
Sq m	24,970 sq m	
Occupancy	100%	
Maturity	2024	<b>Prime Asset with perfect fit to the Group's strategy</b>
INVESTMENT METRICS		<u>Plaza Europa, 42-44 Building</u>
HQ Gallina Blanca - Multinational		A Core Asset with a AAA client in a growing office market
Barcelona - Plaza Europa		<ul style="list-style-type: none"> <li>✓ Price of €1,822/sq m (excl. parking), below replacement costs</li> <li>✓ 100% let asset to AAA tenant</li> <li>✓ Headquarter of Spanish Multinational "Gallina Blanca"</li> <li>✓ Solid cash flow stream with attractive return</li> <li>✓ Market segment with future growth potential - New business area -</li> </ul>
Price (excl. acquis. costs)	€10.4m	
Sq m	4,869m sq m	
Occupancy	100%	
Maturity	2024	<b>Enhancement of the cash flow profile of the Barcelona portfolio</b>



# 3

## Financial review



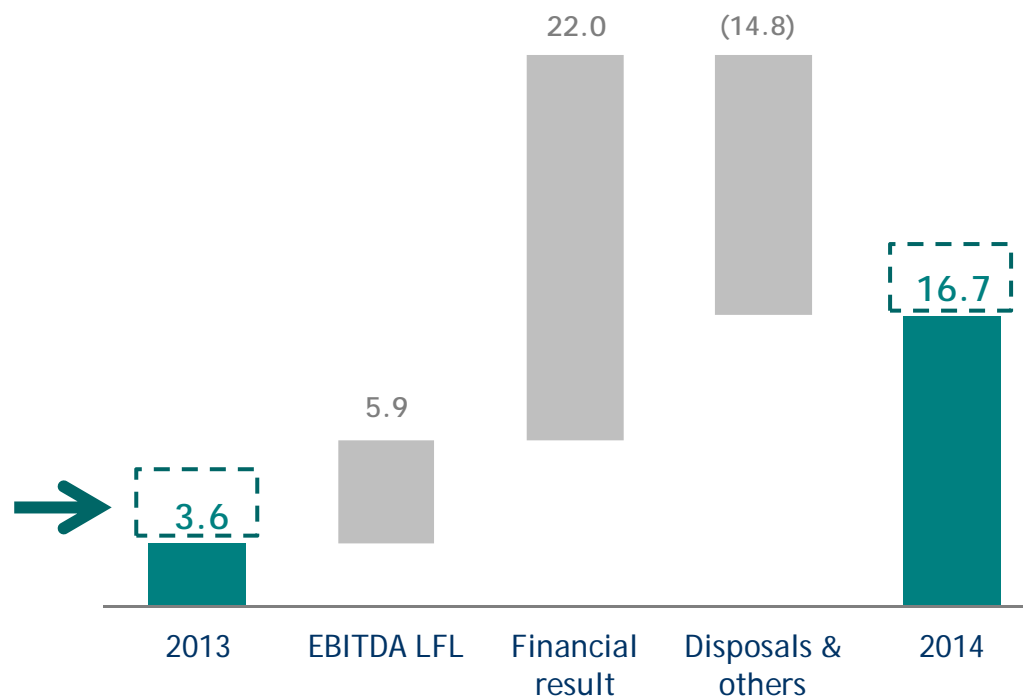
### 3 Financial Review

#### Profit & Loss Account 2014

PL

Results analysis - €m	2014	2013
Rental revenues	211	213
Net operating expenses & other income	(19)	(17)
Overheads	(32)	(32)
<b>Recurring EBITDA</b>	<b>161</b>	<b>165</b>
Results associated to SIIC de Paris - recurring	4	11
Recurring financial result	(102)	(124)
Income tax expense & others - recurring result	(8)	(8)
Minority interest - recurring result	(39)	(41)
<b>Recurring net profit</b>	<b>16.7</b>	<b>3.6</b>
Discontinued operations	701	(405)
Change in fair value of assets	332	37
Goodwill impairment, Tax credits & other provisions	(332)	(25)
Other exceptionnals, mainly recapitalization	(128)	(116)
Minority interest - non recurring result	(98)	(41)
<b>Profit attributable to the Group</b>	<b>492</b>	<b>(547)</b>

Recurring Income - €m - Variance Analysis





### 3 Financial Review

#### Rental income - 2014

Positive momentum in rental growth, +3.2% like for like

#### PERFORMANCE OF RENTAL INCOME 2014 vs. 2013

- Positive rental growth in Paris
- Strong momentum in Madrid (LFL+5.4%)
- Barcelona the lagging market.



