

Colonial



Colonial – Investor Day
CORPORATE STRATEGY
Mr. Pere Viñolas
Chief Executive Officer



Madrid 17/10/18



By accepting this presentation and/or by attending this presentation, you will be taken to have represented, warranted and undertaken that you have read and agree to comply with the contents of this disclaimer. The information contained in this presentation ("Presentation") has been prepared by Inmobiliaria Colonial, SOCIMI S.A. (the "Company") and has not been independently verified and will not be updated. No representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions contained herein and nothing in this Presentation is, or shall be relied upon as, a promise or representation. None of the Company nor any of its employees, officers, directors, advisers, representatives, agents or affiliates shall have any liability whatsoever (in negligence or otherwise, whether direct or indirect, in contract, tort or otherwise) for any loss howsoever arising from any use of this Presentation or its contents or otherwise arising in connection with this Presentation.

This Presentation is for information purposes only and is incomplete without reference to, and should be viewed solely in conjunction with, the Company's publicly available information and, if applicable, the oral briefing provided by the Company. The information and opinions in this presentation are provided as at the date hereof and subject to change without notice. It is not the intention to provide, and you may not rely on these materials as providing, a complete or comprehensive analysis of the Company's financial or trading position or prospects.

This Presentation does not constitute investment, legal, accounting, regulatory, taxation or other advice and does not take into account your investment objectives or legal, accounting, regulatory, taxation or financial situation or particular needs. You are solely responsible for forming your own opinions and conclusions on such matters and for making your own independent assessment of the Company. You are solely responsible for seeking independent professional advice in relation to the Company. No responsibility or liability is accepted by any person for any of the information or for any action taken by you or any of your officers, employees, agents or associates on the basis of such information.

This Presentation could contain financial information regarding the businesses and assets of the Company. Such financial information may not have been audited, reviewed or verified by any independent accounting firm. The inclusion of such financial information in this Presentation or any related presentation should not be regarded as a representation or warranty by the Company, its affiliates, advisors or representatives or any other person as to the accuracy or completeness of such information's portrayal of the financial condition or results of operations by the Company and should not be relied upon when making an investment decision. Certain financial and statistical information in this document has been subject to rounding off adjustments. Accordingly, the sum of certain data may not conform to the expressed total.

Certain statements in this Presentation may be forward-looking. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions which could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These include, among other factors, changing economic, business or other market conditions, changing political conditions and the prospects for growth anticipated by the Company's management. These and other factors could adversely affect the outcome and financial effects of the plans and events described herein. Any forward-looking statements contained in this Presentation and based upon past trends or activities should not be taken as a representation that such trends or activities will continue in the future. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The market and industry data and forecasts that may be included in this Presentation were obtained from internal surveys, estimates, experts and studies, where appropriate as well as external market research, publicly available information and industry publications. The Company, its affiliates, directors, officers, advisors and employees have not independently verified the accuracy of any such market and industry data and forecasts and make no representations or warranties in relation thereto. Such data and forecasts are included herein for information purposes only. Accordingly, undue reliance should not be placed on any of the industry or market data contained in this Presentation.

The distribution of this Presentation in other jurisdictions may be restricted by law and persons into whose possession this presentation comes should inform themselves about and observe any such restrictions.

NEITHER THIS DOCUMENT NOR ANY OF THE INFORMATION CONTAINED HEREIN CONSTITUTES AN OFFER OF PURCHASE, SALE OR EXCHANGE, NOR A REQUEST FOR AN OFFER OF PURCHASE, SALE OR EXCHANGE OF SECURITIES, OR ANY ADVICE OR RECOMMENDATION WITH RESPECT TO SUCH SECURITIES.



- 01 Introduction & Guidance
- 02 Solid delivery on Strategy
- 03 Superior returns through Alpha
- 04 Creation of a stronger platform for growth
- 05 Future value creation
- 06 Conclusion





GUIDANCE

1 Profit & Loss

- > Top Line GRI 2018 > €346m
- > EPS 2018: €22cts
- > DPS 2018: +10% YoY growth

2 Capital Recycling

- > 2018 Disposals €441m YTD
- > 2019 Selective divestment of mature assets

3 Organic: Acquisition program ongoing

- > Acquisitions of €250m per annum
- > Prioritize value add opportunities

4 Strong commitment to solid capital structure

- > Investment Grade Rating
- > LTV ~ 40%



Strong delivery on strategic goals

- > Operations with outperformance on every KPI
- > Smart capital allocation maintaining investment discipline
- > Firm commitment to solid capital structure

WHAT WE PROMISED.....

Investor Day 2017

> Consolidation of rental price increases

> Delivery of project pipeline

> Acquisition of new value added

> Proptech enhanced strategies

> Reinforcement of capital structure

> Enhancement of ESG strategy

..... HAS BEEN DELIVERED

2018 YTD

- ✓ Strong price increases in every quarter
- ✓ Capturing high market rental growth
- ✓ Double digit release spreads

- ✓ Successful delivery of 3 projects in 2H18
- ✓ Project pipeline on track

- ✓ Successful Axiare takeover & integration
- ✓ Project Alpha III in 1/2018
- ✓ Project Alpha IV

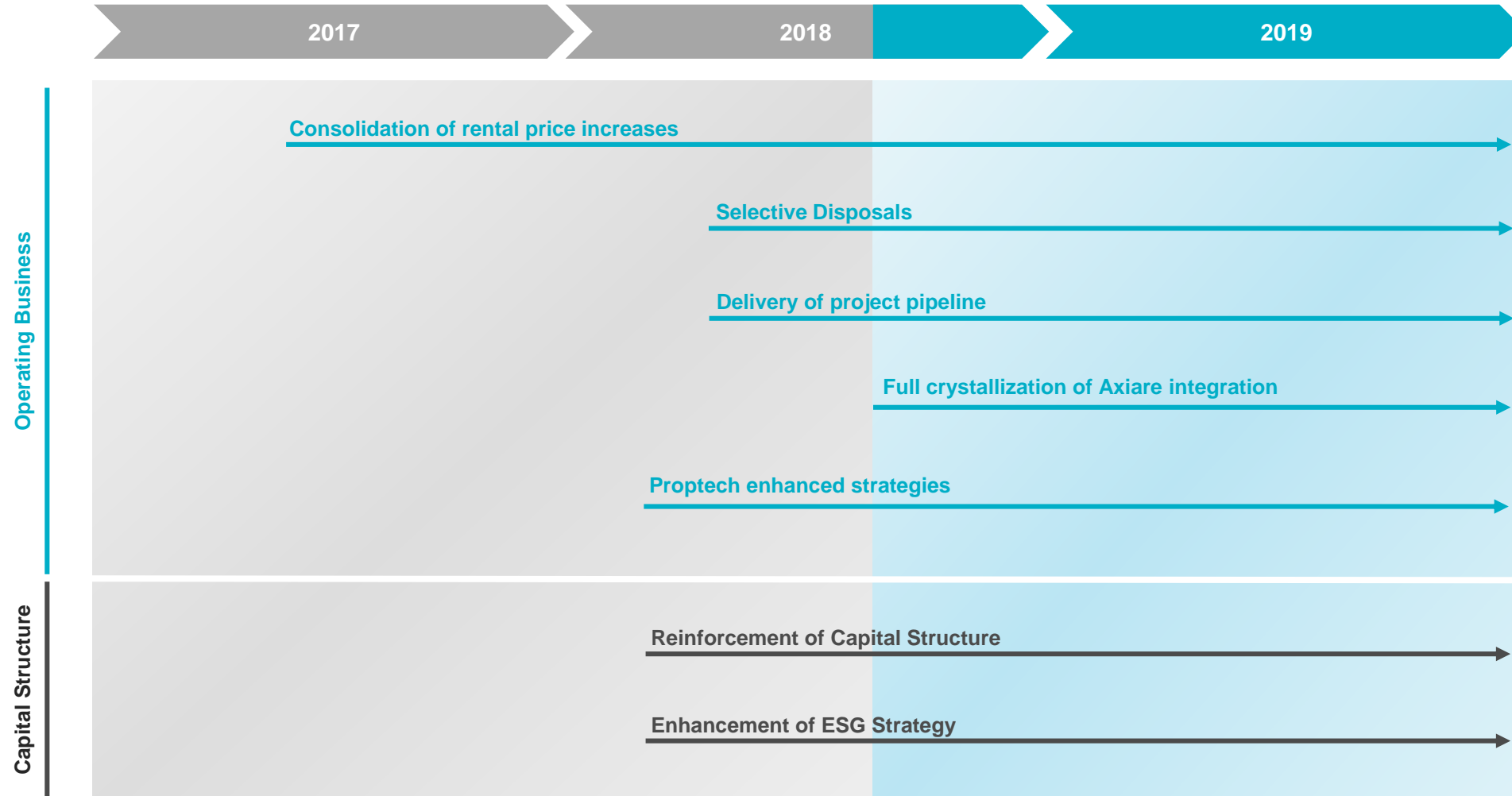
- ✓ Flex office strategy: more than 11 premises by year end
- ✓ Enhancement of Colonial Lab
- ✓ Building a digital strategy and culture

- ✓ More than €675m of liability management
- ✓ Disposal of non-strategic assets & debt reduction
- ✓ Lower LTV with higher maturities

- ✓ Outstanding level of Breeam / Leed certificates
- ✓ Strong progress on Corporate ESG Ratings

A focussed growth strategy that prioritizes quality

- > Unlocking value from current project pipeline
- > Rental price increases driving future capital value growth
- > Active Capital allocation with investment discipline





