



According to article 228 of the Legislative Royal Decree 4/2015 of October 23 approving the revised text of the Securities Market Act, Inmobiliaria Colonial, S.A. ("**Colonial**" or the "**Company**") hereby reports the following:

### **REGULATORY ANNOUNCEMENT ("HECHO RELEVANTE")**

Following the Regulatory Announcement published on the 18th of July 2018, with the registered number 268009, Colonial publishes the documentation to support the presentation to analysts and investors corresponding to the First Half results of 2018 that will be held today Monday 30th of July 2018 at 3:30 PM (CET) through webcast.

The information regarding the presentation is detailed below:

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The presentation can be followed online through the following link:

<https://event.on24.com/wcc/r/1800956-1/5432E074CCDB98D7442A90C41FC6CE92?partnerref=rss-events>

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

In Barcelona, July 30, 2018



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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



01 Highlights



*Accelerating the Business Plan*



Financial Results

+15% TSR<sup>1</sup>

Operational Performance

97,000 sqm let

Strong Rental Growth

Acquisitions

€517m

Alpha III  
& Diagonal 525

M & A

Merger &  
Integration

**axiare**  
PATRIMONIO

New Equity

Issuance of 19m of  
new Colonial shares

13% of Axiare

Debt Optimization

€1,150m  
Bonds issued

€375m  
Liability Management

First opening in  
Barcelona

utopic\_US

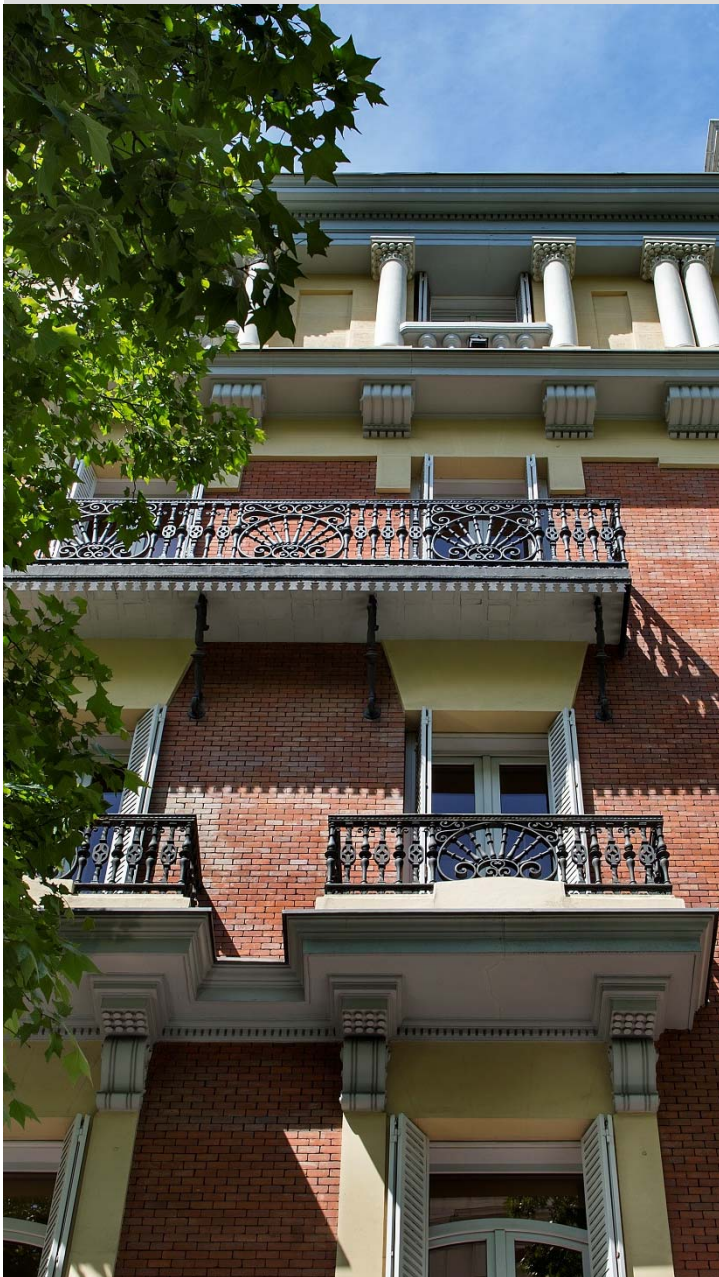


Appointment of Chief  
Human Resources Officer

Begoña Muñoz



(1) Total Shareholder Return per share = YoY NAV growth per share + Dividend paid



#### OUTSTANDING FINANCIAL RESULTS

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- > Total Shareholder Return: +15% YoY
- > EPRA NAV of 9.11€/share: +13% YoY
- > Gross Asset Value, +10% like-for-like
- > Net Rental Income, +7% like-for-like
- > Recurring earnings, +12%
- > Net Profit of €254m

#### STRONG OPERATIONAL PERFORMANCE

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- > More than 97,000 sq m let in 1H 2018
- > Very healthy vacancy levels at 5%
- > Strong growth in rental prices – double-digit release spreads
  - ✓ Capturing market rental growth
  - ✓ GRI increase price driven
  - ✓ Capital Value Growth price driven

#### PROFITABLE GROWTH ACCELERATING

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- > Axiare transaction completed
- > Solid top line driving bottom-line results
- > Best-positioned portfolio for future growth
- > Confident outlook on real estate markets



## 01 Highlights 1H 2018

### Solid top line growth driving results

- > Total Shareholder Return of +15% YoY
- > Outstanding NRI & GAV like-for-like growth
- > Top & Bottom-line performance driven by rental price increases

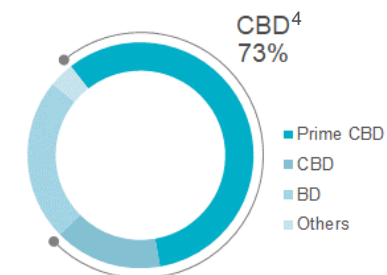
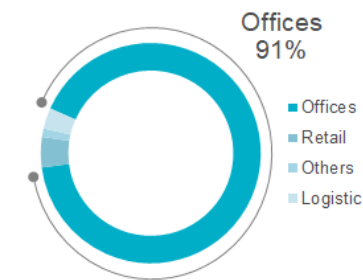
Return - € per share	1H 2018	YoY Var
<b>TOTAL SHAREHOLDER RETURN</b>		<b>+15%</b>
EPRA NAV per share	9.11	+13%
FFO adjusted per share <sup>1 2</sup>	0.11	+13%
EPS Recurring adjusted <sup>2</sup>	0.11	+7%

Profit & Loss - €m	1H 2018	YoY Var
Gross Rental Income	€170m	+21%
Recurring Net Profit	€41m	+12%

Top-line Growth – Net Rental Income	1H 2018	YoY Var
<b>Group like-for-like<sup>3</sup></b>	€154m	<b>+7%</b>
Madrid like-for-like <sup>3</sup>		+10%
Barcelona like-for-like <sup>3</sup>		+5%
Paris like-for-like <sup>3</sup>		+6%

Capital Value Growth (GAV)	1H 2018	YoY Var
<b>Group like-for-like</b>	€11,190m	<b>+10%</b>
Madrid like-for-like		+10%
Barcelona like-for-like		+10%
Paris like-for-like		+10%

### BUSINESS MIX – GAV GROUP



- (1) Adjusted recurring Net Result excluding amortisations and accrual of the incentive plan
- (2) Recurrent result & FFO adjusted with liability management and including Axiare's debt cancellation executed after the closing date in July and including 87% of Axiare's January recurring result
- (3) EPRA like-for-like: like-for-like variance base on EPRA BPR methodology
- (4) Office portfolio. CBD Barcelona includes 22@ market
- (5) Portfolio in operation

**01 Highlights 1H 2018**  
**Capturing rental growth in every market**

- > High double-digit release spreads
- > Strong increase vs market rents
- > Low vacancy with strong fundamentals

**Operational Performance** **1H 2018**

# Transactions signed	55
Volume of sq m signed	97,038
EPRA Vacancy	5%

**Double-digit release Spread<sup>1</sup>** **+26%**

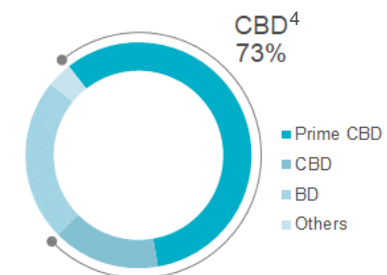
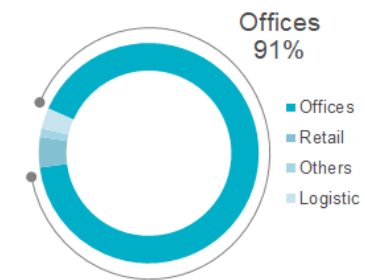
Barcelona	+14%
Madrid	+28%

**Strong rental growth<sup>2</sup>** **+8%**

Barcelona	+14%
Madrid	+7%
Paris	+6%

(1) Rental prices signed vs previous rents  
 (2) Rental prices signed vs ERV 12/17  
 (3) Portfolio in operation  
 (4) Office portfolio

**BUSINESS MIX – GAV GROUP**



## Axiare transaction completed ahead of guidance

- > Synergies confirmed
- > Integration process on track
- > Portfolio optimization underway

1

### Deal execution completed

- 2017 Nov 13 > **Launch of transaction/ take-over bid**
- 2018 Feb 18 > **Take-over outcome reaching 87% stake**
- 2018 May 24 & 25 > **Merger approval at AGMs of Colonial & Axiare**
- 2018 July 4 & 9 > **Merger registered & new shares issued**

2

### Synergies confirmed

- > **Operational cost synergies of close to €5m per annum confirmed & secured**
- > **Optimization of Axiare debt underway - €177m bilateral loans cancelled YTD**
- > **Revenue synergies implementation started**

3

### Integration process on track

- > **Fully integrated results (100% of Axiare profits) as of 1/7/18**
- > **Combined teams at one HQ in Madrid since 16/7/18**
- > **Full IT migration to be finalized in 6 months**
- > **Integration of Axiare's business processes into Colonial's Real Estate Value Chain ongoing**

4

### Portfolio optimization underway

- > **Asset by Asset Business Plans confirming underwriting**
- > **Project Portfolio review completed**
- > **Benefits of combined portfolio through cross lettings**
- > **Disposals of non-core assets in the next 12 months**





## Macro Outlook remains strong

- > Eurozone above 2% GDP growth
- > Spain with growth above EU average
- > France with robust GDP growth at 2%

### MARKET TRENDS

#### WORLD & EU

- ✓ World GDP improving +3.8% in 2017 & +3.9% in 2018
- ✓ Euro area with GDP growth well above +2%
- ✓ Solid base post-French & German elections

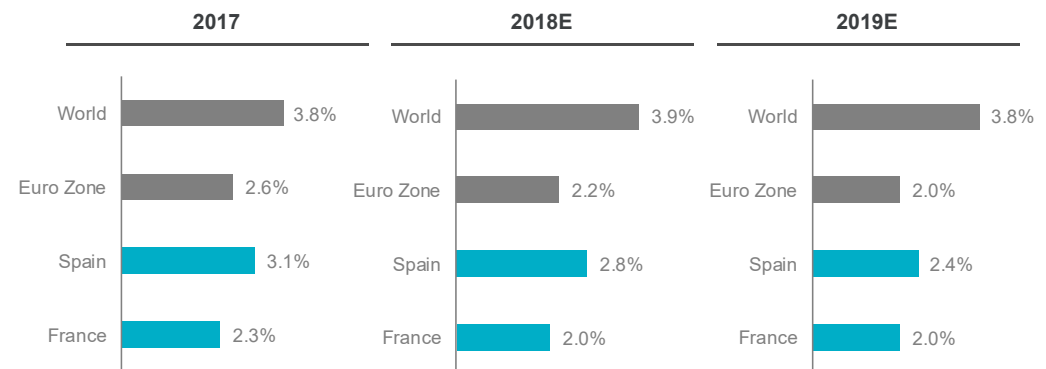
#### SPAIN

- ✓ Economy growing above EU average – close to +3% in 2018
- ✓ Improvement of private consumption and exports
- ✓ 469,900 new jobs created in 2Q, historical record

#### FRANCE

- ✓ Robust GDP growth at +2% levels
- ✓ Reform agenda on track
- ✓ PMI Business activity index with strong momentum (>50bps)

### GDP GROWTH



Source: CaixaBank Research & Arcano



- > Barcelona consolidating as a digital hub
- > Madrid with accelerating rental growth
- > Paris, a World Champion in football too

MARKET TRENDS

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**BARCELONA**

- > 4<sup>th</sup> best city to work (BCG study)
- > Second European Digital Hub after Paris
- > More than 20 companies establishing digital centers recently



**MADRID**

- > Strong take up from multinational companies
- > Scarcity of Grade A buildings,
- > City with the highest rental growth profile in Europe



**PARIS**

- > “The Macron effect” maintains business activity indicators and confidence at high levels
- > Several London-based companies moving headquarters to Paris
- > Mid-term catalysts for further growth: Ongoing reforms, Grand Paris, Olympic Games, Brexit