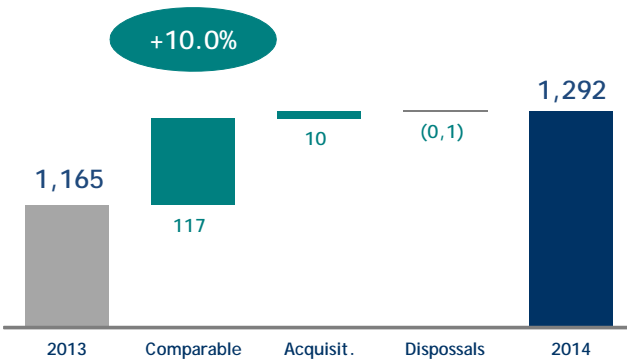
### 3 Financial Review

## Evolution of Asset values 2014

Strong momentum in Asset Values, +9.6% like for like

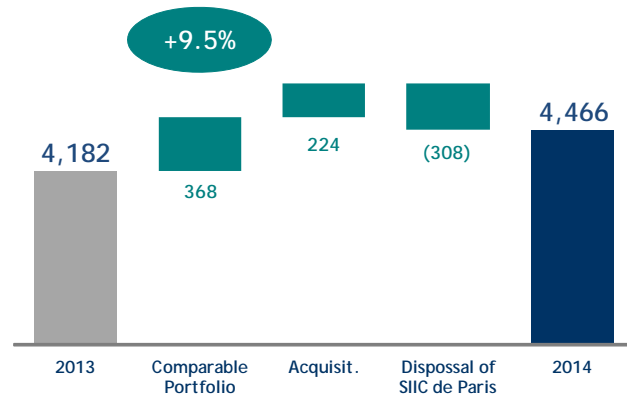
#### SPAIN (GAV €m)

+10.9%



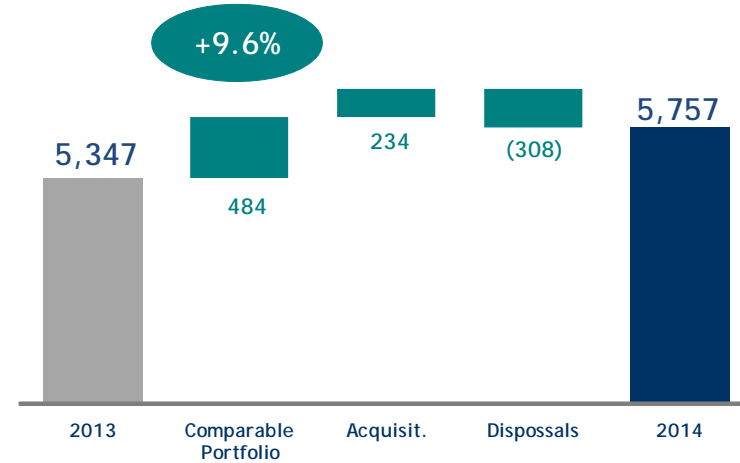
#### FRANCE (GAV €m)