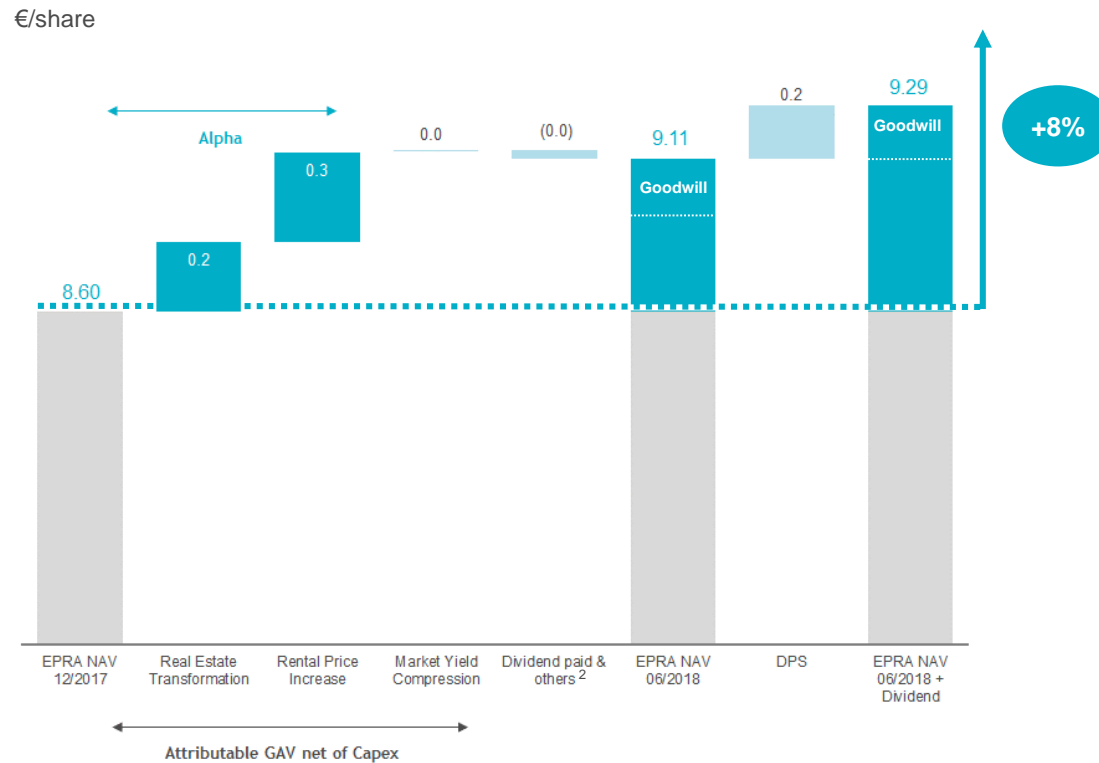
03 Superior returns through Alpha

“Alpha” as significant driver in value creation

Outstanding total shareholder return driven by “Alpha”

- > More than half of the NAV growth per share through “Alpha” strategies
- > NAV growth driven by price increases and successful project deliveries
- > €0.7 per share of value creation in 6 months

TOTAL SHAREHOLDER RETURN – 1H 2018



TOTAL SHAREHOLDER PER SHARE

	6 MONTHS	12 MONTHS
Real Estate Transformation	+3%	+4%
Rental Price Increase	+3%	+7%
Market Yield ¹ Compression	+0.6%	+3%
Dividend per share	+2%	+2%
Total Return per share	+8%	+15%

1) Net of other impacts

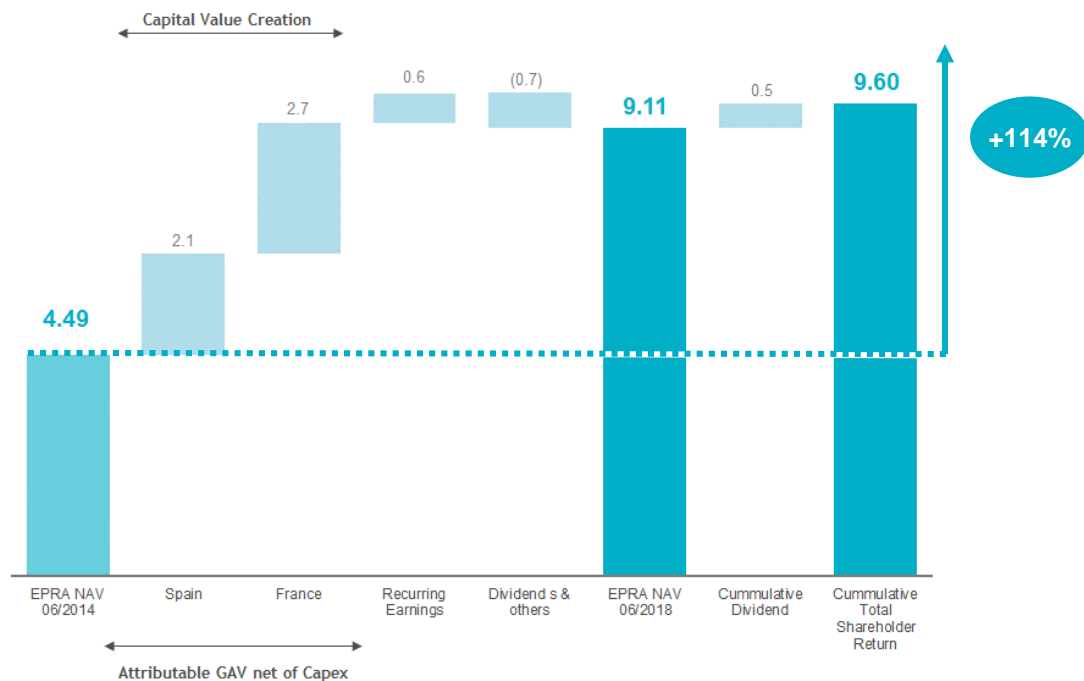
2) Includes SFL dividend payment to minority shareholders in France

Outstanding Total Shareholder Return in 4 years

- > +€5.1 per share in 4 years (+114%)
- > +€1.28 per share per annum (+21% CAGR)

STRONG MOMENTUM IN NAV GROWTH

€/share



TOTAL SHAREHOLDER RETURN

	6/14 – 6/18	CAGR	Value creation contribution
NAV Growth per share	+103%	+17%	
Cum. Dividend paid per share	+11%	+4%	
Total Return per share	+114%	+21%	

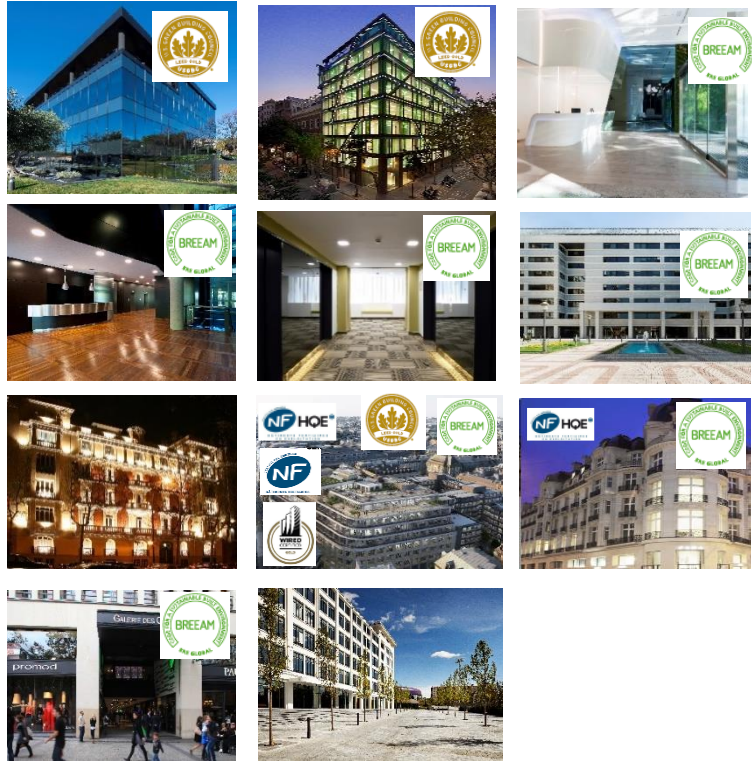
03 Superior returns through Alpha
Colonial's Business Profile delivers superior Risk Adjusted Returns

Outstanding Total Shareholder Return in 4 years

- > +€4.9 per share of capital value creation in 4 years
- > +€3.3 per share through project delivery & price increases (Alpha)
- > 2/3 of Capital value creation "Alpha" driven

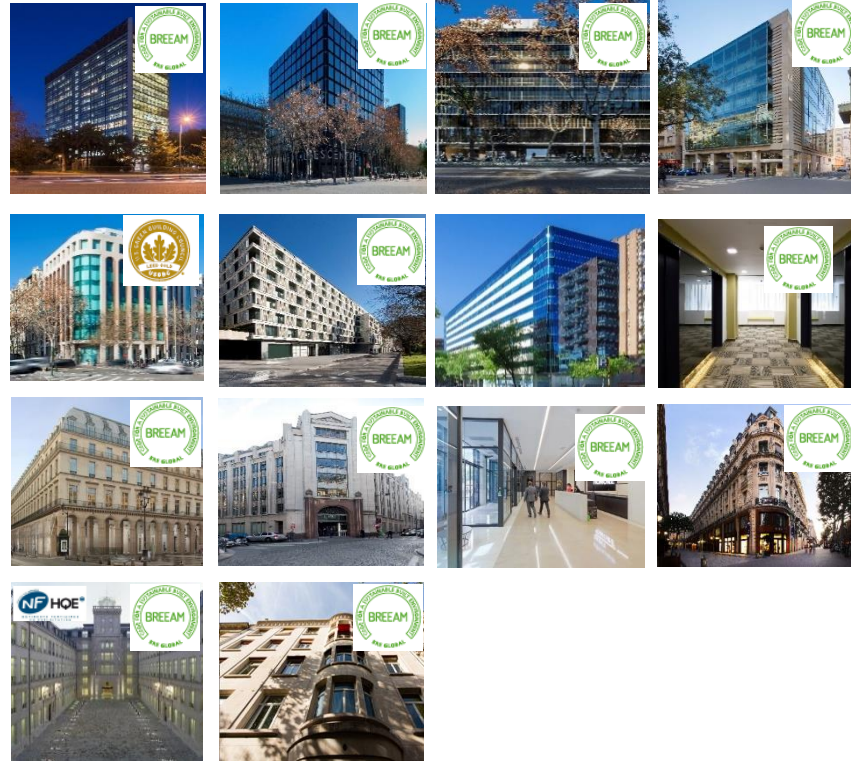
+ €2.4
per share

REAL ESTATE TRANSFORMATION



+ €0.9
per share

RENTAL PRICE INCREASES



CAPITAL VALUE CREATION

	4 YEARS
Real Estate Transformation	+ €2.4
Rental Price Increase	+ €0.9
Yield & others	+ €1.6
Capital Value Creation	+ €4.9

04 Creation of a stronger platform for growth





PROJECT ALPHA IV – SMART CAPITAL RECYCLING

- 1 Disposals of €441m of non core & mature assets
- 2 Investment of €756m in Prime CBD
- 3 Reinforcement of the balance sheet