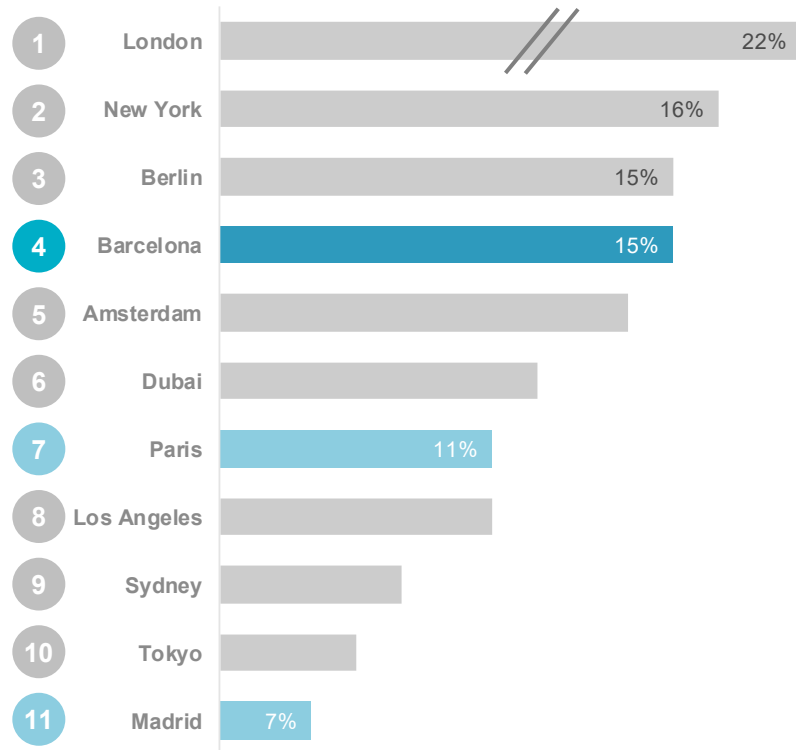
## 02 Office Market

### Barcelona with accelerating rental activity

- > Strong momentum in demand driven by technological hubs in 22@
- > More than 20 companies establishing digital centers in Barcelona in the last 6 months
- > Ranked 4<sup>th</sup> most attractive city to work in a BCG study

#### BARCELONA 4<sup>th</sup> BEST CITY TO WORK

06/2018 BCG study on "what 366,000 respondents in 197 countries said about job preferences and mobility"



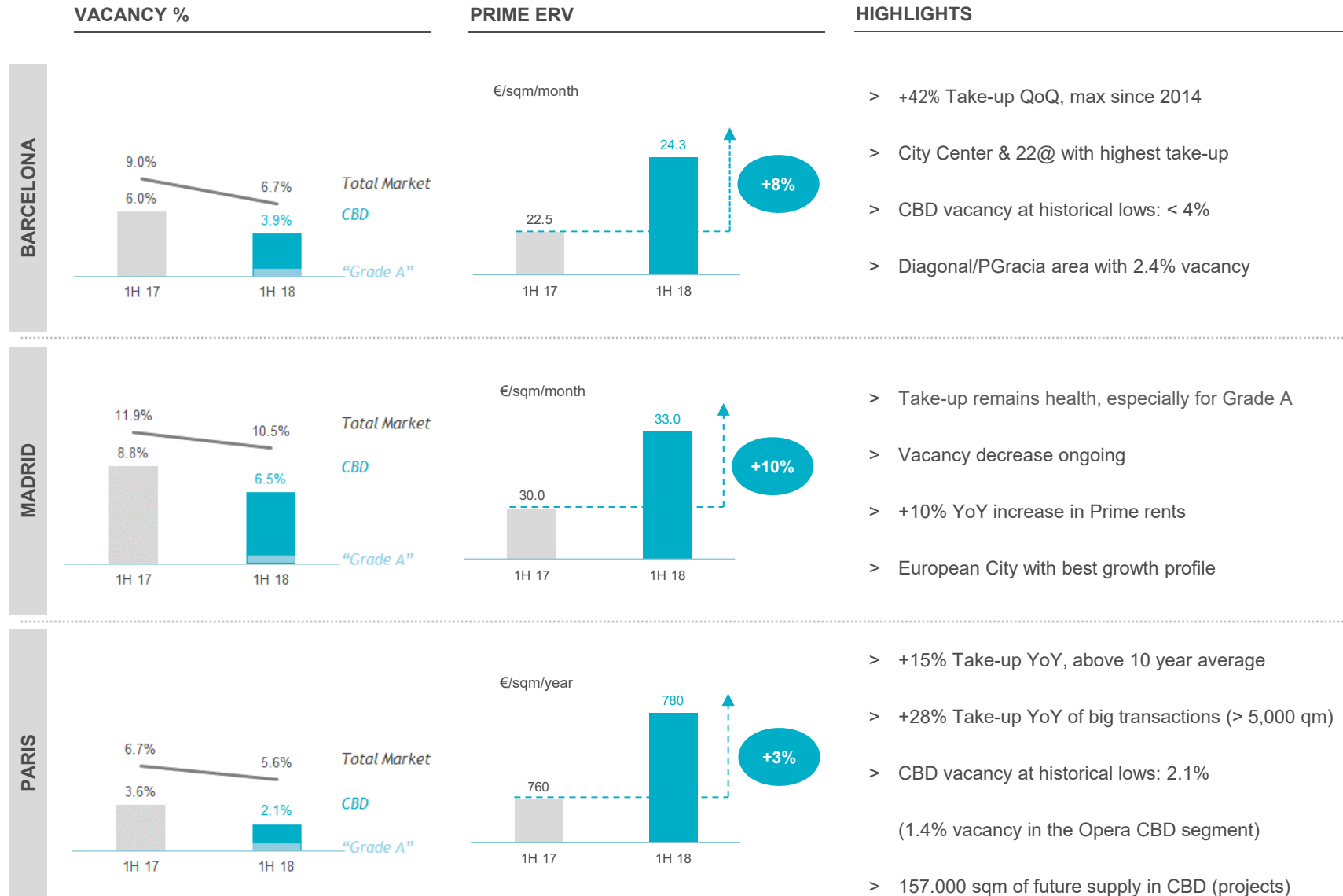
Ranked by percentage of respondents willing to move to each city for work  
Source: BCG/The Network

#### BARCELONA CONSOLIDATES AS A GLOBAL TECH HUB

Creating an estimate of 3,600 jobs

Tech companies	Multinationals' Digital Hubs	Start-ups
Microsoft	asics	N26
facebook CCC	Allianz	Chartboost
ORACLE NETSUITE	LIDL	Glovo
amazon	SIEMENS	SATELLOGIC
adesso	Nestlé	IGG I GOT GAMES
King	MediaMarkt	energisme
	ZURICH	vertoLab moodle

## 02 Market Fundamentals remain solid in every market

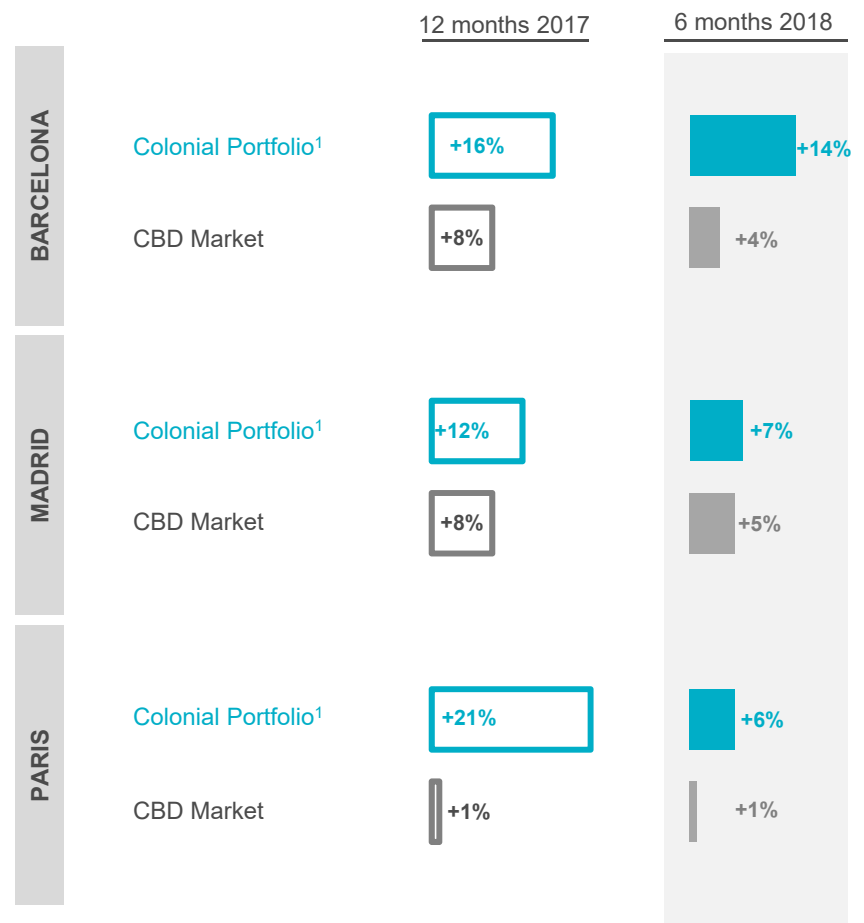


## 02 Market

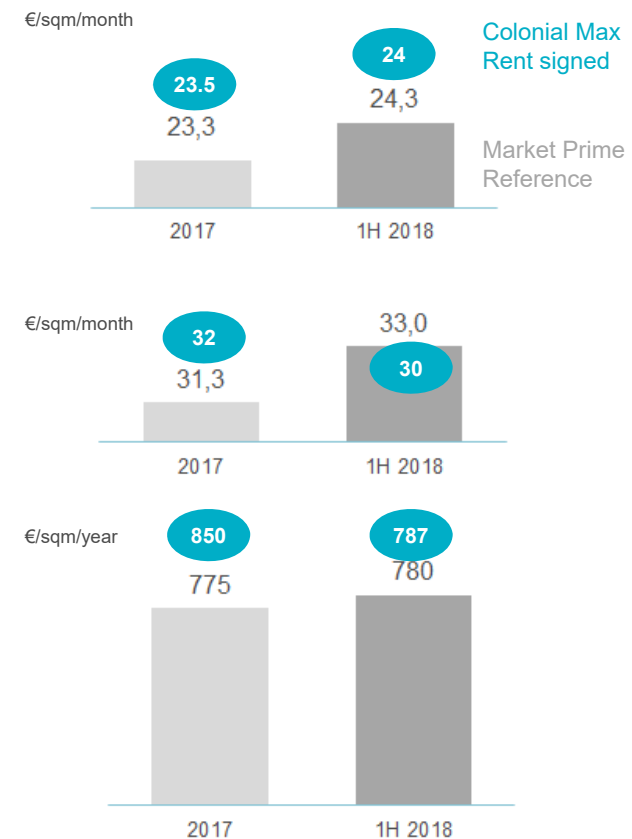
### Colonial as leading market indicator for rental growth

- > On-going strong rental growth in Colonial portfolio
- > Colonial outperforming the market
- > Colonial setting the benchmark for prime

#### ERV GROWTH – COLONIAL VS MARKET



#### PRIME ERVs



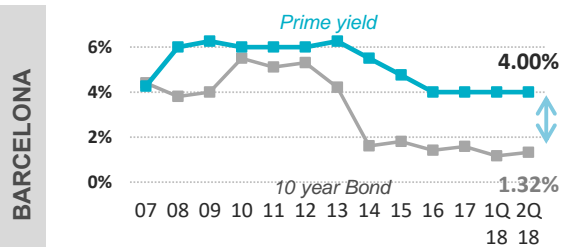
(1) ERV Growth 12 months: 4Q17 vs ERV12/16 & ERV Growth 6 months: 1H18 vs ERV 12/17



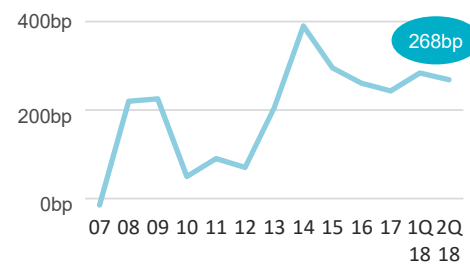
## 02 Market Investment Markets remain strong

- > Scarcity of Grade A product
- > Rental growth main driver for future capital value growth
- > Spreads vs reference rates remain attractive

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

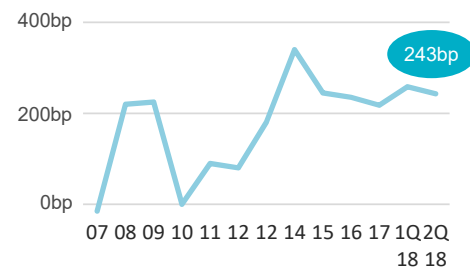
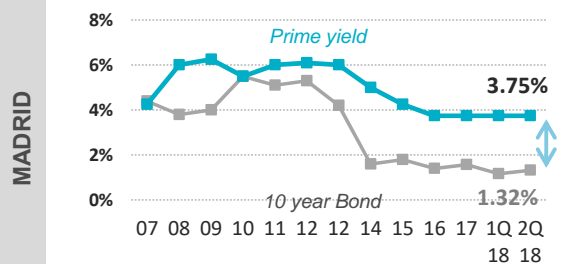