+6.8%

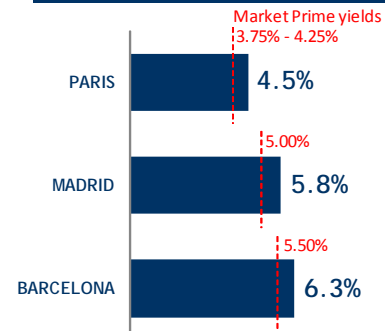


#### TOTAL COLONIAL (GAV €m)

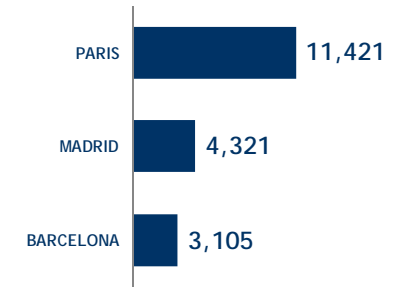
+7.7%



#### Valuation Yield Colonial



#### €/sqm



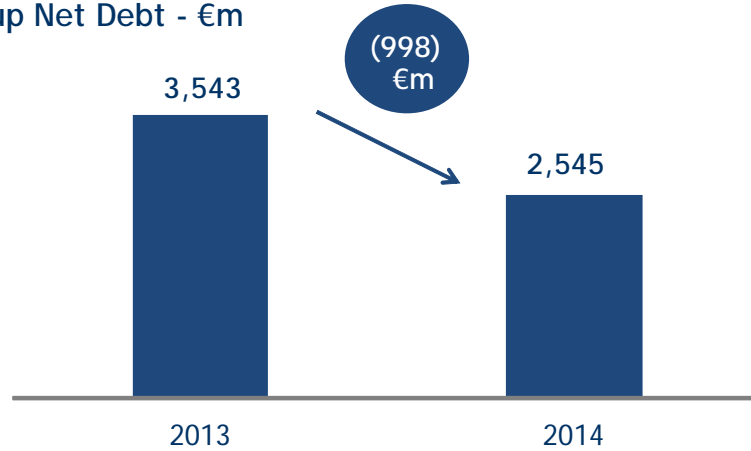
In order to be able to compare the data with the market benchmarks of the consultants, the corresponding yields of the portfolio in Spain are gross and in France they are net.

### 3 Financial Review

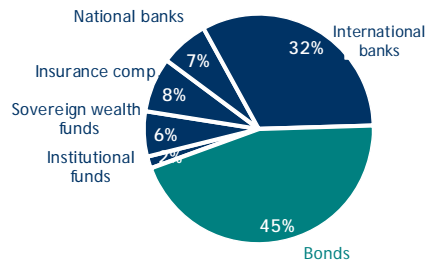
#### Main debt figures - 2014

#### Significant debt reduction post recapitalization

Group Net Debt - €m

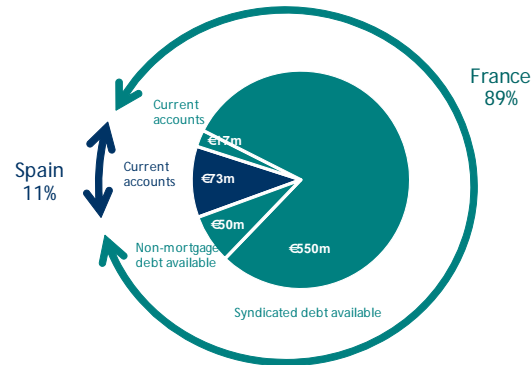


#### Type of lender



#### Undrawn balances

€690m



#### Main debt characteristics

- ✓ Well diversified mix of debt sources
- ✓ Prudent LTV ratios
- ✓ Sufficient funding for new investments
- ✓ Room for improvement of financing cost

#### Main debt KPIs

LTV Holding	38.4%
LTV Group	44.8%
Spread Group	247 b.p.
Average life of drawn down debt (years)	3.9
Available funds	€690m

### 3 Financial Review

## Active Management of the Balance sheet - France

### Active Management of the Balance sheet - France

New Bond Issue 500€m

1.875% Coupon

7 year maturity 11/2021

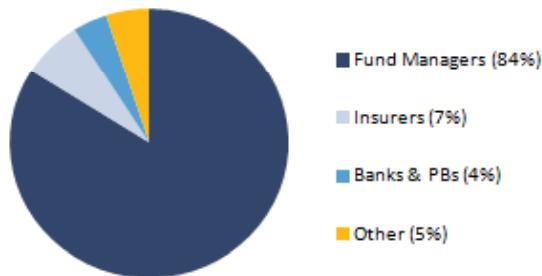
Successful Buyback of 300€m  
existing bonds

#### Successful implementation of "Liability Management"

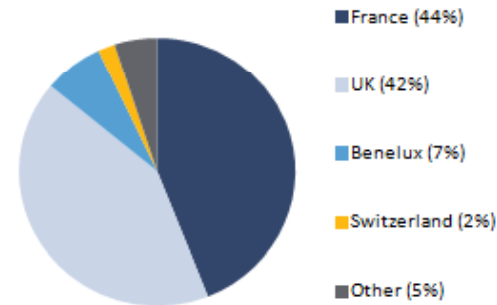
- ✓ Oversubscribed book with international high quality accounts
- ✓ Lowest coupon ever achieved by SFL: 1.875% - 125 bp on MS
- ✓ Successful buyback of existing bonds (300€m)

- ➔ Extension of average maturity of the Group's debt
- ➔ Improvement of average cost of finance