A stronger platform for growth

SELECTIVE DISPOSALS

1 Selective Disposals

€441m of disposals of 7 office assets and 1 project in Madrid

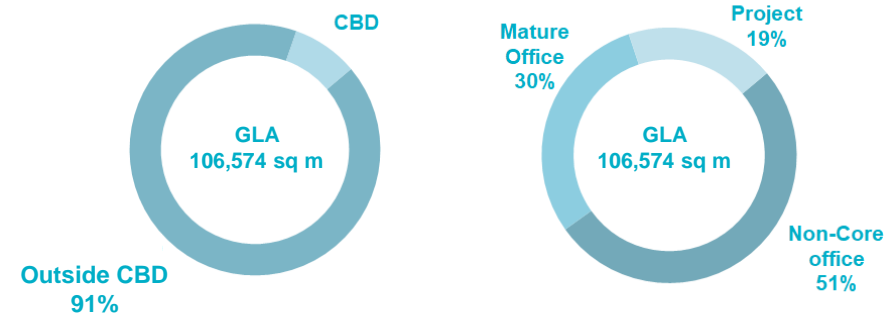
- > Attractive pricing: 12% premium versus last reported GAV
- > Low implied ungeared IRR with initial yield at 3%

DIVESTMENTS

- > Total amount of €441m
- > +12% premium on last reported GAV¹
- > Implied yield of 3%²
- > Implied IRR below 4.5%³

BUSINESS MIX

- > GLA of 106,574 sq m (thereof 20,276 sq m project)
- > 8 office assets in Madrid
- > 91% outside of CBD
- > Combination of Non-core and mature assets



(1) Last reported GAV: GAV 6/18 for operating assets and Acquisition Price + Future capex in Project

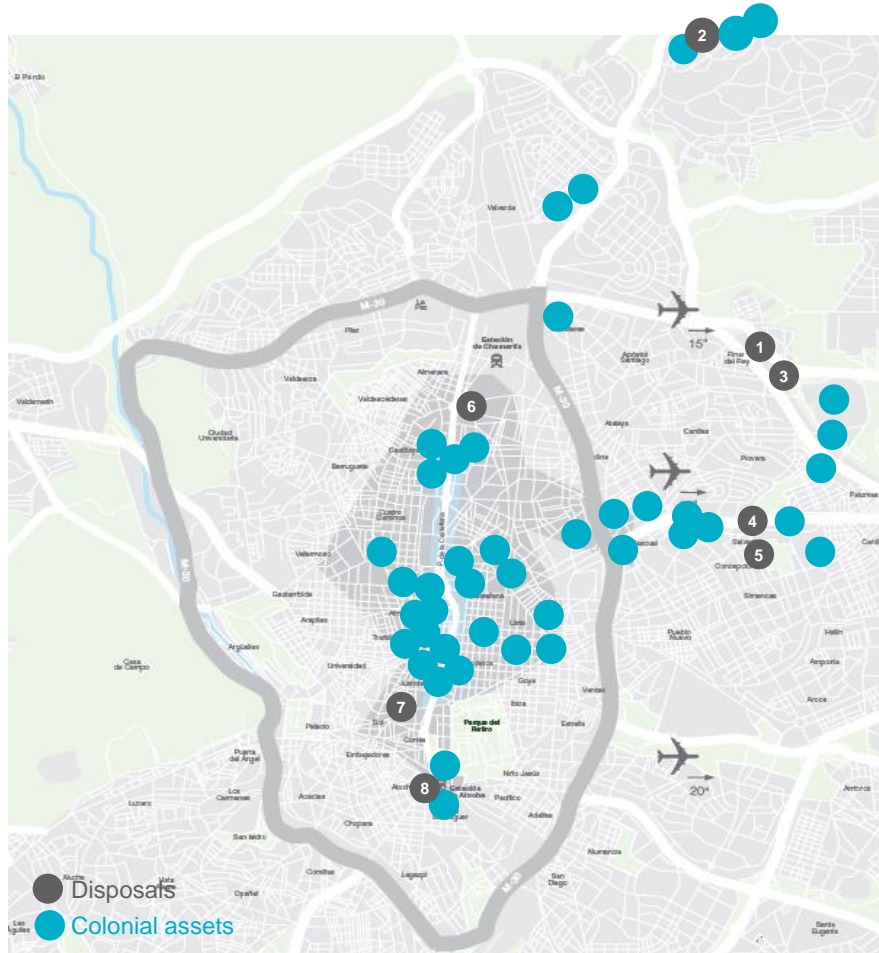
(2) Net initial yield of operating assets (excluding project)

(3) Implied 10 year ungeared IRR of operating assets at disposal price

1 Selective Disposals

€441m of disposals of 7 office assets and 1 project in Madrid

- > Attractive pricing: 12% premium versus last reported GAV
- > Low implied ungeared IRR with initial yield at 3%



EXECUTED DISPOSALS

ASSETS	GLA (sq m)	PORTFOLIO
1. Cristalia 2&3	17,338	Axiare
2. Avenida de la Vega 15	22,578	Axiare
3. Cristalia 5&6	17,587	Axiare
4. Luca de Tena 6	4,560	Axiare
5. Luca de Tena 14	7,872	Axiare
6. Foxá 29	7,275	Colonial
7. Alcalá	9,088	Colonial
8. Méndez Álvaro Office project	20,276	Colonial
TOTAL	106,574	

1 Selective Disposals

EXECUTED DISPOSALS



Non core office assets

- > Suboptimal micro location
- > Lack of public transport – weak connectivity
- > Weak letting perspective
- > High vacancy risk



Mature assets at maximum value

- > 100% let recently at maximum terms
- > Long term contracts, especially Alcalá
- > Alcalá with public tenant and low efficiency

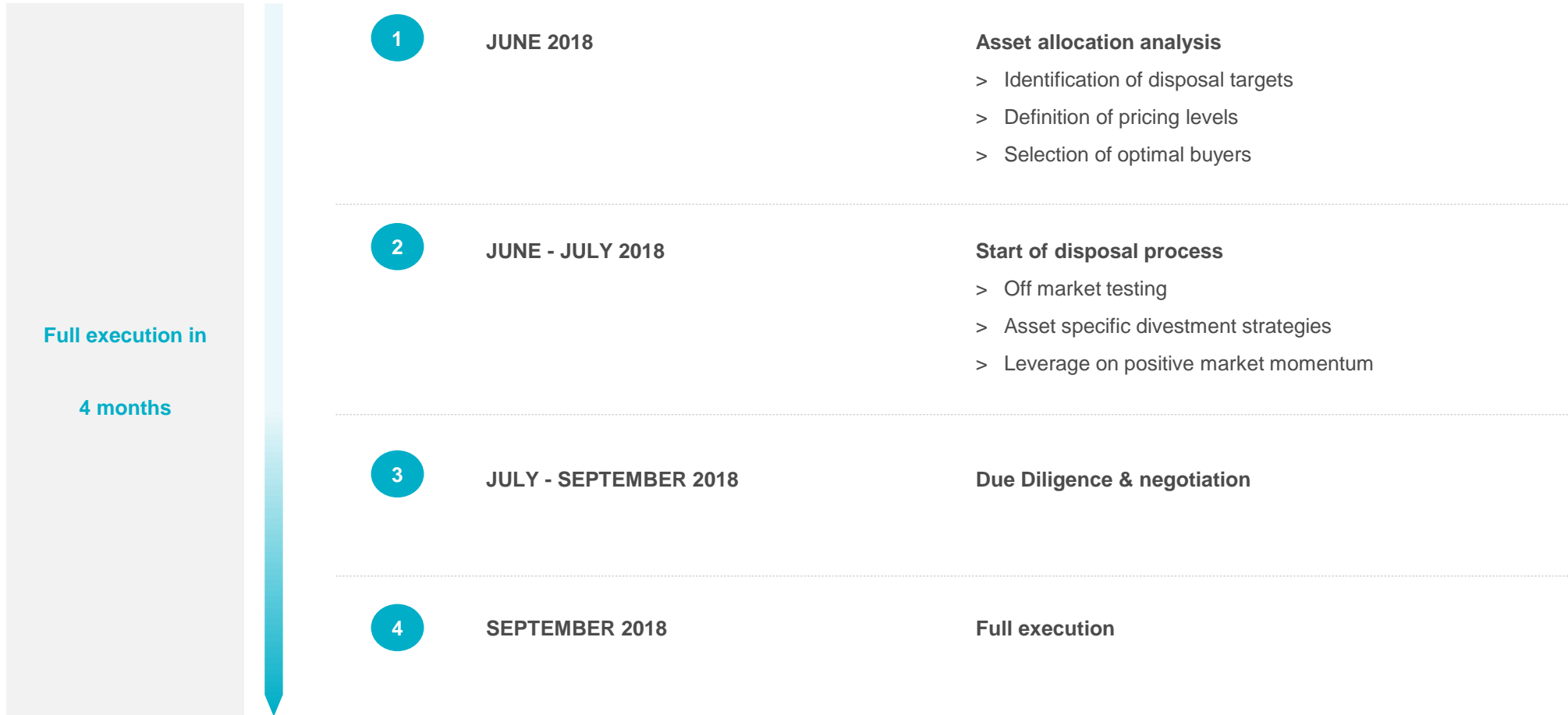


Securing value & consolidation of Castellana south Market

- > Value creation secured only 10 months after acquisition
- > Headquarters for Top Tier Spanish Insurance company
- > Acceleration of urban transformation of “Castellana Sur”
- > “Forward purchased” disposal, de-risking project pipeline

1 Selective Disposals

RAPID EXECUTION THROUGH STRONG CAPABILITIES



SMART CAPITAL RECYCLING TO PRIME

ALPHA IV DELIVERED

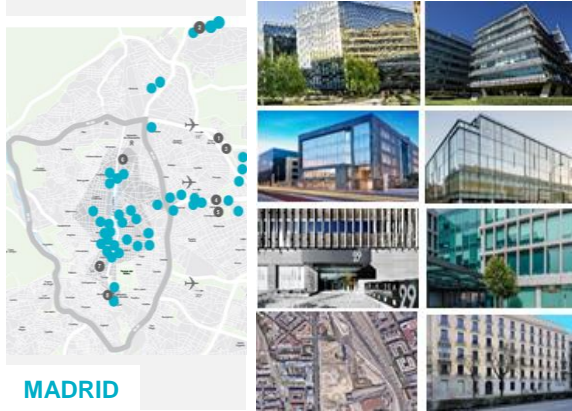
04 Creation of a stronger platform for growth
 2 Smart Capital Recycling to Prime

- > Disposals of €441m with 12% premium on last reported GAV1
- > Acquisition of 22% stake in SFL at 19% discount on NAV
- > Acquisition of 1 Prime Factory project in Barcelona CBD