SPREAD VS 10Y BOND

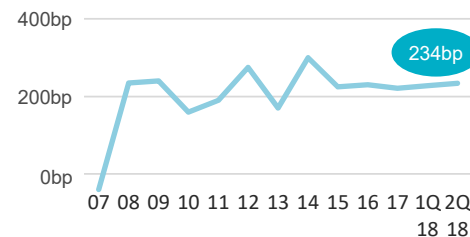
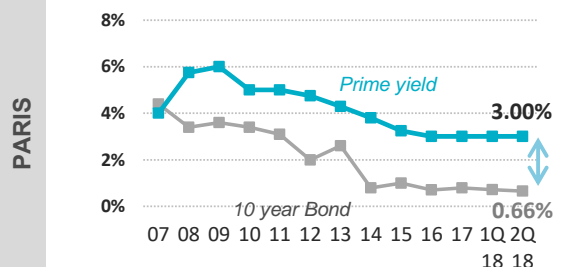


HIGHLIGHTS

- > Investors willing to increase exposure
- > Relevant transactions above 7,500 €/sqm confirming Prime yields at 4%
- > Healthy spread of 268 bp



- > Rental growth main driver for capital value growth
- > Investment market to gain momentum in 2H
- > Prime yields at 3.75%, some singular deals even lower



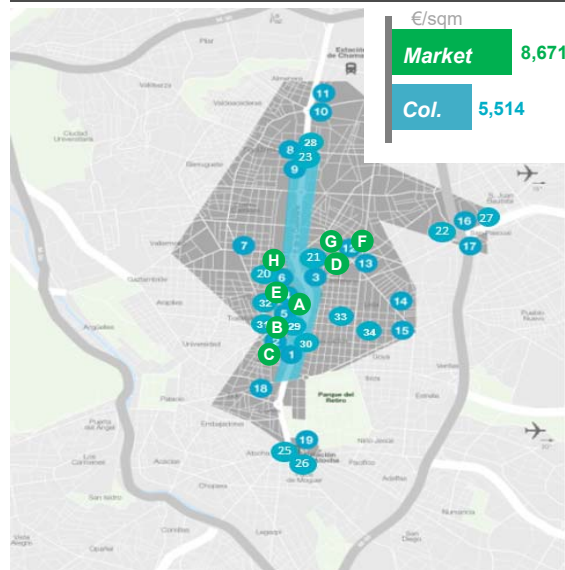
- > Investment volume of €9.1bn  
-> +69% YoY increase  
-> 2x long-term average
- > 28 transactions above €100m
- > Healthy spread at 234 bp

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

## 02 Market Investment Market

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

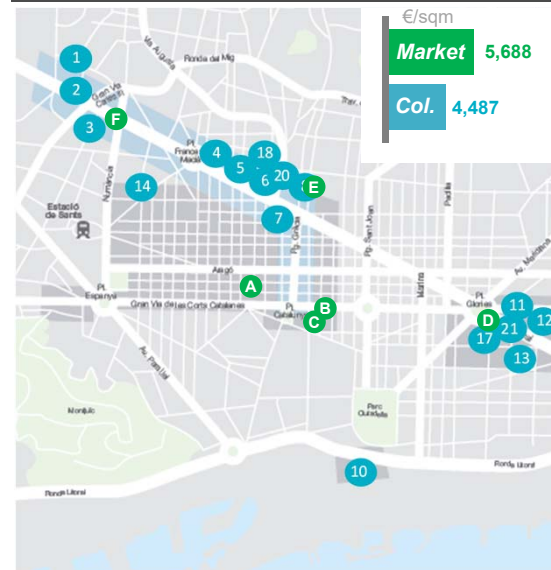
### Madrid City Center (inside M30)



Latest investment transactions inside M30

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

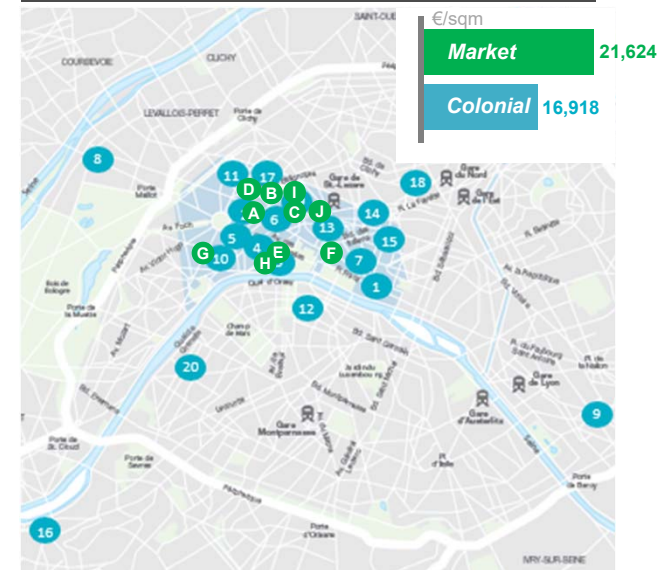
### Barcelona City Center



Latest investment transactions in city center

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

### Paris CBD



Latest investment transactions in Paris CBD

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

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

<sup>(2)</sup> €m

<sup>(3)</sup> €/sqm

Source: Savills-Aguirre Newman and public information

03 Operational performance



*Offering the better site*

03 Operational performance  
Grade A product ensures strong letting performance

	# CONTRACTS	SQM SIGNED	GRI SECURED <sup>1</sup>	INCENTIVES <sup>2</sup>	EPRA VACANCY <sup>3</sup>
<b>BARCELONA</b> 	18	12,643	€2m	7%	1%
<b>MADRID</b> 	23	30,492	€8m	4%	12%
<b>PARIS</b> 	11	8,511	€6m	12%	3%
<b>LOGISTIC</b> 	3	45,392	€2m	3%	3%
<b>TOTAL</b> 	55	97,038	€19m	8%	5%

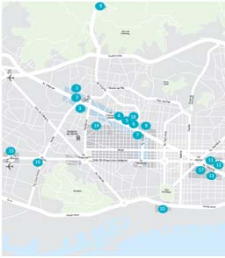

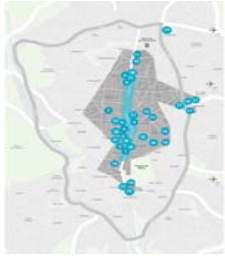



(1) Annualized figures of signed contracts  
 (2) Incentive ratio = economic rents/ facial rents -1  
 (3) Financial vacancy calculated according to EPRA vacancy methodology



### 03 Operational performance

Prime positioning captures top-tier clients paying maximum rents

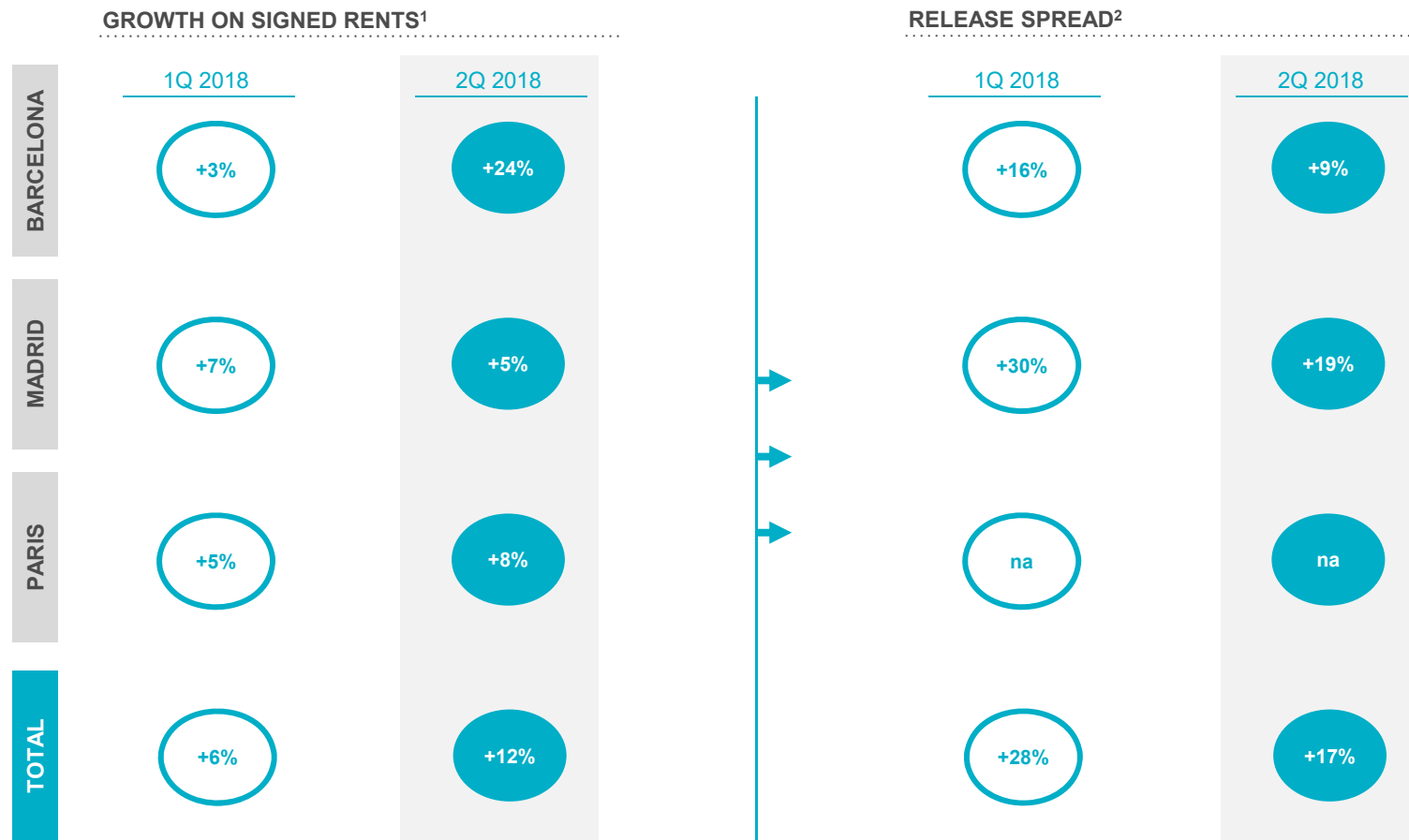
- > High-quality premises attract top-tier tenants
- > Colonial captures rental prices at the top of the market
- > Colonial the reference for Grade A product

		# CONTRACTS	MAX. RENT SIGNED COLONIAL	PRIME RENTS MARKET	CAPTURING & RETAINING TOP TIER CLIENTS
BARCELONA		18	24 €/sqm/month	24,25 €/sqm/month	
MADRID		23	30 €/sqm/month	33 €/sqm/month	
PARIS		11	787 €/sqm/year	780 €/sqm/year	

**03 Operational performance**  
**Strong delivery on rental price increases**

- > Outstanding rental growth in every city
- > Double-digit release spreads
- > No renewals in Paris

**SOLID INCREASE IN RENTAL PRICES**

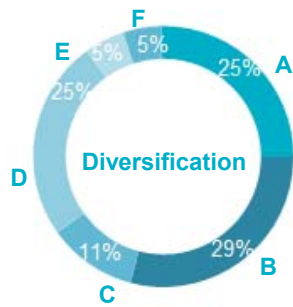


(1) Signed rents vs 12/17 ERV (new lettings & renewals)  
 (2) Signed rents vs previous contracts (renewals)

03 Operational performance  
A highly-resilient tenant portfolio

- > Strong diversification across sectors
- > Long-term relationships with top tier clients
- > Strong tenant loyalty

High-quality tenants



**A** Law firms & Consultancy

**B** Finance & Insurance

**C** Digital & Information Technology



**D** Consumer Goods & Industry

**E** Government Bodies

**F** Leisure & Others

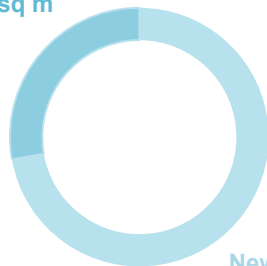
BARCELONA – LETTING PERFORMANCE

Solid Performance

12,643 sq m let

- > Max. rent signed **24.0** €/sqm/month
- > ERV growth **+14%** <sup>(1)</sup>
- > Release spread<sup>2</sup> **+14%**

Renewals  
3,507 sq m



New Lettings  
9,136 sq m

Strong rental growth - Highlights

Park Cugat



+28%  
vs ERV<sup>1</sup>

Cargill markem-imaje

Sant Cugat



+19%  
vs ERV<sup>1</sup>

ERNI

Amigó



+26%  
vs ERV<sup>1</sup>

sdg group

Diagonal 682



+21%  
vs ERV<sup>1</sup>

CISCO

(1) Signed rents vs 12/17 ERV (new lettings & renewals)  
(2) Signed rents vs previous contracts (renewals)