**Distribution by Investor Type**  
% of allocation



**Distribution by Geography**  
% of allocation

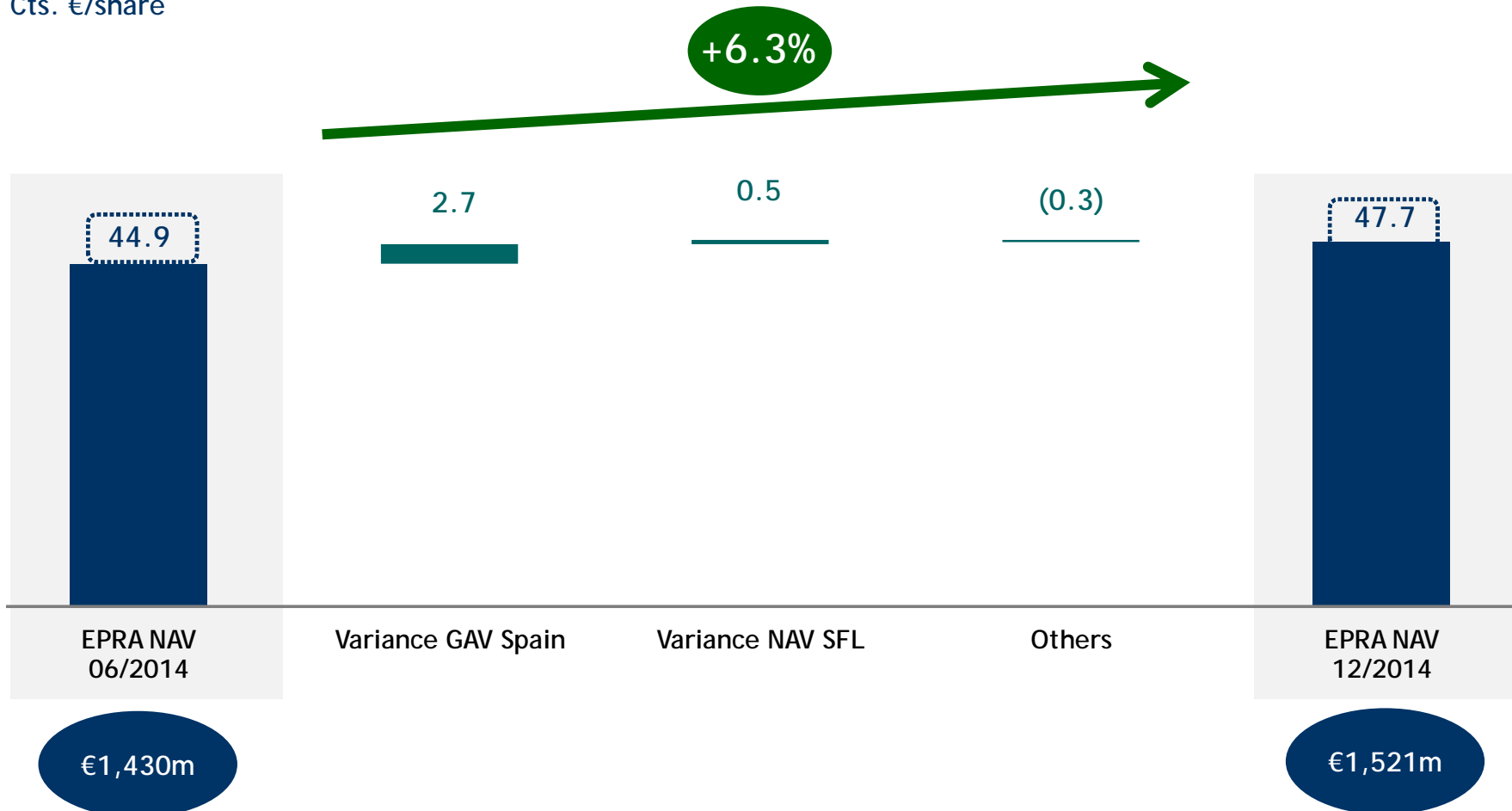




Strong increase of EPRA NAV in 6 months

EPRA NAV Colonial

Cts. €/share



# 4

# Conclusion & Outlook



## 4 Conclusion & Outlook

### *Conclusion - A successful strategy focused on Prime Office*

Conclusion - A strategy focused on Prime Office delivers superior performance

1

A successful recapitalization creating the largest listed property company in Spain

2

Strong positive momentum in all operating metrics

3

Capturing significant market share in take up

4

Strong performance in comparison with peers

*Strong NAV growth - more than 6% in 6 months*

Outlook - Office market review

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1

Momentum and positive outlook in macro fundamentals, especially in Spain, will drive office markets in the next two years

2

Clear decoupling of prime and secondary

3

Scarcity of Prime Product in Rental and Investment Market

4

Rental recovery to come, especially in Madrid and Barcelona

5

Investment Market: investors chasing for prime product given attractive spread of yield vs. risk free rates

6

Important capital value growth potential for prime assets driven by future rental growth and room for yield compression

## Outlook - Significant upside potential from implementing the strategy going forward

1

Enhance Cash Flow Profit

- Strong delivery on letting activity
- Progressive increase of occupancy
- Additional momentum through repositioning