Disposals
€441m

DISPOSALS

1 Disposals



Non Core & mature assets

- ✓ GLA – 106,574 sq m
- ✓ 7 operating office assets
- ✓ 1 project in Madrid

Total disposals: €441m

12% premium on GAV¹

Investments
€756m

ACQUISITIONS & PROJECT PIPELINE

2 22% of SFL



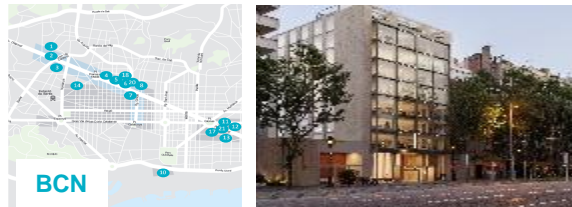
Opportunistic acquisition

- ✓ Paris Prime CBD
- ✓ Enhanced exposure flagship projects in Paris

Total investment: €718m

19% discount on NAV

3 Acquisition Diagonal 525



Value Added – Prime Factory

- ✓ GLA – 5,710 sqm
- ✓ Redevelopment project
- ✓ Prime CBD - Diagonal

Total investment: €37m²

Yield on Cost > 6%

IRR 7-8%³

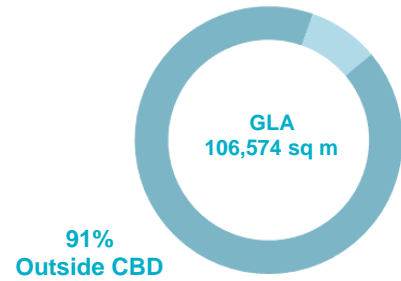
(1) Last reported GAV: GAV 6/18 for operating assets and Acquisition Price + Future capex in Project
 (2) Acquisition price + future capex
 (3) 10-year ungeared IRR

04 Creation of a stronger platform for growth

2 Smart Capital Recycling to Prime

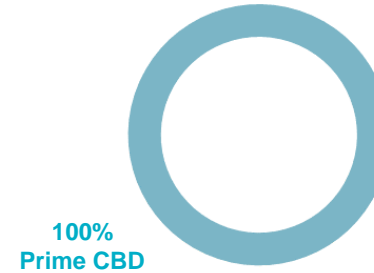
- > Disposals of €441m with 12% premium on last reported GAV
- > Acquisition of 22% stake in SFL at 19% discount on NAV
- > Acquisition of 1 Prime Factory project in Barcelona CBD

DISPOSALS

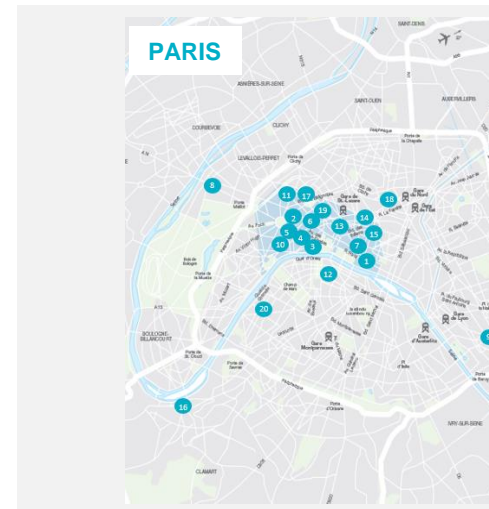
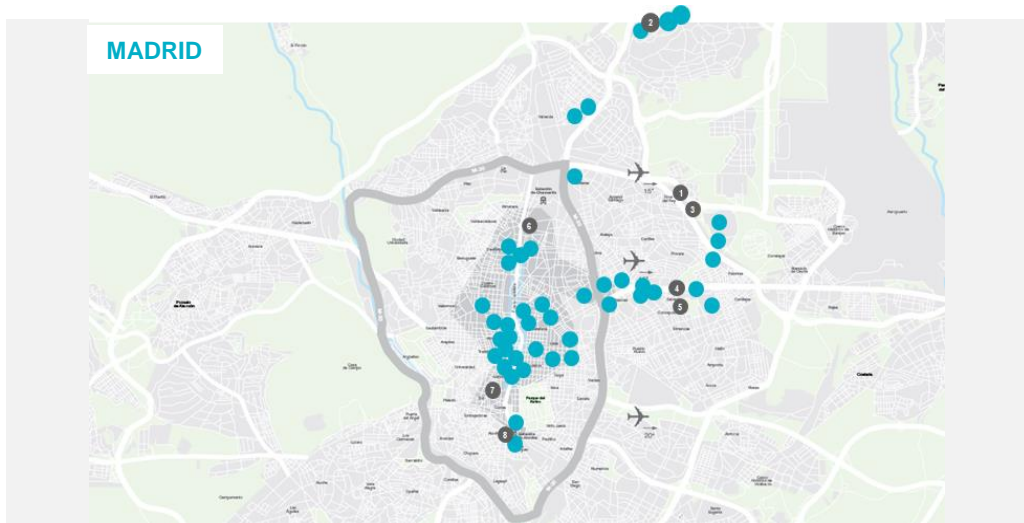


- > Disposal price €441m
- > High risk with low yield
- > Mature products

ACQUISITIONS



- > Total investment €756m
- > Opportunistic pricing
- > Increasing project exposure



Acquisition Diagonal 525



● Disposals ● Colonial assets

2 Prime Acquisitions – Alpha IV delivered

TRANSACTION

- > Acquisition 22% stake in SFL from Qatar through a combination of Colonial shares and cash
- > Blended price at 19% discount to 6/18 EPRA NAV
- > Lock-up provision and restrictions to sell on Colonial shares received by Qatar as part of the transaction

RATIONALE

- > Increase of stake in strategic subsidiary SFL at attractive terms
- > Increased exposure to prime CBD and flagship projects in Paris
- > Accretive transaction in terms of EPRA NAV per share and EPS
- > Reinforcement of a stable long term oriented shareholder base
- > Enhancement of liquidity and visibility in public equity and debt capital markets

TIMELINE

- > Transaction approved by Colonial Board of Directors
- > Oct-18: Formal publication of EGM call
- > Nov-18: Colonial EGM to vote on the transaction
- > Nov-18: Settlement of the cash/share considerations

04 Creation of a stronger platform for growth

2 Prime Acquisitions – Alpha IV delivered

PRICING

Acquisition of QIA's 22% stake in SFL (10.32 million of shares)

- > 73% share offer, equivalent to 7.54m of SFL shares, based on a 7.5x exchange ratio translating into an implied value of €68.3/share¹ (20% discount on latest reported EPRA NAV)
- > 27% cash offer at a price of €73.0/share, equivalent to 2.79m of SFL shares (15% discount on latest reported EPRA NAV)



Implied blended acquisition price of €69.6/share¹
19% discount on latest reported EPRA NAV

OTHER ELEMENTS

- > Preservation of SFL SIIC regime
- > Lock-up on Colonial shares received by Qatar as part of the transaction
- > Simplification of Colonial Group Structure

SOURCES & USES (€m)

Cash ²	203
New Colonial shares ³	488
Colonial treasury shares ⁴	27

Total sources **718**

Acquisition price 718

Total uses **718**



¹ Colonial at 9.11€/share (EPRA NAV 6/18)

² Acquisition of 2.79 million of SFL shares in cash at €73/share

³ Issuance of 53.5 million of new Colonial shares at €9.11/share (EPRA NAV 6/18)

⁴ Delivery of 3 million of treasury shares valued at €9.11/share (EPRA NAV 6/18)

04 Creation of a stronger platform for growth
 2 Prime Acquisitions – Alpha IV delivered

Attractive returns increasing exposure to prime

- > +4% accretion in EPRA NAV¹
- > +10% accretion in recurring EPS²

ATTRACTIVE RETURNS

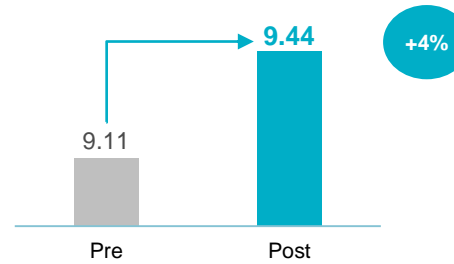
- > NAV pro-forma of €9.44 per share post deal
- > +4% accretion¹ on EPRA NAV per share
- > +10% accretion² on June recurring EPS

DEAL CONSIDERATIONS

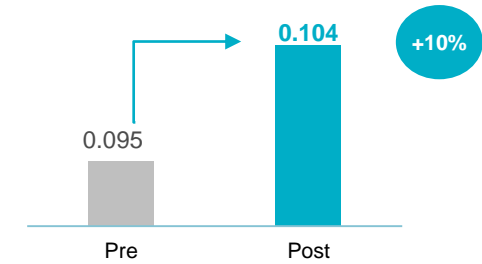
- > Reorganization of shareholders' structure increasing Colonial equity
- > Optimized transaction through use of treasury shares
- > Enhancement of Colonial's visibility in public market

ACCRETIVE TRANSACTION FROM DAY ONE

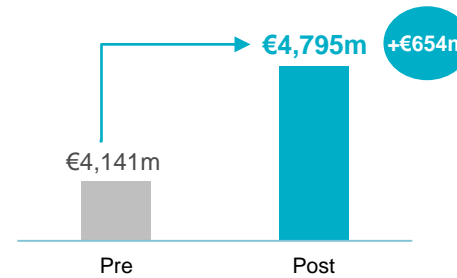
Proforma EPRA NAV¹ p.s. (€)



EPS pro-forma 1H18² (€/sh)



INCREASE IN EQUITY VOLUME WITH HIGH QUALITY



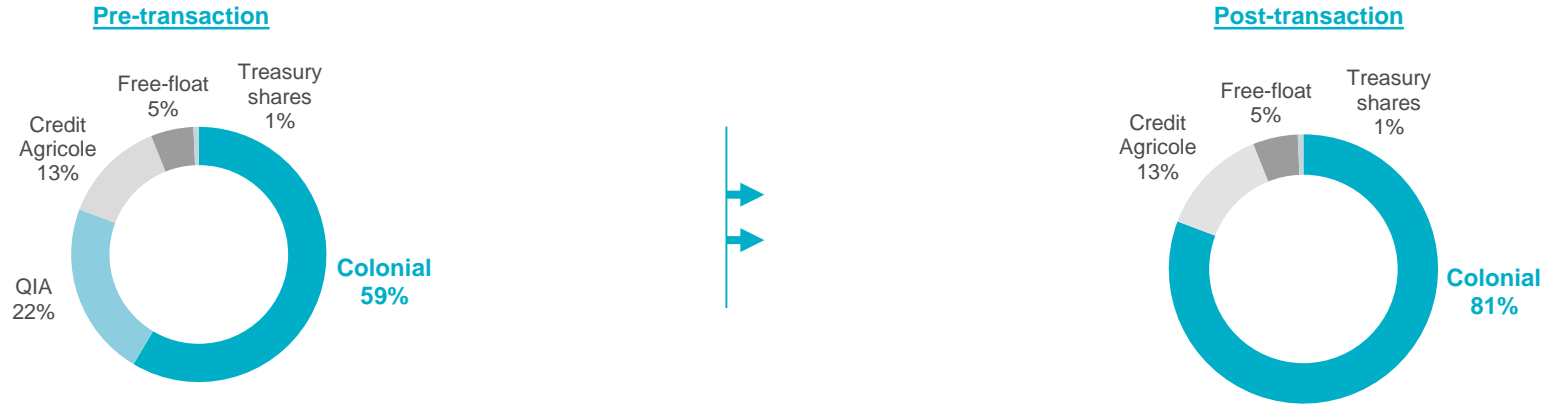
(1) NAV pro-forma vs Jun-18 reported EPRA NAV (details in appendix)