MADRID – LETTING PERFORMANCE

Solid Performance

30,492 sq m let

> Max. rent signed

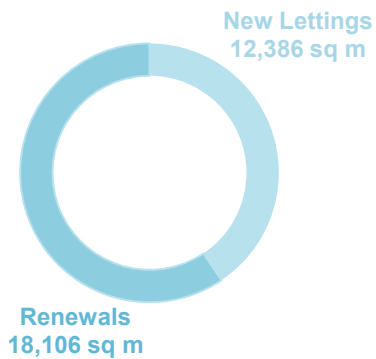
29.9  
€/sqm/month

> ERV growth

+7%<sup>(1)</sup>

> Release spread<sup>2</sup>

+28%



Strong Rental Growth - Highlights

De La Vega Business Park



Mölnlycke

+21%  
release  
spread

Miguel Ángel 11



Simmons & Simmons

+15%  
release  
spread

Génova 17



GROSVENOR

+10%  
vs ERV<sup>1</sup>

J. I. Luca de Tena 14



Chèque Déjeuner

+7%  
vs ERV<sup>1</sup>

Príncipe de Vergara 112-114



fibonad

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

Discovery Building



habitat

+6%  
vs ERV<sup>1</sup>

(1) Signed rents vs 12/17 ERV (new lettings & renewals)  
(2) Signed rents vs previous contracts (renewals)

PARIS – LETTING PERFORMANCE

Solid Performance

8,511 sq m let

> Max. rent signed

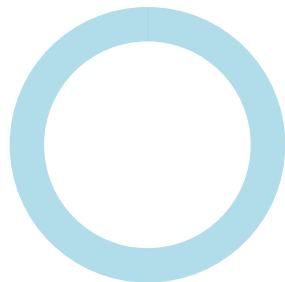
787  
€/sqm/year

> ERV growth

+6% (1)

> EPRA Vacancy

3%



New Lettings  
8,511 sq m

Strong Rental Growth - Highlights

Louvre Saint-Honoré



+11%  
vs ERV<sup>1</sup>

SwissLife

Cézanne Saint-Honoré



+10%  
vs ERV<sup>1</sup>

LUXOTICA

Washington Plaza



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

LCM enr'cert  
LOUIS CAPITAL MARKETS PRODUCTEUR D'ÉCONOMIES D'ÉNERGIE

Louvre Saint-Honoré



+8%  
vs ERV<sup>1</sup>

Financial  
institution

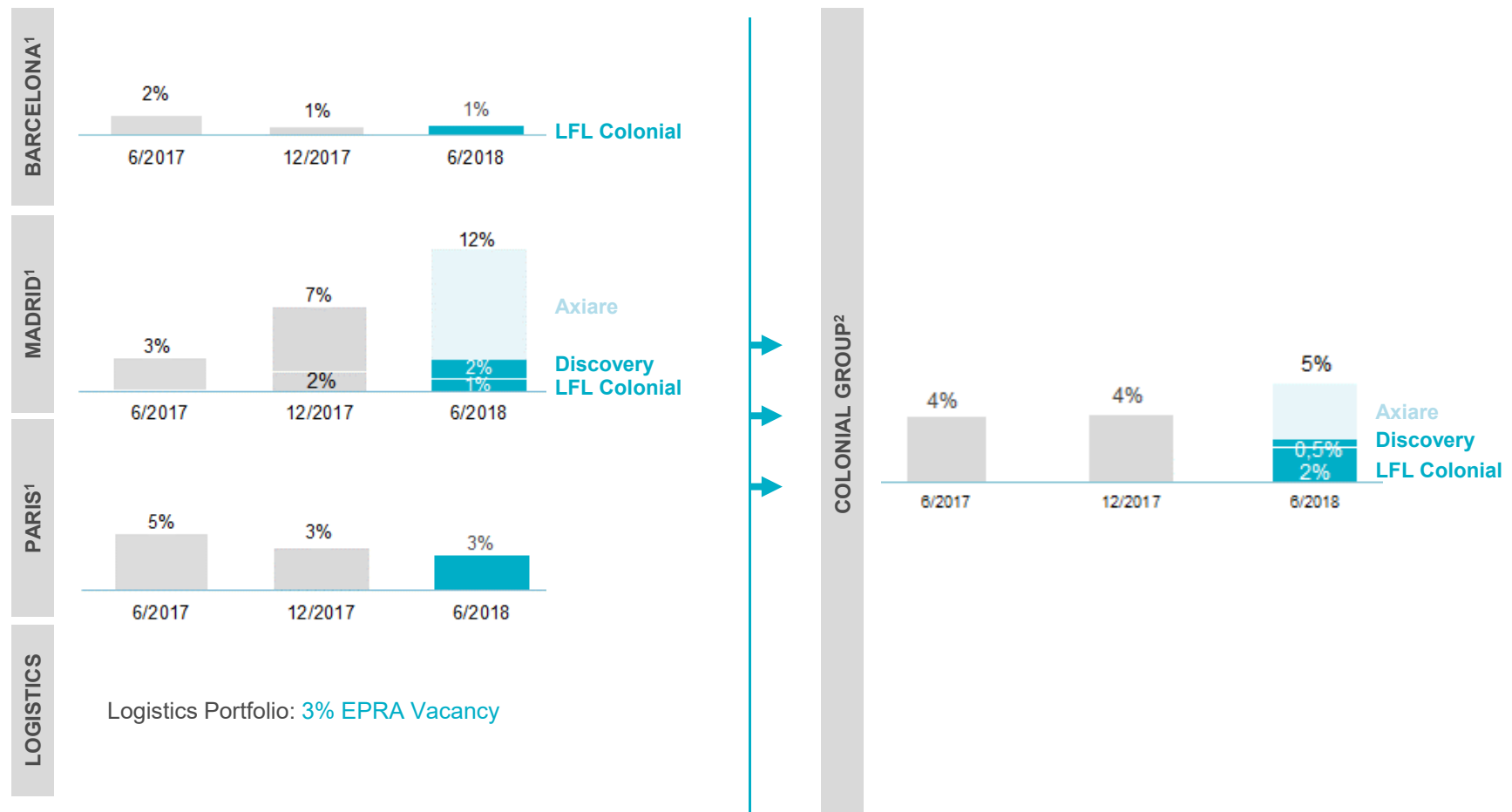
(1) Signed rents 1H 18 vs 12/17 ERV (new lettings & renewals)

### 03 Operational performance

#### Vacancy remains at healthy levels

- > Colonial vacancy at a healthy 5%
- > Barcelona and Paris below 3%
- > Madrid like-for-like at 1% - Discovery & Axiare providing reversionary potential

#### EPRA VACANCY



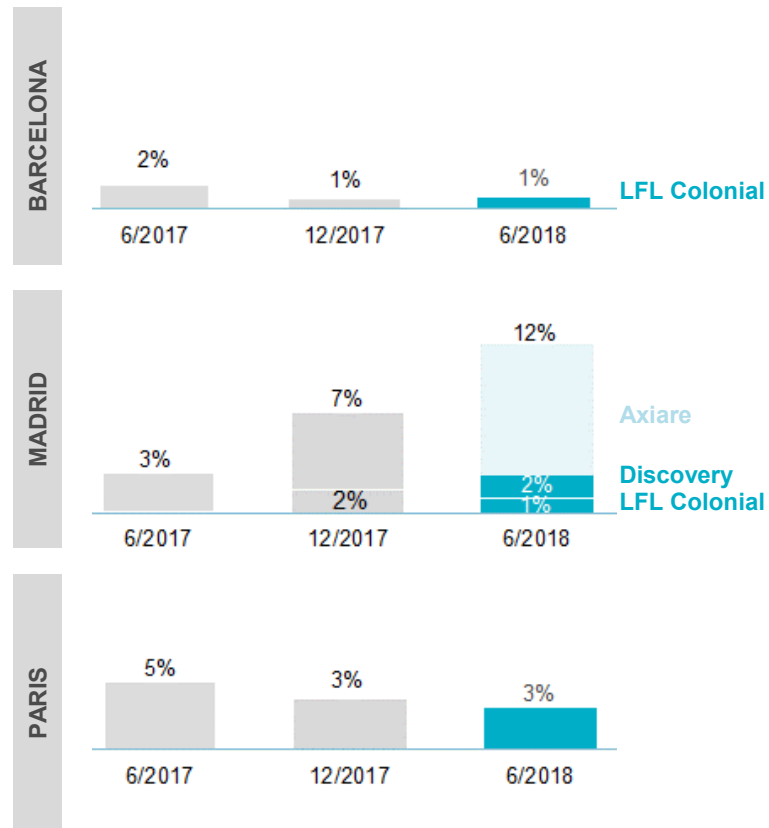
(1) EPRA Vacancy office portfolio  
 (2) EPRA Vacancy including all uses

### 03 Operational performance

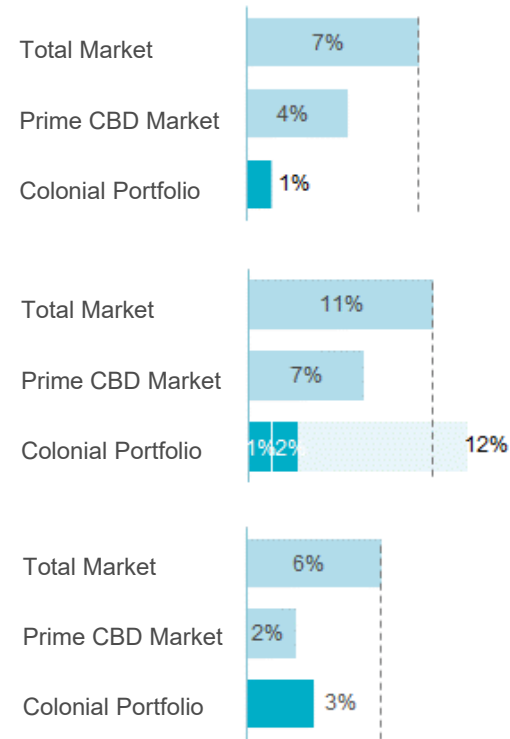
#### Colonial portfolio outperforming the market on occupancy

- > Colonial with solid vacancy levels in every city
- > Colonial strongly-positioned vs market average
- > A solid base to capture rental growth

#### EPRA VACANCY



#### VACANCY COLONIAL VS. MARKET



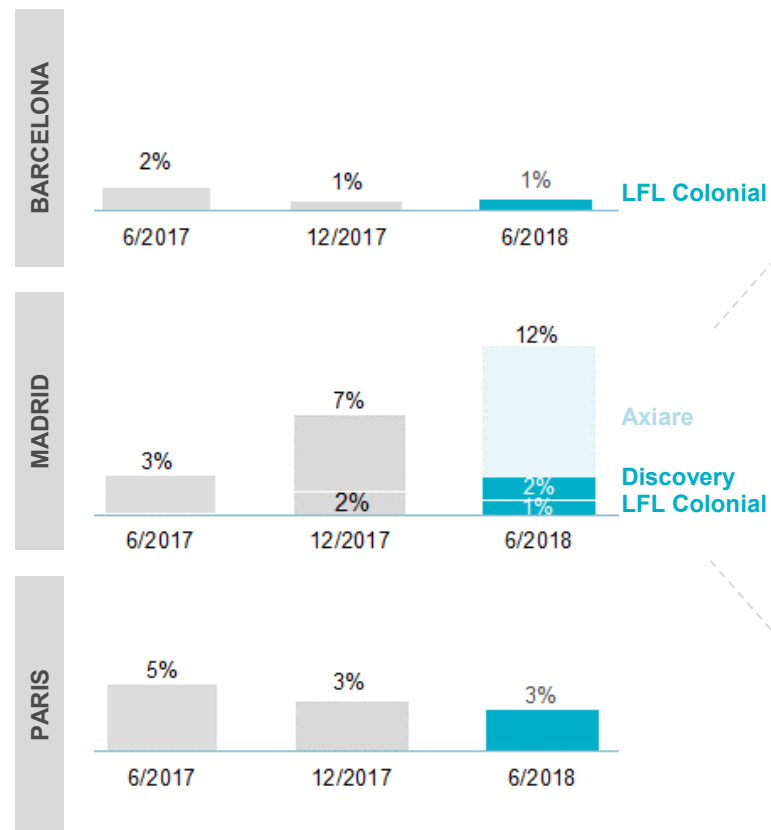


### 03 Operational performance

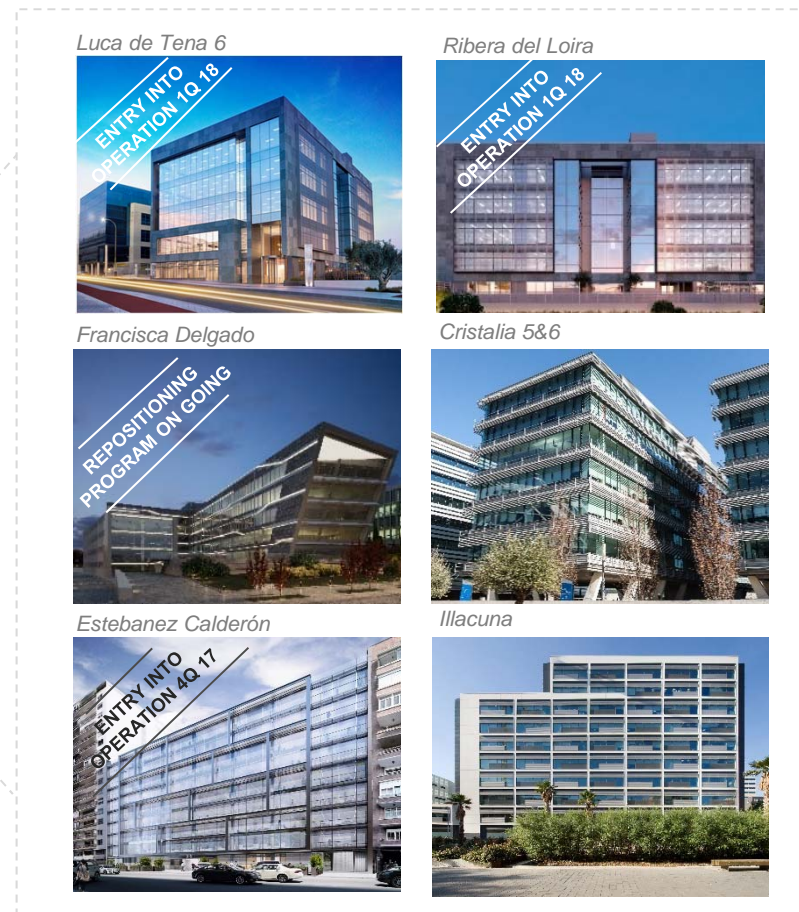
#### Madrid portfolio with additional Grade A Product