2

Value creation on current portfolio

- Prime Factory Investments
- Cash Flow and Value uplifts
- Additional rents out of project / refurbishment pipeline

3

New Acquisitions

Combination of Core and Value Added Investments

- Execution of Core Investments to enhance cash flow profile
- Identification of new market segments with growth potential
- Value creation potential of Prime Factory / Value added investments

4

Active Balance Sheet Management

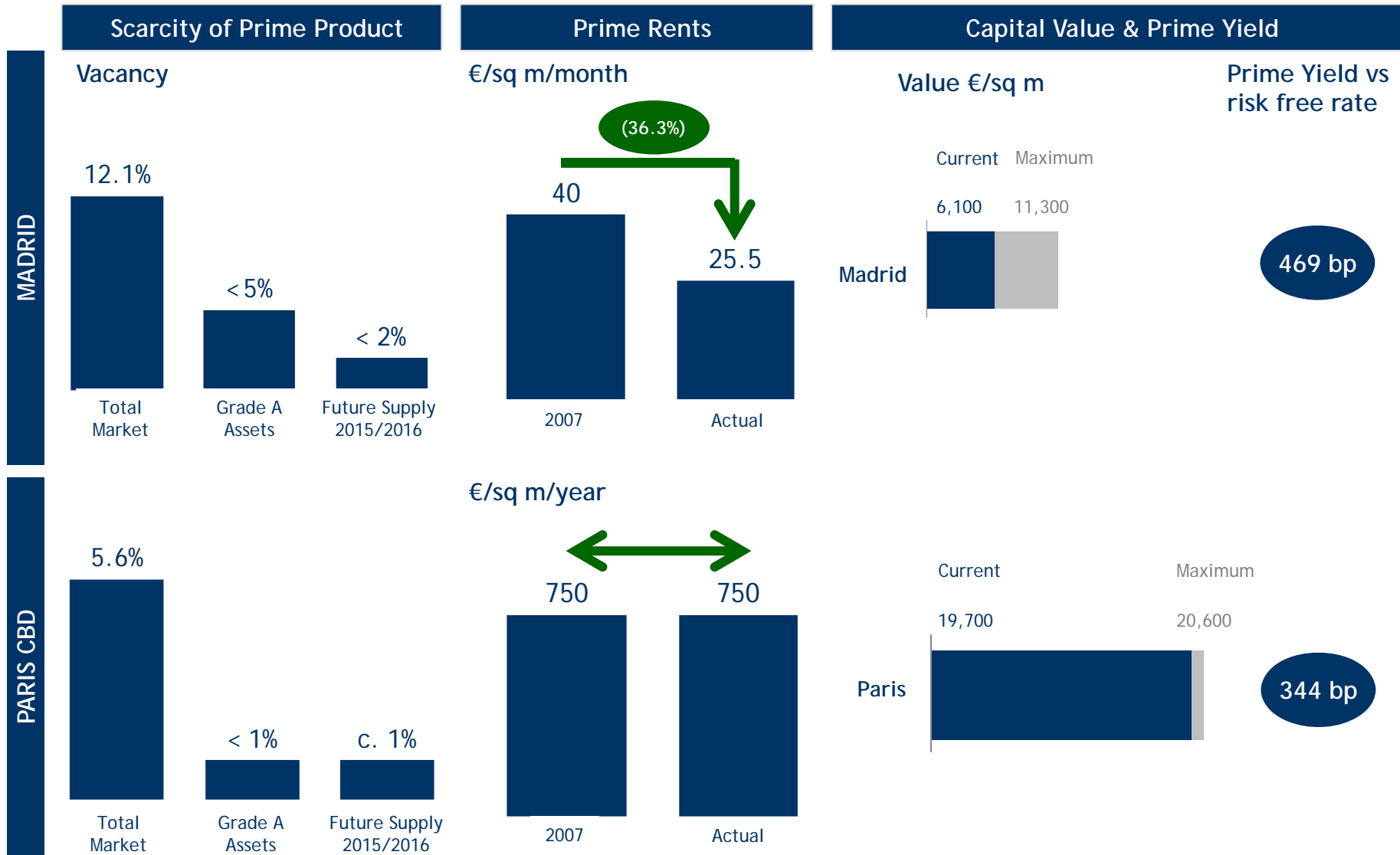
- Successful implementation of Liability Management in France
- Additional potential for improvement of financial structure / cost of financing

*A leading specialized Pan European Office Player with proven track record in Prime Factory repositioning*

## Q & A



# Appendices



(\*) Sources: Reports Jones Lang LaSalle, Cushman & Wakefield, CBRE