(2) Half year EPS proforma based on 1H 18 reported recurring EPS (details in appendix)

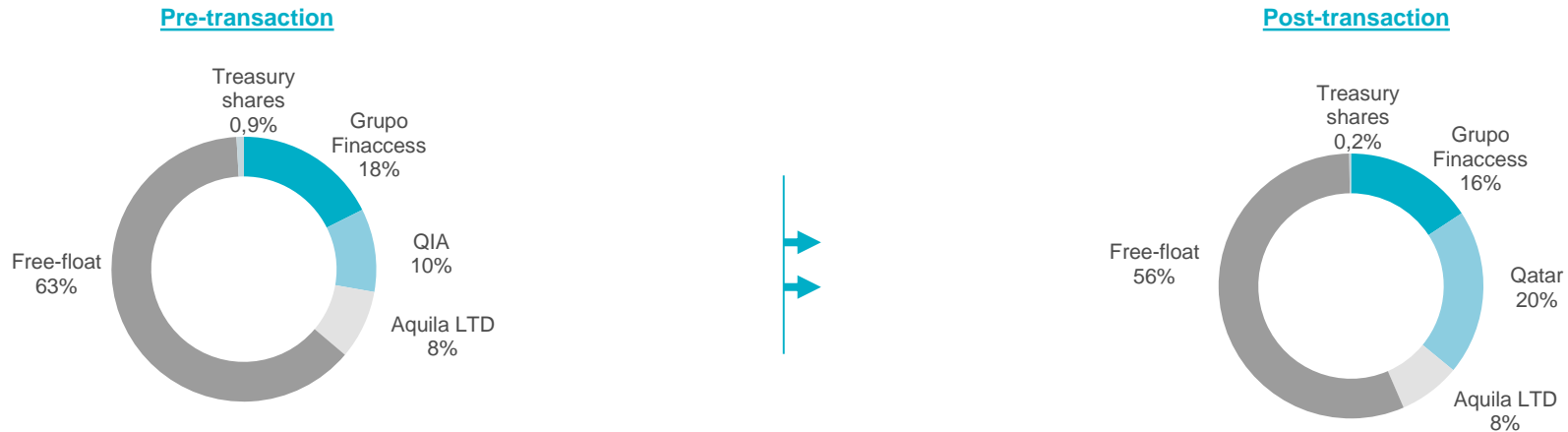
04 Creation of a stronger platform for growth
 2 Prime Acquisitions – Alpha IV delivered

- > Increase of stake in strategic subsidiary
- > Reinforcement of Colonial capital structure with long term investors
- > Simplification of Group structure

SFL SHAREHOLDING



COLONIAL SHAREHOLDING



2 Prime Acquisitions – Alpha IV delivered

- > Short timeline of implementation
- > AGM scheduled for November
- > Full execution (81% stake in SFL) expected for end of November 2018

EXECUTION HIGHLIGHTS

2018 October > Transaction approval by Colonial's Board and communication to market

2018 October > Call of Extraordinary General Meeting

2018 November > Extraordinary General Meeting to be held on November

2018 November > Issuance of 53.5mm of new shares of Colonial

2018 December > **Consolidation of 81% of SFL in financial accounts**

04 Creation of a stronger platform for growth
 2 Smart Capital Recycling to Prime

- > Creation of an emblematic premise at the heart of Barcelona’s CBD
- > Market segment with the strongest fundamentals
- > Product with high “Scarcity Factor”

SOURCES OF VALUE CREATION

- > Acqu. price well below recent comparable transactions sourced through an off-market transaction
- > Full redevelopment project
 - > Creation of an emblematic premise in Barcelona’s CBD
 - > Refurbishment of its 3 façades enhancing natural light and comfort
 - > Repositioning of the office ground floor into retail space
- > Opportunity to capture max rents through the best product in the market segment with the strongest fundamentals
- > High ungeared IRRs and Yield on Cost

D525- MAIN KPIS

The Transaction		The Opportunity	
Total Cost ¹	€37m	Ungeared IRR	7%-8%
GLA	5,710 sq m	Yield on Cost ²	>6%
Parking	10 units		
Total Cost ¹	€6,460/sq m		



¹ Acquisition price + future capex

REINFORCEMENT OF BALANCE SHEET

3 Reinforcement of Balance Sheet

Selective capital recycling

- > Disposal of non-core & mature assets in excess of €440m
- > Reinvestment Cash proceeds in Prime & Axiare debt cancellation
- > Enhanced prime exposure

FUNDING DETAILS

Price in €m	Total
Asset Disposals	441
22% stake of SFL	(203)
Diagonal 525	(37)
Total	201

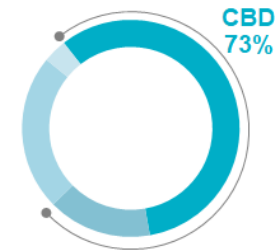
↓ ↓ ↓

Use of proceeds:

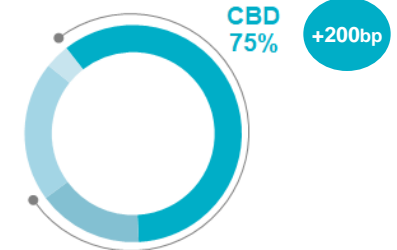
- > Axiare debt cancellation
- > Alpha IV
- > Project capex

ENHANCED PRIME EXPOSURE

Pre - transaction



Post - transaction



04 Creation of a stronger platform for growth
 3 Reinforcement of Balance Sheet

Active balance sheet management

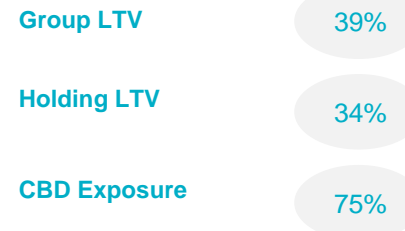
- > Slight deleverage with better quality collateral
- > Improved maturity profile
- > High level of unsecured debt

ACTIVE BALANCE SHEET MANAGEMENT...

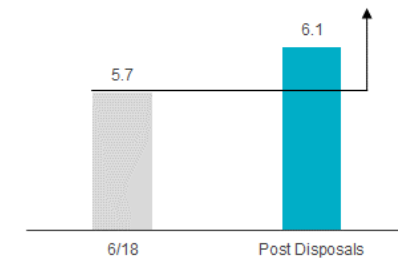
- 1 €663m¹ new equity issued (Axiare merger & Alpha IV)
- 2 €1,150m bonds issuances
 - > €650m Colonial
 - > €500m SFL
- 3 €675m liability management
 - > €375m repurchase Colonial bonds
 - > €300m repurchase SFL bonds
- 4 €393m Axiare bilateral debt cancellation
- 5 €282m Axiare bilateral debt refinancing
- 6 €441m disposals YTD

... REINFORCING THE BALANCE SHEET

LTV (%)

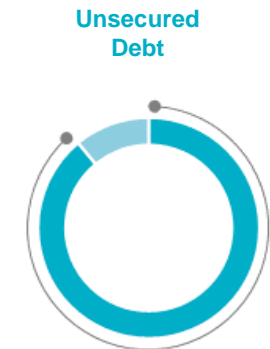
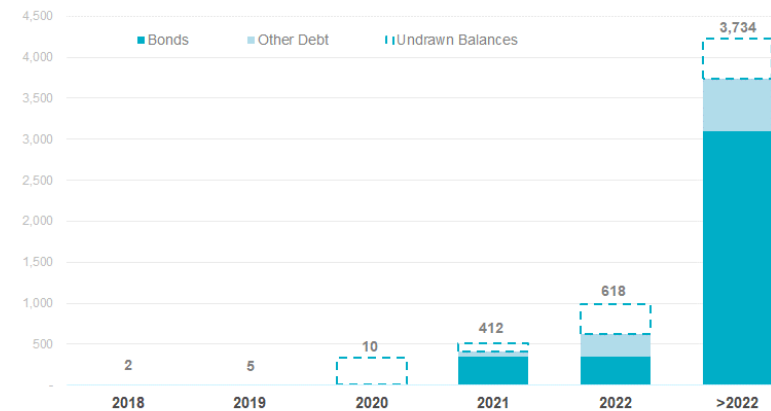


Debt maturity (years)



A long term maturity profile

€m



(1) 72,797,424 new shares at EPRA NAV of 9.11€/share

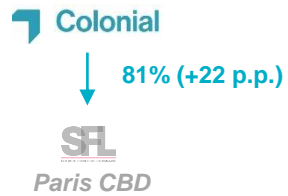
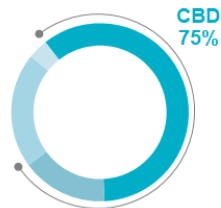
Reinforcement of the balance sheet

- > An enhanced exposure to quality
- > A stronger capital structure

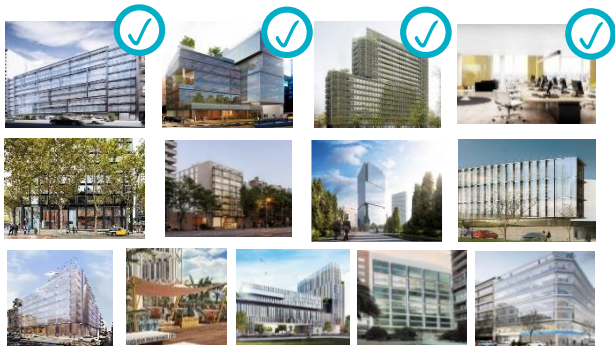
AN OPTIMIZED PORTFOLIO...