- > Discovery & Axiare providing reversionary potential
- > Grade A space to attract new clients
- > Best product in every market segment

#### EPRA VACANCY



#### AVAILABILITY OF GRADE A SPACE IN SOLID MARKETS



### 03 Operating Performance

## Corporate Social Responsibility (CSR) at the core of strategy



- > Colonial with strong commitment on CSR
- > Providing added value to clients through efficient buildings
- > CSR guarantees long-term sustainable returns

#### STRONG CORPORATE RATINGS ON ESG



#### Improved Sustainability Rating from MSCI

- > From “BBB” rating up to “A”
- > One of the highest MSCI Sustainability Ratings in European real estate



**Green Star rating by GRESB**



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

#### HIGH-ENERGY EFFICIENCY STANDARDS



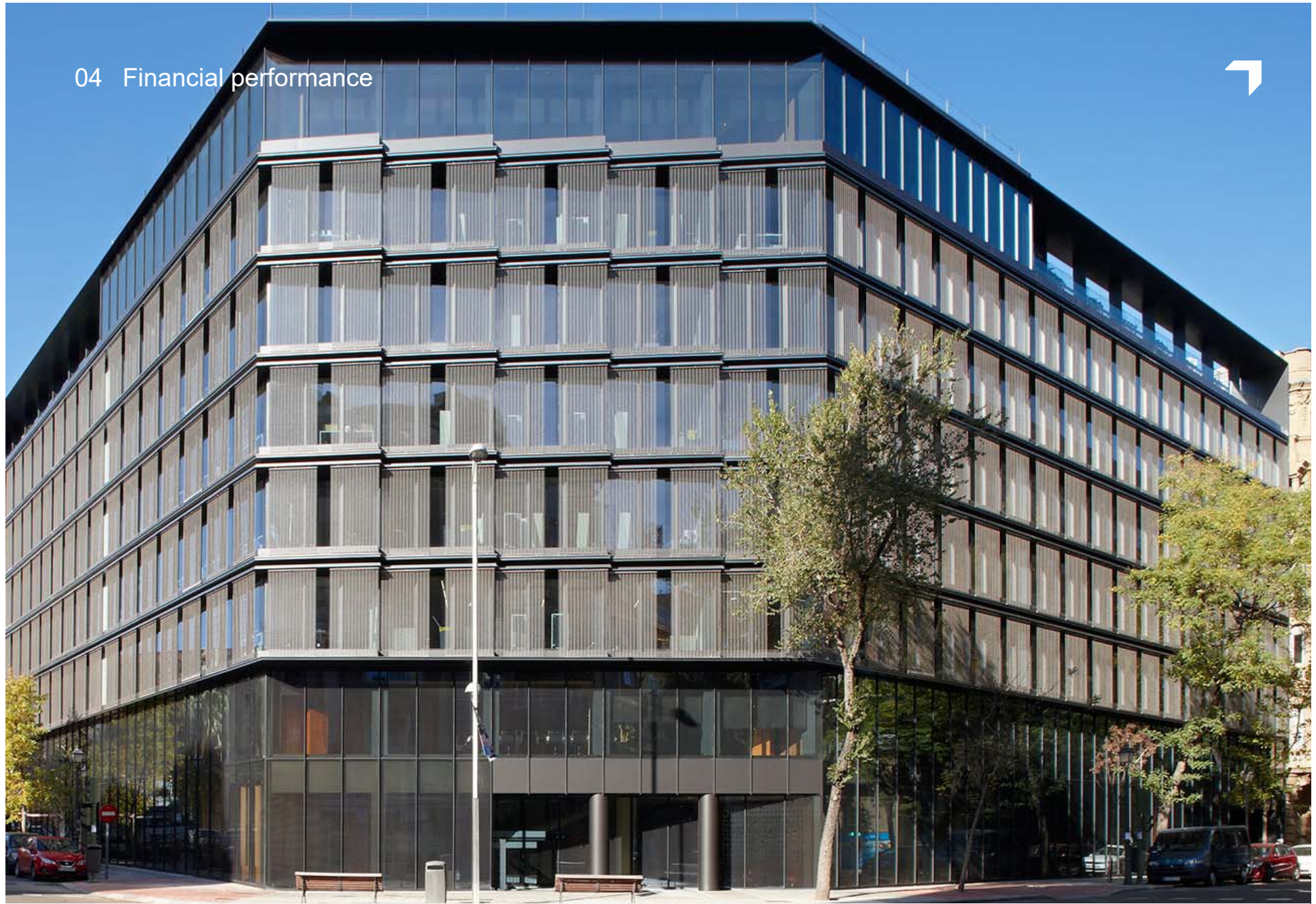
**89% of operating portfolio with max. energy certificates**



Projects to be delivered **with maximum standards**



04 Financial performance

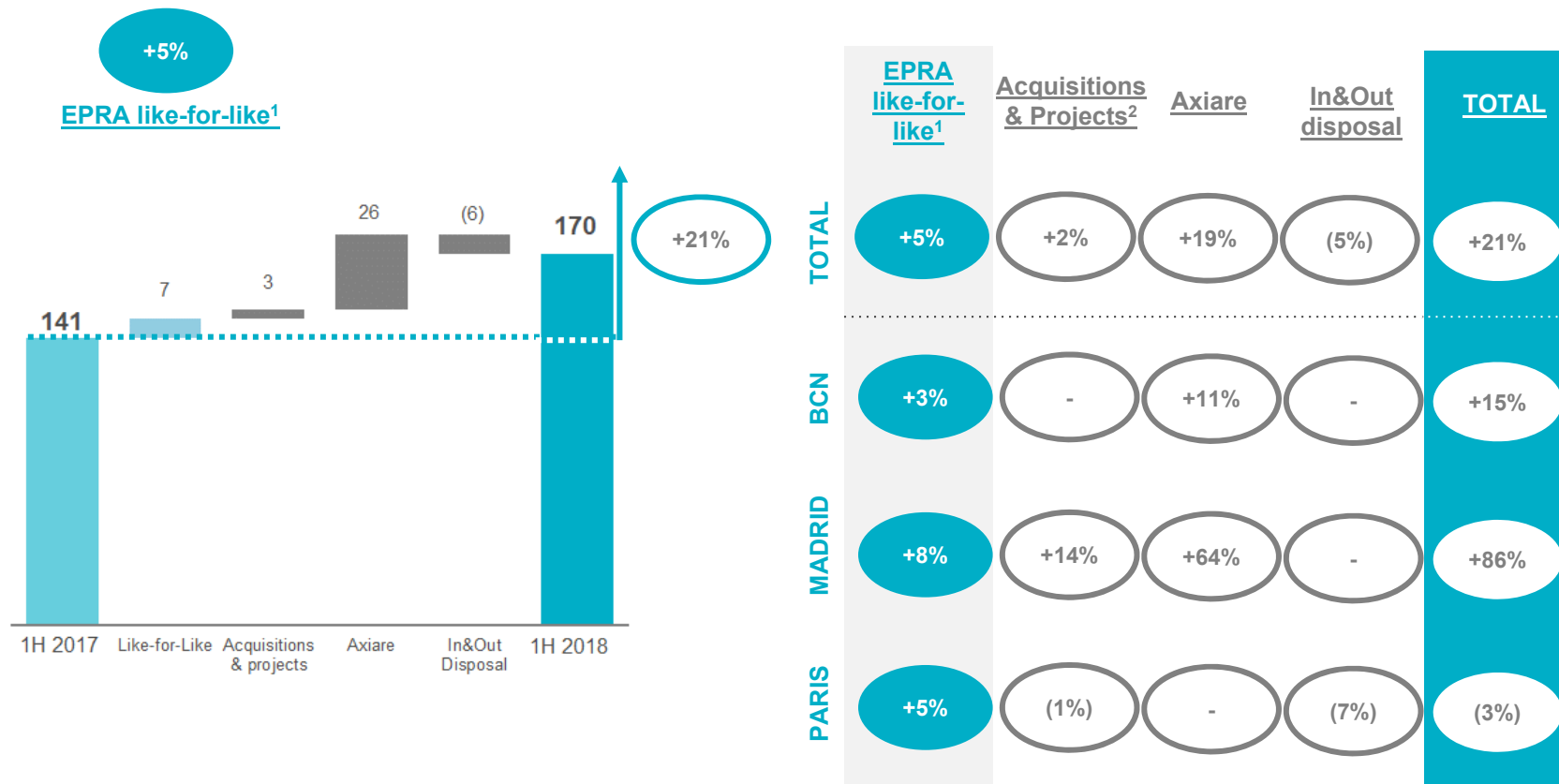


*Solid top line driving profitability*

04 Financial performance  
Double-digit top line growth

- > GRI growth of +21% enhanced through Axiare acquisition
- > GRI like-for-like increase strong at +5%
- > Madrid like-for-like outstanding with +8%

GROSS RENTAL INCOME - €M



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

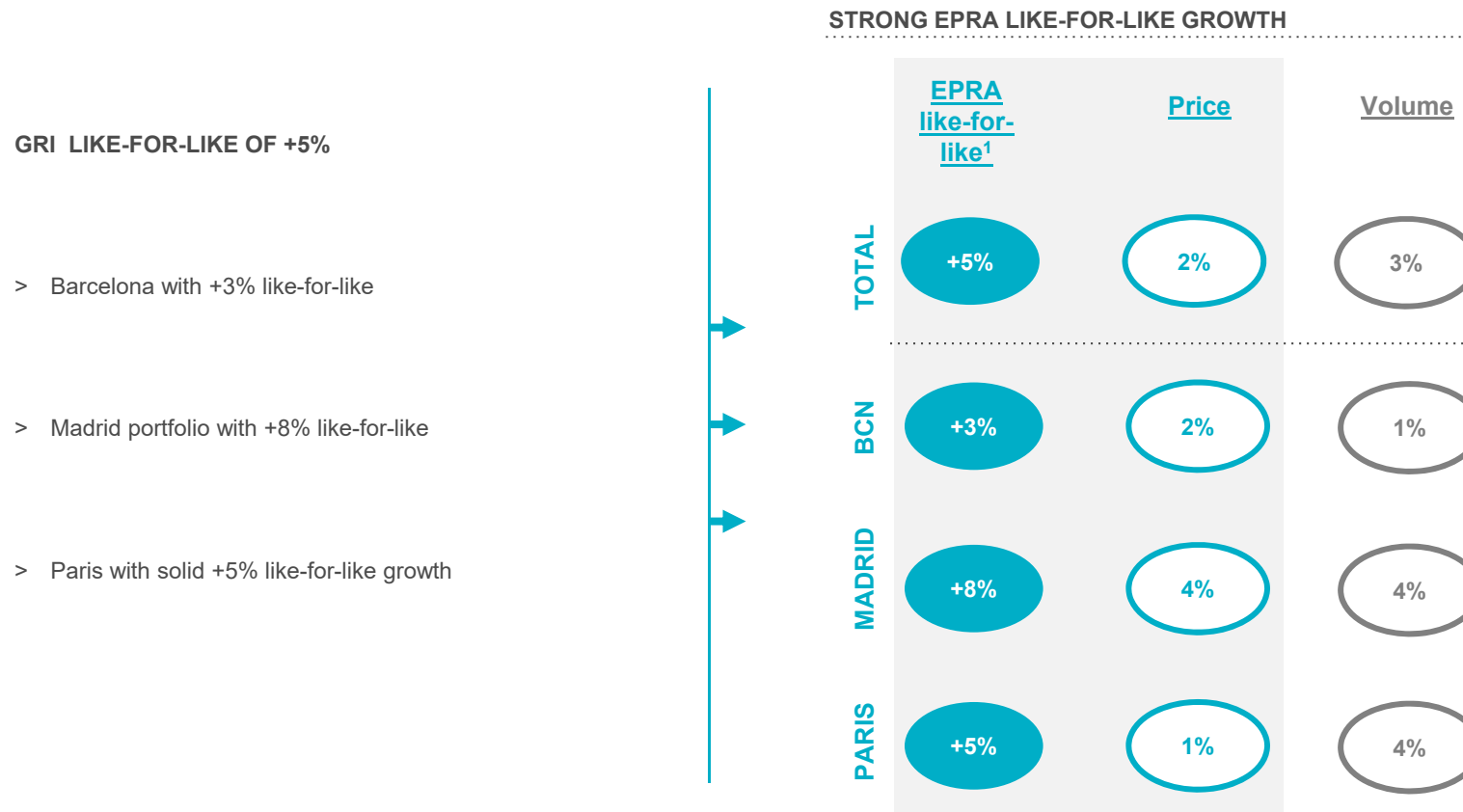


## 04 Financial performance

### Like-for-like rental growth mainly price driven

- > Like-for-like growth driven by rental price increases
- > Barcelona and Madrid with strong price effect
- > Paris with +5% like-for-like increase, well above peers

#### GROSS RENTAL INCOME - €M



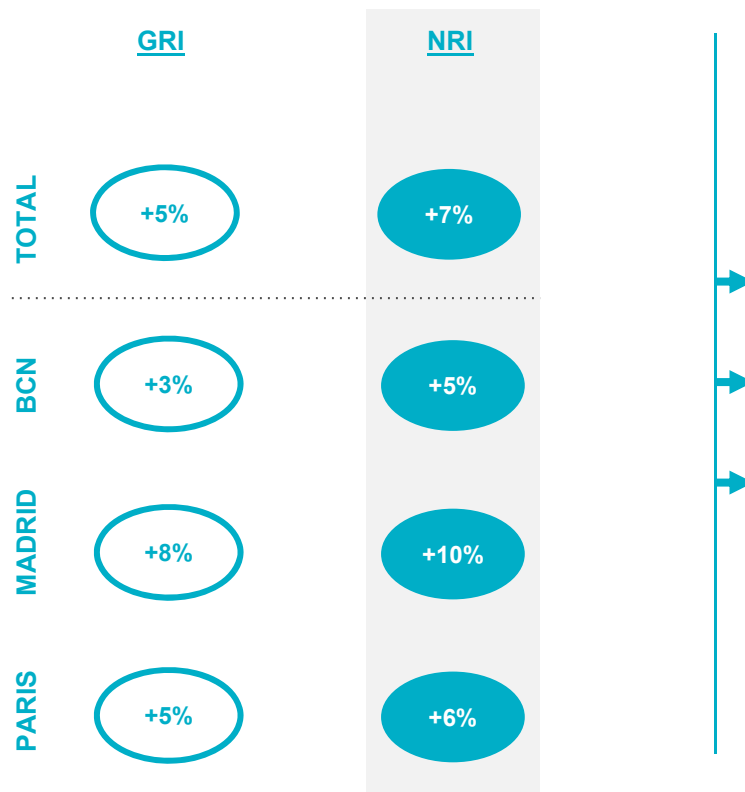
(1) like-for-like calculated following EPRA BPR recommendations  
 (2) Includes indemnities of tenant rotation

**04 Financial performance**  
**Strong NRI like for like growth**

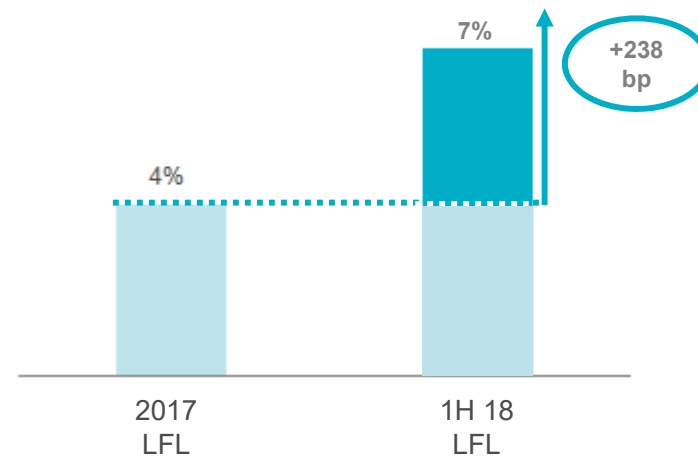
- > Net Rental Income like-for-like increase at +7%
- > Madrid with outstanding +10% like-for-like in Net Rental Income
- > Like-for-like growth in 1H18 accelerating by 238 bp

**LIKE-FOR-LIKE VARIANCE<sup>1</sup> – NRI**

**LFL IN NET RENTAL INCOME FURTHER STRENGTHENED**



**NRI LFL GROWTH ACCELERATING**



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

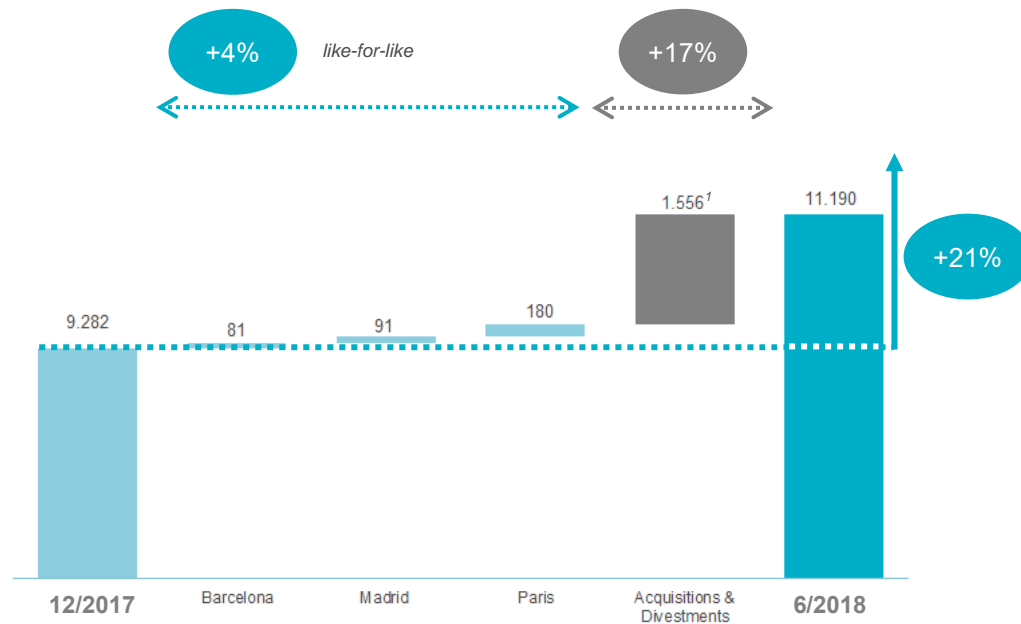
GRI= Gross Rental Income NRI= Net Rental Income

## 04 Financial performance

### Strong underlying growth in Asset Values

- > Gross Asset Value of €11,190m (€11,730m including transfer costs)
- > +10% like-for-like YoY growth in every segment (+4% in 6 months)
- > Capital Value Growth driven by price increases and successful project execution

#### GAV GROWTH – 1H 2018



#### GAV VARIANCE

	6 months	12 months
BARCELONA	+9%	+10%
MADRID	+5%	+10%
PARIS	+3%	+10%
<b>TOTAL LFL</b>	<b>+4%</b>	<b>+10%</b>
ACQUISITIONS & DIVESTMENTS	+17%	+19%
<b>TOTAL VAR</b>	<b>+21%</b>	<b>+29%</b>

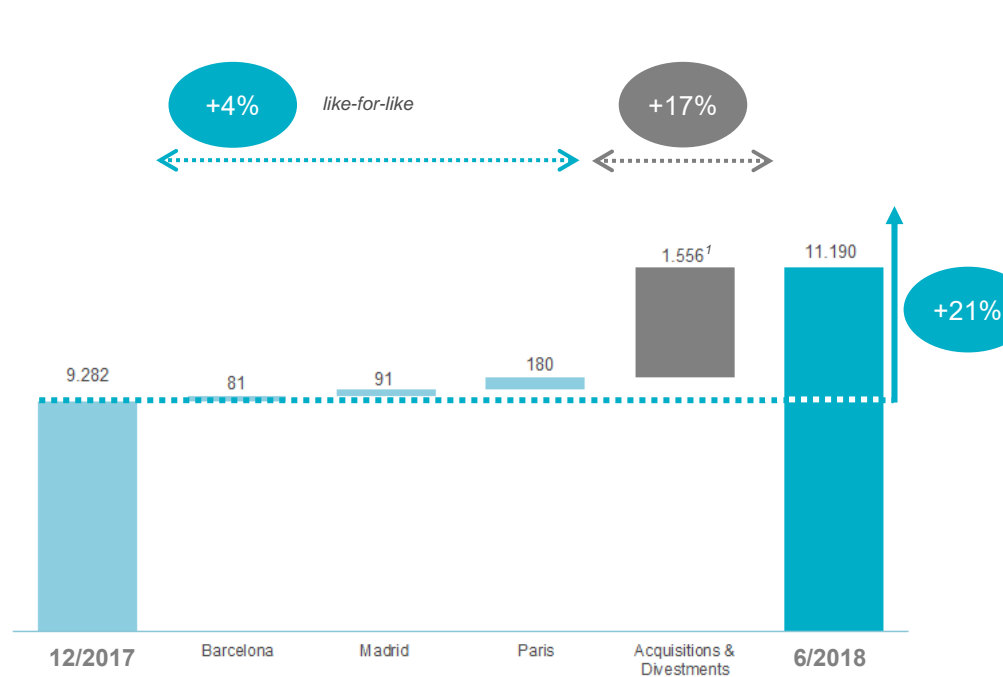
<sup>1</sup> Net of 29% of Axiare stake included in 12/2017 GAV

## 04 Financial performance

### Strong underlying growth in Asset Values

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- > Capital Value Growth driven by price increases and successful project execution

#### GAV GROWTH – 1H 2018



#### LIKE-FOR-LIKE VARIANCE 6 MONTHS

	Total Variance	Price	Real Estate Transformation	Yield
GROUP	+4%	+2%	+2%	+0%
BARCELONA	+9%	+3%	+6%	+0%
MADRID	+5%	+3%	+2%	+0%
PARIS	+3%	+2%	+1%	+0%

<sup>1</sup> Net of 29% of Axiare stake included in 12/2017 GAV



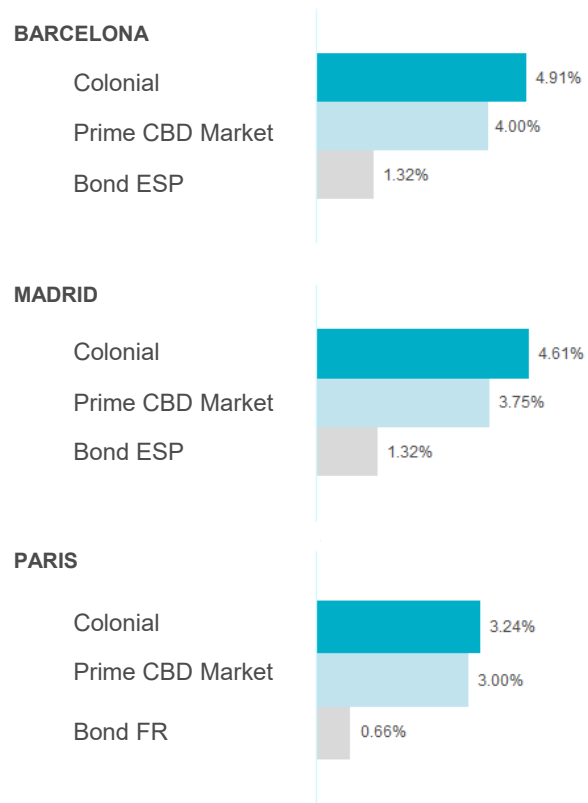
## 04 Financial performance

### Solid valuation levels in healthy market

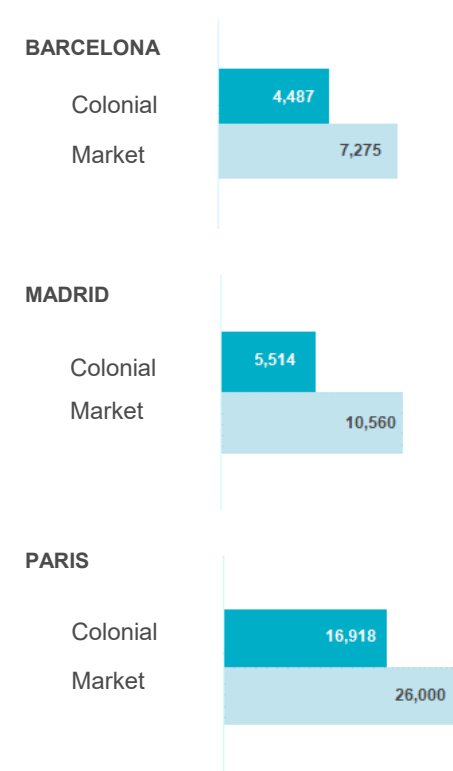


- > Colonial appraisal with very solid valuation yields
- > Colonial capital values below recent transactions evidence
- > Rental growth and “scarcity factor” main future growth driver