More than €500m of potential cash flow from rents

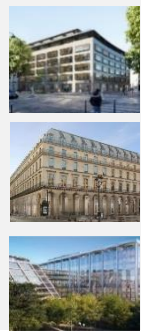
Increased exposure to quality



Enhancement of project exposure



Flagship projects Paris

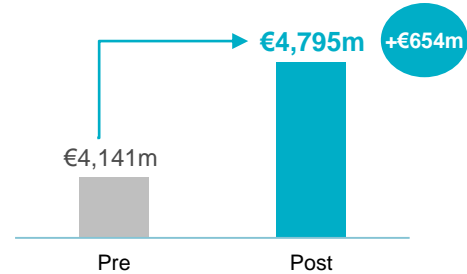


SFL stake
 59%
 ↓
 81%

... WITH A STRONGER CAPITAL STRUCTURE

More than €4,700 €m of equity (EPRA NAV)

Stronger EPRA NAV €m



Solid LTVs



Liquidity¹ Post Alpha IV

€1,529m

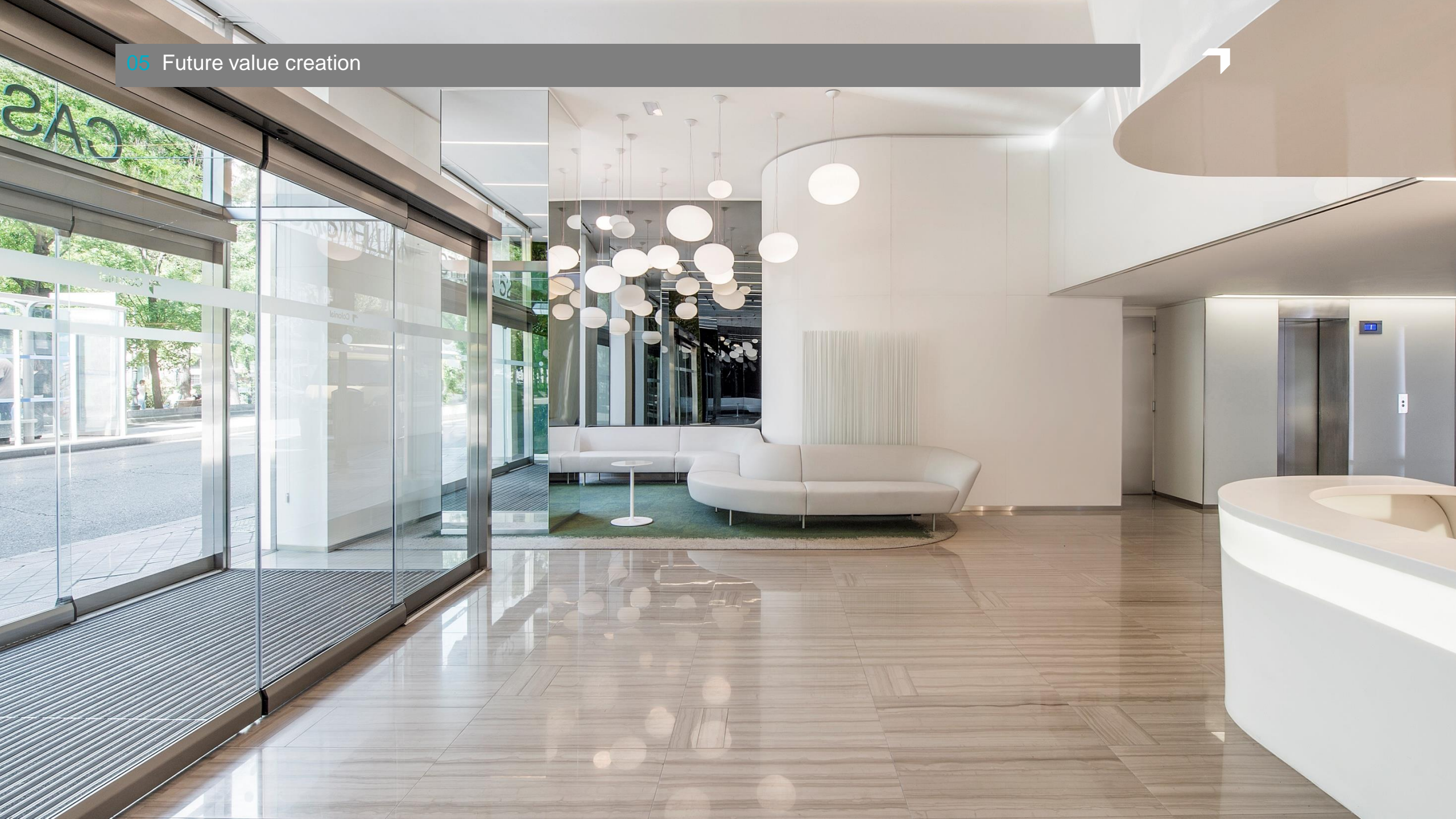
Cost of debt Post Alpha IV

1.84%

Colonial STANDARD & POOR'S BBB MOODY'S Baa2

SFL STANDARD & POOR'S BBB+

A stronger platform for growth





FUTURE VALUE CREATION

- 1 €1.5bn of project pipeline
- 2 Capturing reversion in rents
- 3 Strong investment market
- 4 Acquisitions with investment discipline

05 Future value creation

1 Short-term projects on track to crystalize value

- > Successful delivery of projects initiated in 2015/2016
- > Rents signed ahead of initial underwriting
- > Full value creation still to be crystallized in NAV



Average ERV signed¹ **26** €/sqm/m

+24%²

Yield on Cost³ **7.8%**

Total Product Cost⁴ **4,267** €/sqm



Average ERV signed¹ **24** €/sqm/m

+22%²

Yield on Cost³ **7.6%**

Total Product Cost⁴ **4,027** €/sqm



Average ERV signed¹ **20** €/sqm/m

+30%²

Yield on Cost³ **7.9%**

Total Product Cost⁴ **3,130** €/sqm

¹ Average ERV signed excluding rent of parking spaces
² ERV signed vs ERV at acquisition date (excludes rent of parking spaces)
³ Gross Yield based on contracts signed YTD and assuming 100% occupancy at average ERV signed
⁴ Acquisition price + Capex invested

1 Projects on track to crystalize value

Project	City	Delivery	GLA (sqm)	Total Cost ¹ €m	Total Cost ² €/ sqm	Yield on Cost
1 Discovery	Madrid	Delivered	10.152	43	4.267	7,8%
2 The Window/ PV	Madrid	Delivered	11.368	46	4.027	7,6%
3 Parc Glories	Barcelona	Delivered	24.551	77	3.130	7,9%
4 Josefa Valcarcel 40bis	Madrid	Turnkey Acqu	8.824	30	3.366	6,0%
5 Avenida Bruselas	Madrid	2H 18	14.340	40	2.817	7,0%
6 Pedralbes Center	Barcelona	1H 19	5.562	38	6.843	6,3%
7 Gala Placidia / Utopic_us	Barcelona	1H 19	4.312	17	3.922	7,0%
8 Miguel Angel 23	Madrid	2H 20	8.036	64	7.999	5,8%
9 Castellana, 163	Madrid	2020/ 21	10.910	52	4.803	6,5%
10 Diagonal 525	Barcelona	1H 21	5.710	37	6.460	6,0%
11 Emile Zola / Destination XV	Paris	1H 21	24.500	280	11.428	~ 5%
12 Iena 96	Paris	1H 21	9.300	147	15.801	~ 5%
13 Velazquez Padilla 17	Madrid	1H 21	17.239	113	6.532	6,5%
14 Plaza Europa 34	Barcelona	2H 21	14.306	32	2.257	7,0%
15 Mendez Alvaro Campus	Madrid	2H 22	89.871	273	3.038	7,5%
16 Sagasta 27	Madrid	2H 22	4.481	23	5.044	6,5%
17 Louvré SaintHonoré	Paris	2023	16.000	205	12.831	~ 7%
TOTAL PIPELINE - OFFICE & PRIME COMMERCIAL			279.462	1.517		6,5%
Thereof delivered			54.895	196		7,5%
Thereof Pipeline going forward			224.567	1.322		6,4%

¹ Total Cost Finished Product = Acquisition Cost/ Asset Value pre Project + future Capex

05 Future value creation

1 €1.5bn of office & commercial projects with finished costs well below market value

PROJECTS – FINAL COST¹

2018/2019

€291m

Prime Commercial

2020/2021

€725m

2022/23

€501m

Prime Commercial

FINAL COST

	<u>Final Cost</u>	<u>Yield on Cost</u>
BCN	3,829 €/sqm	7.3%
MADRID	4,140 €/sqm	7.7%
MD BD	3,026 €/sqm	6.6%

	<u>Final Cost</u>	<u>Yield on Cost</u>
BCN	3,456 €/sqm	6.4%
MADRID	6,336 €/sqm	6.6%
PARIS	12,631 €/sqm	5.0%

	<u>Final Cost</u>	<u>Yield on Cost</u>
MADRID	3,133 €/sqm	7.5%
PARIS	12,831 €/sqm	~ 7%

MARKET REFERENCE 6/18

	<u>Prime Value</u>	<u>Prime Yield</u>
BCN	7.275 €/sqm	4.0%
MAD	10.560 €/sqm	3.75%

	<u>Prime Value</u>	<u>Prime Yield</u>
BCN	7.275 €/sqm	4.0%
MAD	10.560 €/sqm	3.75%
PARIS	26.000 €/sqm	3.0%

	<u>Prime Value</u>	<u>Prime Yield</u>
MAD	10.560 €/sqm	3.75%
PARIS	26.000 €/sqm	3.0%

- ✓ € 1.5bn of Projects & New Prime Product
- ✓ Cost finished product well below market value
- ✓ 6.5% Yield on cost

¹ Acquisition price + project capex

05 Future value creation

1 Projects on track to crystalize value

€1.5bn of office & commercial projects with finished costs well below market value

- > €100m of additional rental cash flow (excluding logistics projects & landbank on hold)
- > €447m of pending capex to the full pipeline

LAND BANK – PROJECTS ON HOLD

Parc Central – 22 @ Barcelona



Puerto Somport 10-18 – Madrid

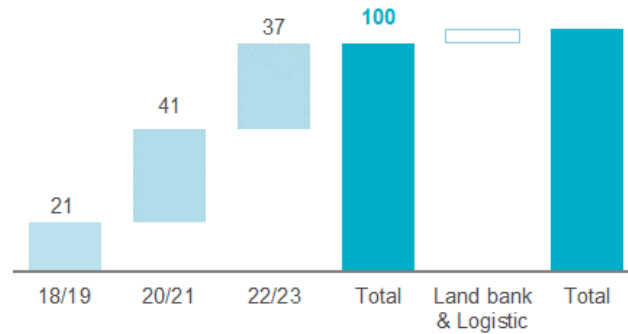


LOGISTIC – TRACK ON PROJECT

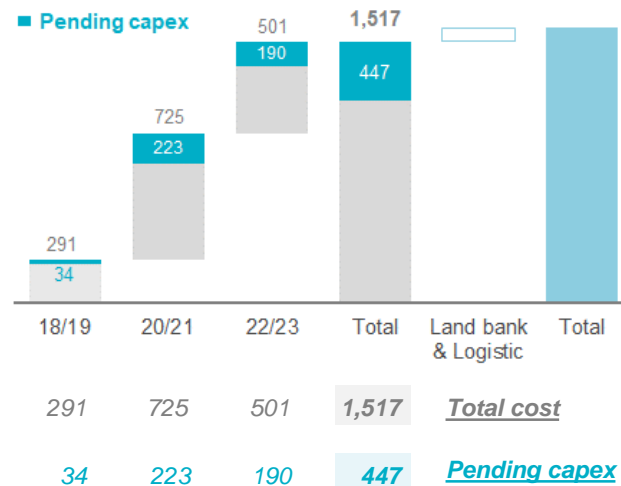
San Fernando de Henares



POTENTIAL GRI (€m)



TOTAL PRODUCT COST (€m)



PIPELINE

City	Yield on Cost
Barcelona	7.0%
Madrid	7.1%
Paris	5.8%

MARKET REFERENCE 6/18

City	Prime Yield
Barcelona	4.0%
Madrid	3.75%
Paris	3.0%

PIPELINE

City	Final Product Costs (€/sqm)
Barcelona	3.692
Madrid	4.038
Madrid BD	3.026
Paris	12.696

MARKET REFERENCE 6/18

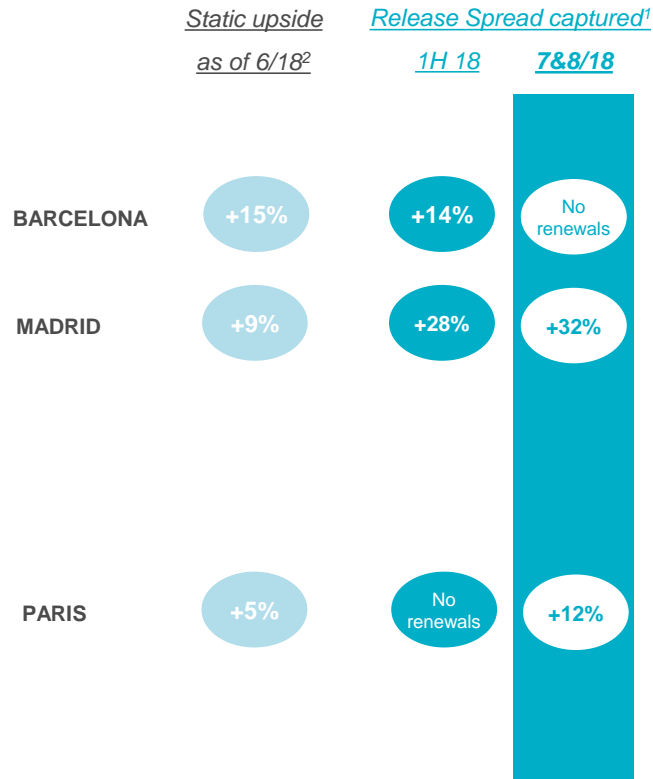
City	Prime Capital Value (€/sqm)
Barcelona	7.275
Madrid	10.560
Paris	26.000

05 Future value creation

2 Colonial well-positioned to capture reversion

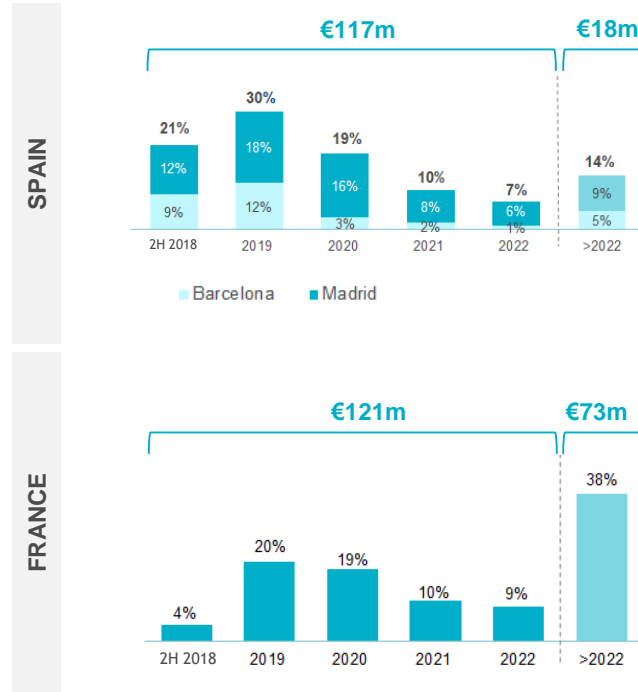
- > Strong delivery on reversion in 2018
- > Attractive rent roll profile
- > Solid positioning in growing markets

CAPTURING REVERSION

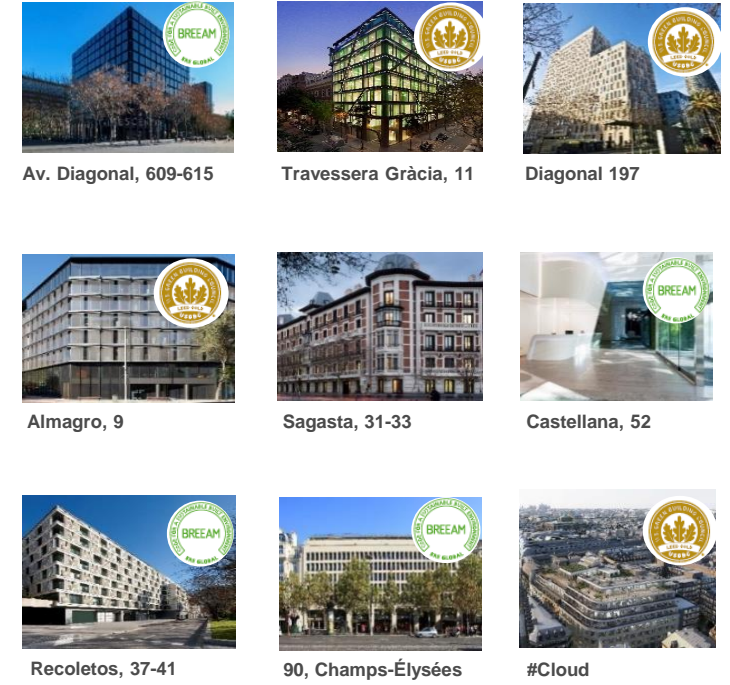


ATTRACTIVE RENT ROLL

COMMERCIAL LEASE EXPIRY DATES (6/18)
First potential exit



SOLID POSITIONING IN GROWING MARKETS

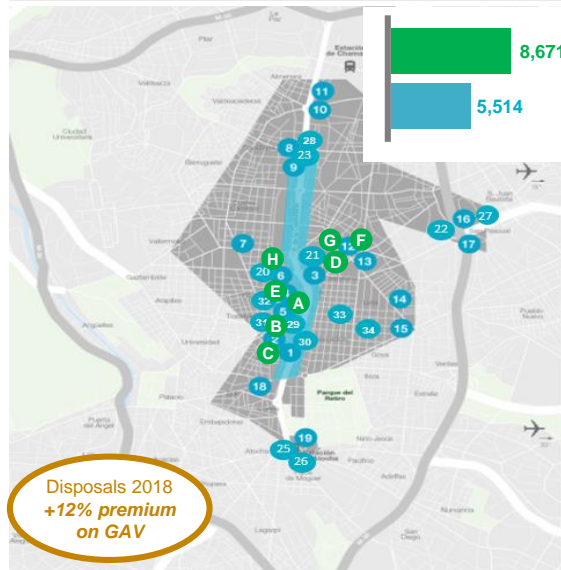


1) New rents signed vs previous rents
2) Market rents vs current passing rents as of 06/18 without including future rental growth

3 Momentum in investment markets remains strong

- > Investor interest for prime product remains strong
- > Significant capital value increases in recent quarters
- > Colonial's assets with prudent appraisal values

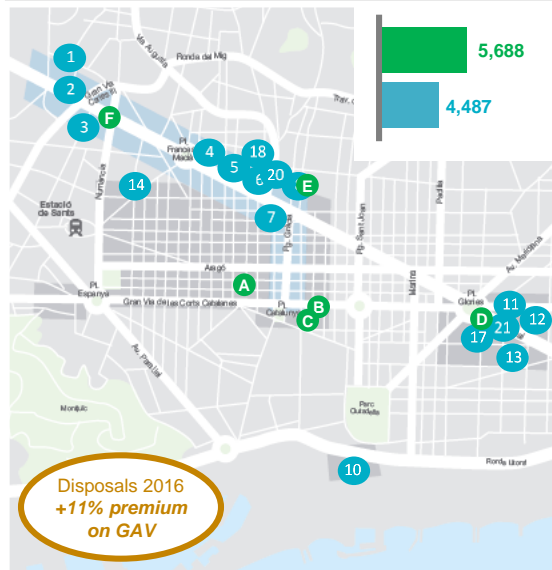
Madrid City Center (inside M30)



Latest investment transactions inside M30

	Price ⁽²⁾	Cap. Value ⁽³⁾
A Paseo de Recoletos, 5 ⁽¹⁾	33	9,863
B Gran Vía, 18 ⁽¹⁾	44	9,430
C Carrera de San Jerónimo, 15	60	8,602
D Velázquez, 108	30	7,143
E Fernando el Santo, 15	30	9,219
F Suero de Quiñones, 40-42 ⁽¹⁾	38	8,209
G Velázquez, 123 ⁽¹⁾	21	9,545
H Ríos Rosas, 24 ⁽¹⁾	24	7,357
CBD Transactions - Average	279	8,671
Colonial Average (06/18 appraisal)		5,514