#### VALUATION YIELDS (1)



#### CAPITAL VALUE 06/2018 - €/sq m



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

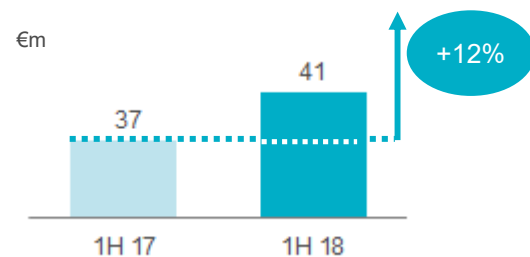
## 04 Financial performance

### Acceleration of profitable growth

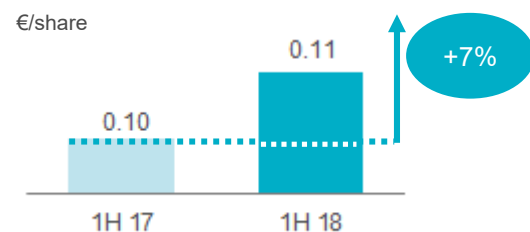
- > +21% Gross Rental Income growth
- > +12% Increase in recurring profit
- > +13% Adjusted FFO per share

#### STRONG TOP & BOTTOM-LINE PERFORMANCE

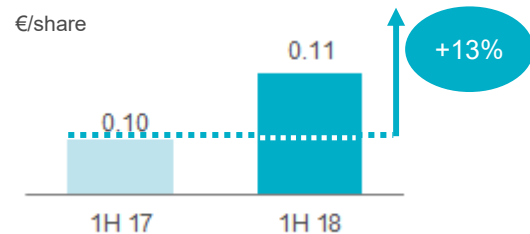
##### RECURRING RESULT



##### EPS RECURRING ADJUSTED<sup>1</sup>



##### FFO RECURRING ADJUSTED<sup>1</sup>



#### PROFIT & LOSS ACCOUNT

Results analysis - €m	1H 18	1H 17	Var.
Gross Rents	170	141	+21%
Net operating expenses <sup>(1)</sup>	(17)	(13)	
Overheads	(23)	(19)	
Recurring EBITDA	131	109	
Recurring financial result	(51)	(38)	
Income tax expense & others - recurring	(7)	(5)	
Minority interests - recurring	(31)	(29)	
<b>Recurring Earnings</b>	<b>41</b>	<b>37</b>	<b>+12%</b>
Asset revaluation	304	523	
Non-recurring financial result & MTM	(6)	(0)	
Income tax & others - non-recurring	(14)	48	
Minority interests - non-recurring	(71)	(170)	
<b>Profit attributable to the Group</b>	<b>254</b>	<b>437</b>	

(1) Includes other income

(1) Recurrent result & FFO adjusted with liability management and including Axiare's debt cancellation executed after the closing date in July and including 87% of Axiare's January recurring result

## 04 Financial performance

### Successful tapping of bond market



- > Successful Issuance of €1,150m bonds completed by the Colonial Group
- > Colonial tapped the market with a €650m 8Y senior unsecured bond with a coupon of 2.0%
- > SFL tapped the market with a €500m 7Y senior unsecured bond with a coupon of 1.5%

BOND ISSUANCES KPIS	Colonial	SFL
Size	€650m	€500m
Coupon	2.0%	1.5%
Spread to benchmark	ms + 133 bps	ms + 88 bps
Maturity	17 <sup>th</sup> April 2026	29 <sup>th</sup> May 2025

#### EXECUTION HIGHLIGHTS

##### Bond Issuance (Colonial)

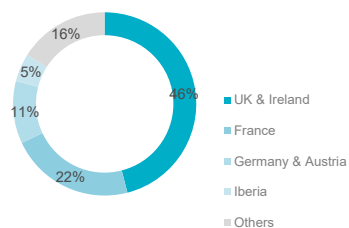
- > €2.0bn of orders – oversubscription of more than 3x –
- > More than 150 high quality investors subscribing the issuance

##### Bond Issuance (SFL)

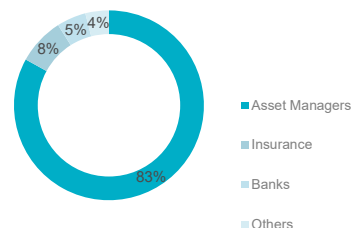
- > Strong volume of book with 56 high-quality orders
- > Well-diversified investor profile with geographic focus in Europe

#### DISTRIBUTION OF BOND ISSUANCES

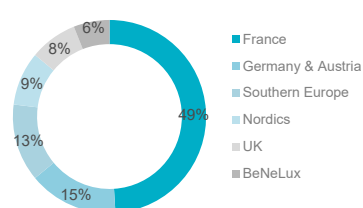
By geography (Colonial)



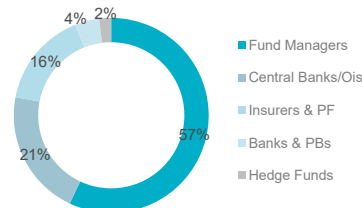
By investor type (Colonial)



By geography (SFL)



By investor type (SFL)



Terms and execution parameters that  
confirm strong credit profiles

## 04 Financial performance Active Liability Management

- > Repurchase of bonds maturing in 2019
- > Improving debt maturity a attractive financial costs
- > Immediate positive impact on recurring earnings

### LIABILITY MANAGEMENT

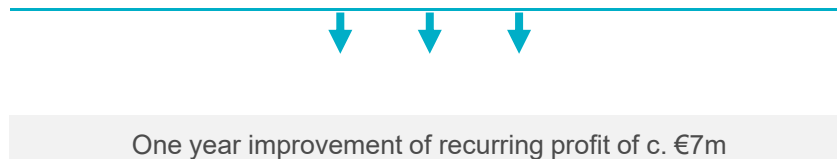
#### Repurchase of €375m of Bonds maturing in 2019 repurchased in July

- > Significant improvement of debt maturity

Group 5.7 → 6.2 years

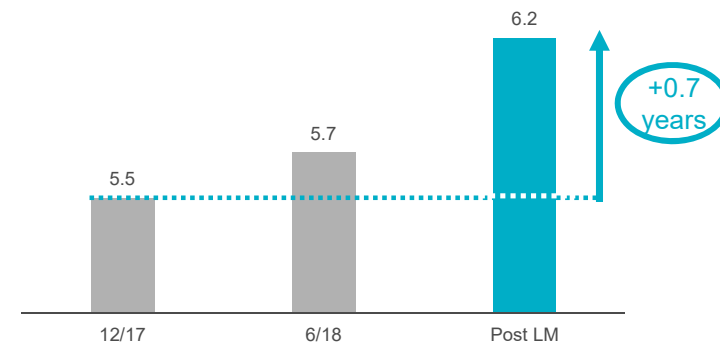
Colonial 6.2 → 7.3 years

- > Optimization of net debt position
- > ICR post Liability Management approaching 3x
- > Consolidation of the cost of debt at low levels (1.9%)

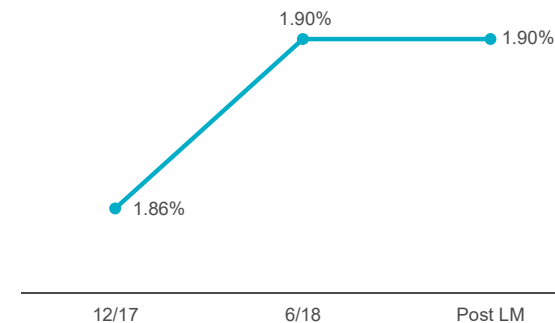


### ENHANCEMENT OF MATURITY WITH LOW COST OF DEBT

#### Group debt maturity - years



#### Group annual financial cost of debt





## 04 Financial performance

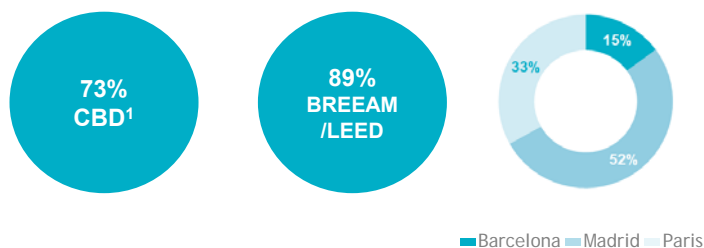
### Strong credit profile



- > Unparalleled high-quality collateral diversified in three cities
- > A strong maturity profile with healthy liquidity
- > A solid capital structure with competitive costs

#### FIRST CLASS COLATERAL WITH...

€11bn well-diversified high-quality assets

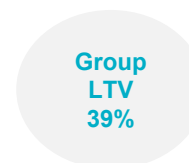


Liquidity <sup>1</sup> (psot LM)	
Colonial	€1,205m
SFL	€874m
<b>Total</b>	<b>€2,079m</b>

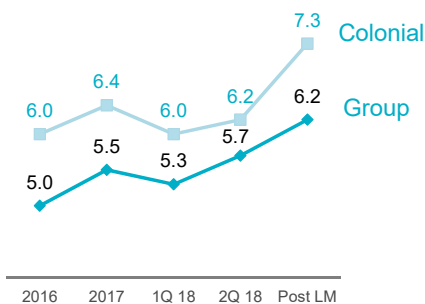
Debt Maturity (post LM)	
Colonial	7.3 years
SFL	4.7 years
<b>Total</b>	<b>6.2 years</b>

#### ... A SOLID CAPITAL STRUCTURE

##### LTV & Cost of Debt



##### Debt maturity - years



BBB Stable Outlook



Baa2 Negative Outlook



BBB+ Stable Outlook

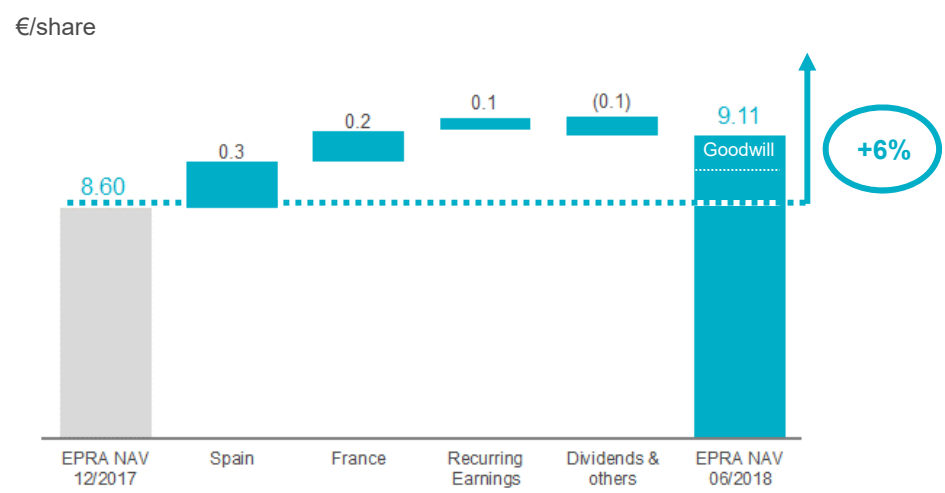
(1) Available cash & undrawn balances (post LM)

## 04 Financial performance

### Solid Total Shareholder Return

- > +15% YoY Total Shareholder Return (+8% in 6 months)
- > EPRA NAV of 9,11 €/share, +13% YoY (+6% in 6 months)
- > NAV growth driven by price increases and successful project deliveries

#### STRONG MOMENTUM IN NAV GROWTH



EPRA NAV 6/2018	€9.11/share
Adjusted EPRA NAV 6/2018 (deducting Goodwill)	€8.79/share

€3,744m  
NAV 6/18

€4,141m  
NAV 6/18

Total Shareholder Return= NAV growth per share + dividends

#### TOTAL SHAREHOLDER RETURN

	6 MONTHS	12 MONTHS
NAV Growth per share	+6%	+13%
Dividend paid per share	+2%	+2%
<b>Total Return per share</b>	<b>+8%</b>	<b>+15%</b>

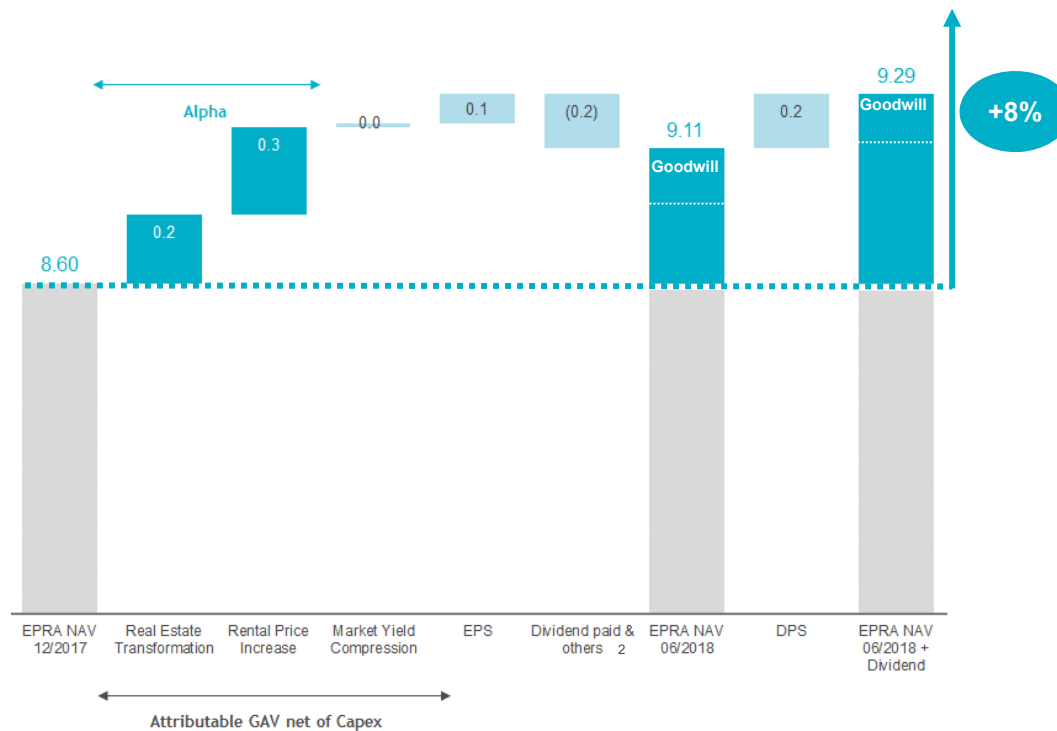
## 04 Financial performance

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

- > Total Shareholder Return relies on “Alpha”
- > More than half of the NAV growth per share through “Alpha” strategies
- > NAV growth driven by price increases and successful project deliveries