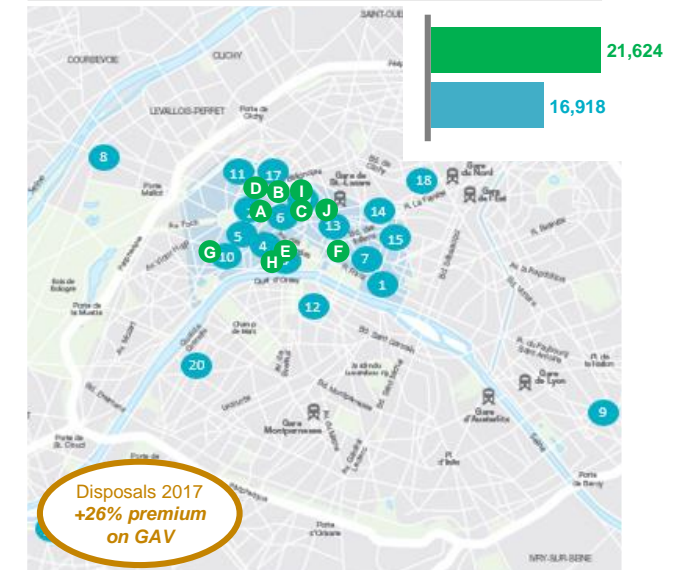
Barcelona City Center



Latest investment transactions in city center

	Price ⁽²⁾	Cap. Value ⁽³⁾
A Enric Granados, 84	7	5,838
B Carrer de Fontanella, 9	20	6,030
C Carrer de Fontanella, 6-8	65	8,414
D Carrer Tanger, 66	90	5,294
E Plaza de Gala Placidia, 1	17	3,942
F Diagonal 662 ⁽¹⁾	210	7,500
CBD Transactions - Average	409	6,170
Colonial Average (06/18 appraisal)		4,487

Paris CBD



Latest investment transactions in Paris CBD

	Price ⁽²⁾	Cap. Value ⁽³⁾
A Rue Lamennais, 2	69	19,771
B Place De Rio De Janeiro, 2	125	17,857
C Rue La Boetie, 83	63	19,319
D Rue Mederic, 12-14	112	18,463
E Rue Francois 1Er, 26 Bis	252	22,909
F Marché Saint-Honoré ⁽¹⁾	290	17,000
G Avenue Kleber, 30	75	21,500
H Rue Jean Goujon, 19-21	134	15,765
I Avenue De Messine, 5	100	43,478
J Rue La Boetie, 49-51	222	20,182
CBD Transactions - Average	1,442	21,624
Colonial Average (06/18 appraisal)		16,918

⁽¹⁾ Assets with significant Capex to be implemented

⁽²⁾ €m

⁽³⁾ €/sqm

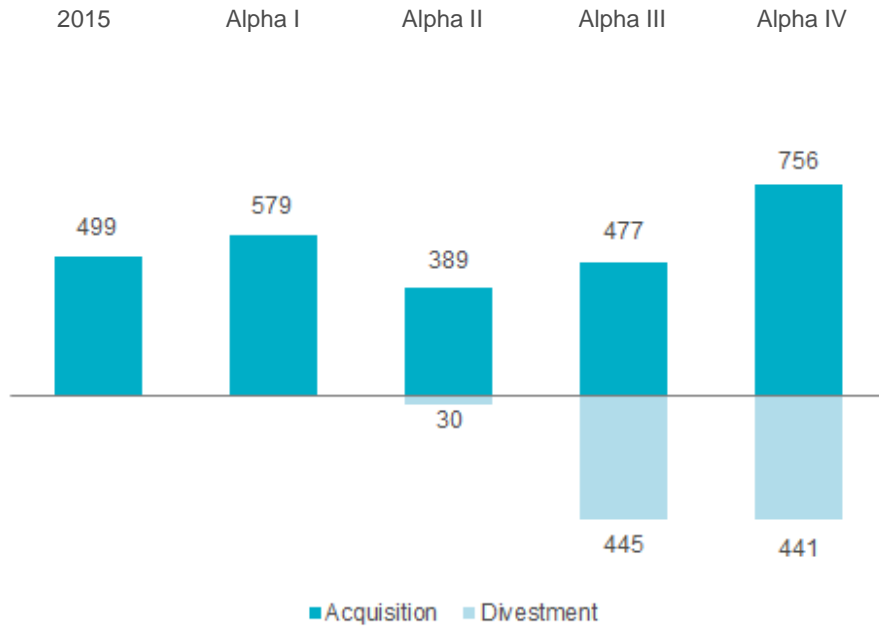
Source: Savills-Aguirre Newman and public information

05 Future value creation

4 A solid track record in capital allocation

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

NET INVESTMENTS SINCE 2015 - €m



ACQUISITION TARGETS

1. Prioritize value add Opportunities
2. Create high quality offices
3. Maintain investment discipline

Investment parameters: Organic growth

- ✓ €250m per annum
- ✓ Ungeared 10 year IRR target

Value Add Spain 7 - 8%

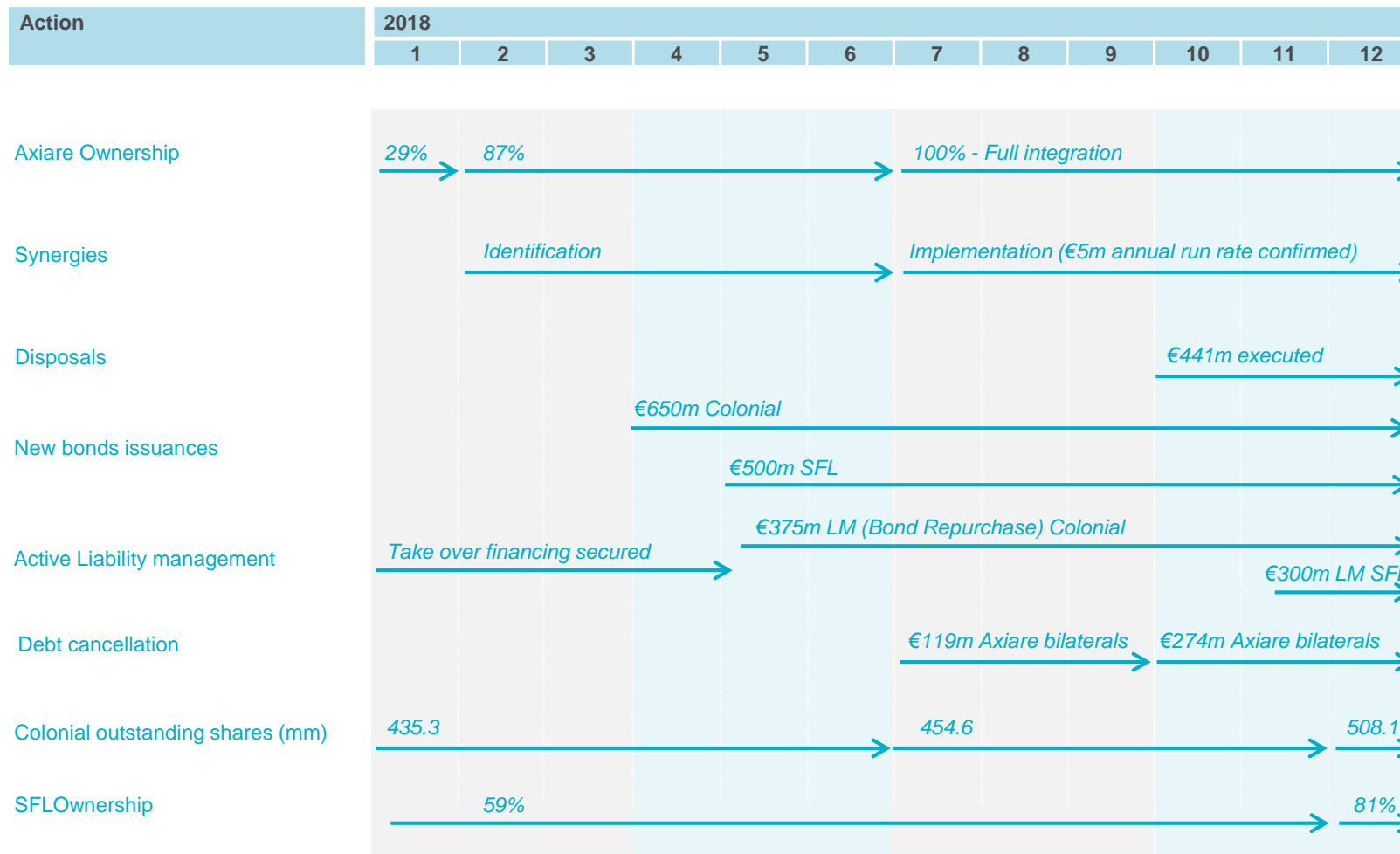
Value Add France 6 - 8%

Core Investments 5 - 6%



Creation of a stronger platform for growth

- > 2018 a year of transition with many “moving parts”
- > Full transformation from 2019 awards



A year of transition

1. Changing ownership profiles
2. Many actions in financial structure
3. Active asset rotation
4. Changing NOSH

Full positive impacts from 2019 onwards



GUIDANCE

1 Profit & Loss

- > Top Line GRI 2018 > €346m
- > EPS 2018: €22cts
- > DPS 2018: +10% YoY growth

2 Capital Recycling

- > 2018 Disposals €441m YTD
- > 2019 Selective divestment of mature assets

3 Organic: Acquisition program ongoing

- > Acquisitions of €250m per annum
- > Prioritize value add opportunities

4 Strong commitment to solid capital structure

- > Investment Grade Rating
- > LTV ~ 40%



FIVE PILARS OF VALUE CREATION

- 1 Project pipeline
- 2 Delivery rental price increases
- 3 Capturing momentum in investment markets
- 4 Acquisition program
- 5 Proptech enhanced strategies



Appendix

NAV and EPS accretion details

NAV proforma on 6/18 reported	NAV €m	Nosh	€/sh.
Pre Deal	4.141	454,6	9,11
NAV acquired SFL stake	1 885		
Cash payment	2 (203)		
Treasury shares delivered	3 (27)		
New Colonial shares issued		53,5	
Post Deal	4.795	508,1	9,44
Acretion per share			+3,6%

- 1 10.33 million shares of SFL valued at €85.7/sh (6/18 EPRA NAV)
- 2 2.79 million shares of SFL paid in cash of SFL at a price of €73.0/sh
- 3 3 million of Colonial treasury shares at €9.11/sh (6/18 EPRA NAV)

EPS proforma on 1H 6/18 reported	Earnings €m	Nosh	€/sh.
Pre Deal	41,5	435,3	0,095
Atributable SFL profit of acquired shares	4 11,5		
New debt (at 1,9% Cost of debt)	5 (1,9)		
New Colonial shares issued		53,5	
Post Deal	51	488,8	0,104
Acretion per share			+9,5%

- 4 €1.11/sh (SFL 1H 18 recurring EPS) x 10.32 million shares of SFL
- 5 6 months of 1.9% of financial cost on cash component of €203m

Colonial