#### TOTAL SHAREHOLDER RETURN

€/share



#### TOTAL SHAREHOLDER PER SHARE

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

1) Net of other impacts

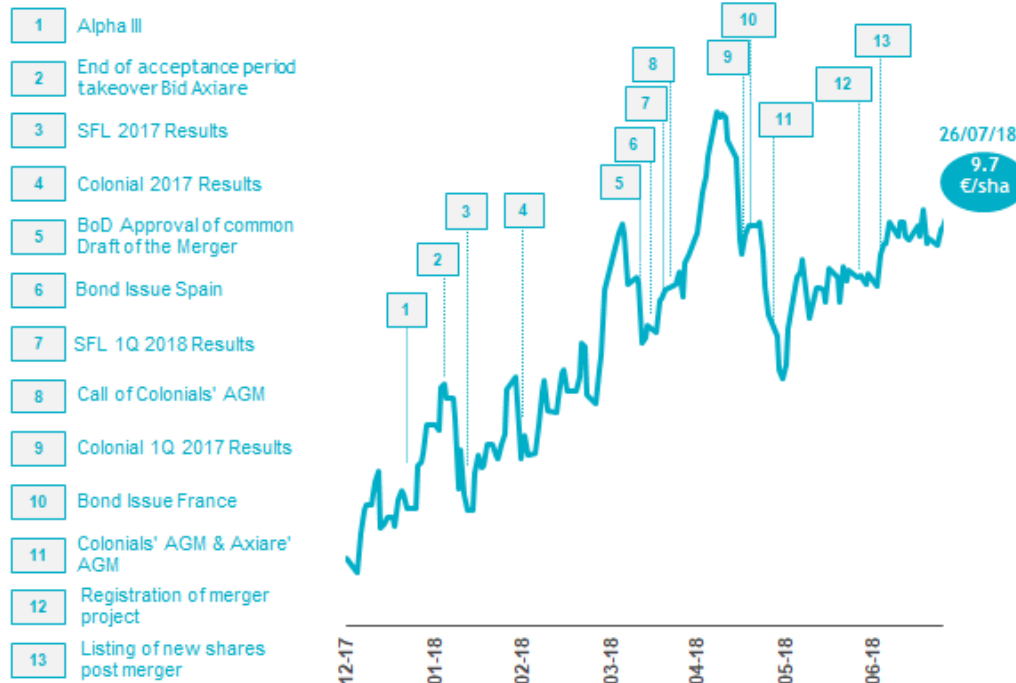
2) Includes SFL dividend payment to minority shareholders in France

## 04 Financial performance

### Share price driven by solid delivery of fundamentals

- > +17% Share Price increase 2018 YTD
- > Capital markets recognize execution of Business Plan
- > Analyst updates with upwards revisions

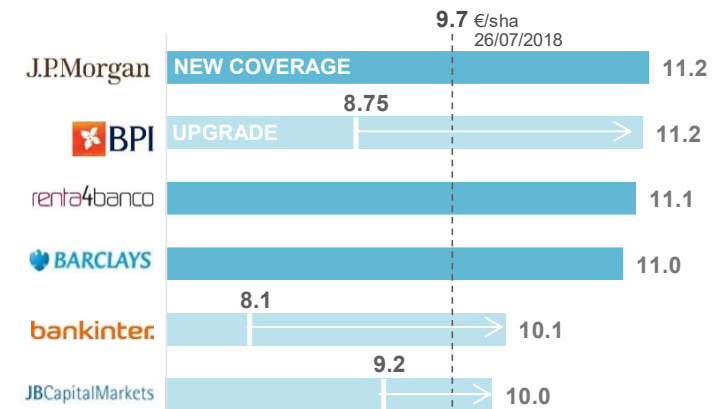
#### SHARE PRICE PERFORMANCE 2018 YTD<sup>1</sup>



#### COVERAGE EVOLUTION DURING 1H 2018

- > 4 new analysts cover Colonial
- > 19 analysts raised their target price
- > 7 analysts upgraded their recommendations to buy

#### LATEST UPDATES



(1) Share price YTD as of 13/07/2018

## 04 Financial performance

### Share price driven by solid delivery of fundamentals

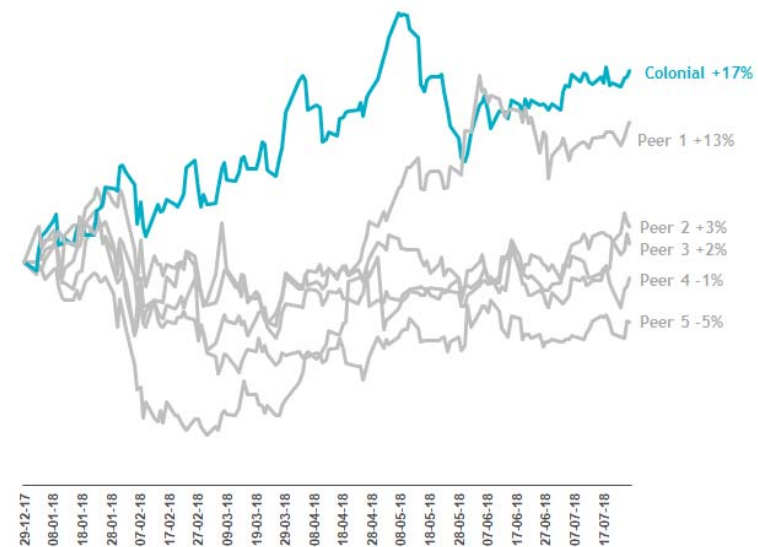
- > Unparalleled share price performance YTD
- > Strong outperformance of peers in Spain & Europe
- > Well above reference indices – IBEX & EPRA

#### SHARE PRICE PERFORMANCE 2018 YTD<sup>1</sup> VS PEERS

##### Spain



##### Europe



(1) Share price YTD as of 13/07/2018



05 Growth drivers



*A solid base for future growth*



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

- 1 A strong footprint in offices enhancing the competitive positioning
- 2 A well-positioned portfolio to capture market rental growth
- 3 An unparalleled pipeline of high quality projects

GROWTH DRIVER	KPIs	PASSING GRI <sup>1</sup>			ATTRACTIVE TIMING
		Colonial	Axiare	Combined	
1 Strong Footprint	Enhanced exposure to Madrid Complementary Office Portfolio Unlocking Revenue Synergies	€302m	€65m	€367m	ADDITIONAL UPSIDE FROM MARKET RENTAL GROWTH
2 Attractive Reversion	Spain – 70% of contracts due in 36 months France – 43% of contracts due in 36 months	€34m	€20m	€54m	
3 Project Pipeline	13 Projects in Spain 3 Flagship Projects in France GLA of more than 340,000 sqm <sup>(3)</sup>	€82m	€19m	€101m	
Significant GRI potential of combined platform		€419m	€103m	€522m	

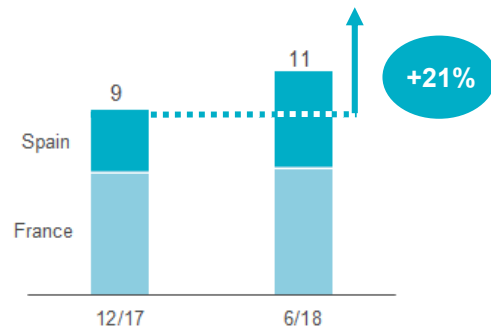
(1) Potential topped up GRI  
 (2) Including offices, logistics and other assets  
 (3) Projects & partial refurbishments on operating assets

05 Growth drivers

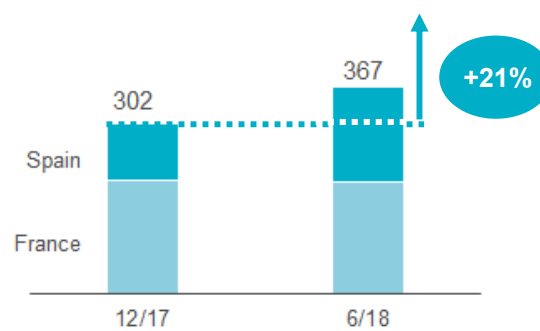
1 A Strong Footprint in Offices

- > Consolidation of strong footprint in offices
- > Reinforcing Madrid exposure – 1<sup>st</sup> landlord in city center
- > Outstanding CBD positioning

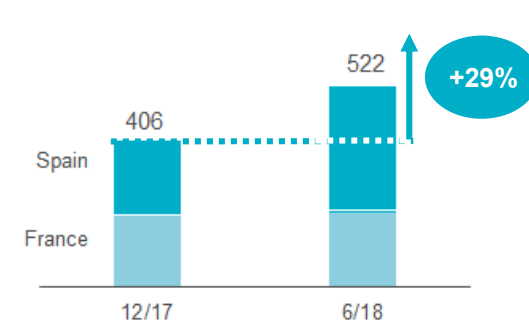
GAV €bn



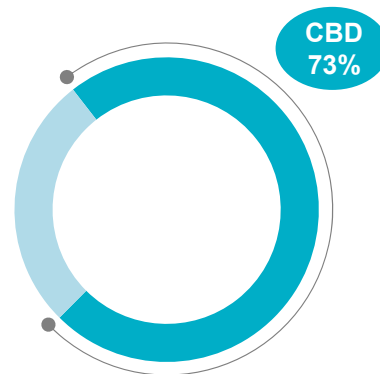
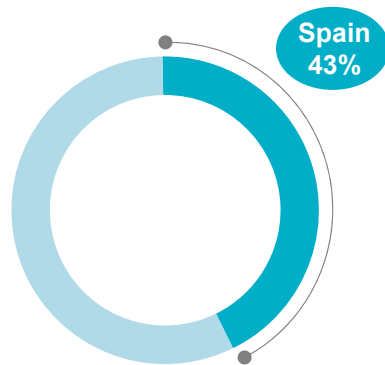
PASSING GRI €m



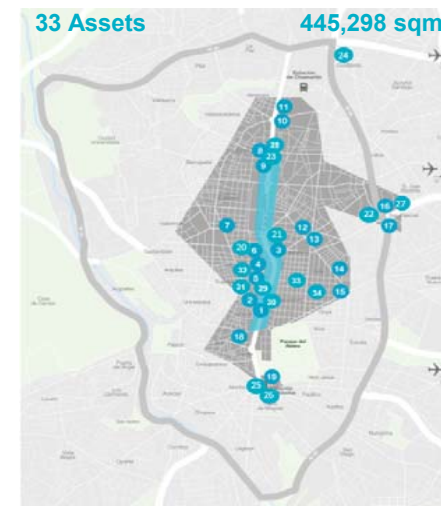
POTENTIAL GRI €m



GAV Group



Top Landlord inside M30



05 Growth drivers

1 A Strong Footprint in Offices

- > Consolidation of strong footprint in offices
- > More than €1.3bn of value in 15 Spanish assets
- > Unparalleled owner of trophy assets

Almagro, 9



Miguel Ángel, 11



Miguel Ángel, 23



Serrano, 73



Castellana, 43



Sagasta 31-33



Diagonal 197



Recoletos, 37



Genova, 17



Castellana, 52



Abascal, 56



Abascal, 45



Discovery



Av. Diagonal, 609-615



Velázquez Padilla, 17





05 Growth drivers

1 A Strong Footprint in Offices

- > Unlocking revenue synergies
- > Completion of letting-up with good terms
- > Accelerating project schedule

Velázquez



2,968 sq m

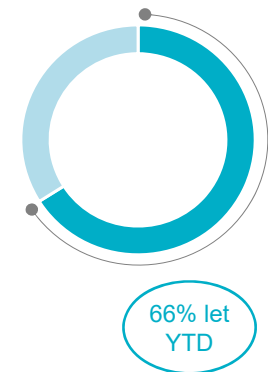
American multinational company

Discovery



991 sq m

ecovidrio  
ENTIDAD SIN ANIMO DE LUCRO



Miguel Ángel



Acceleration of Project Start  
Redefinition of Design

Acceleration of letting-up, increasing momentum on price

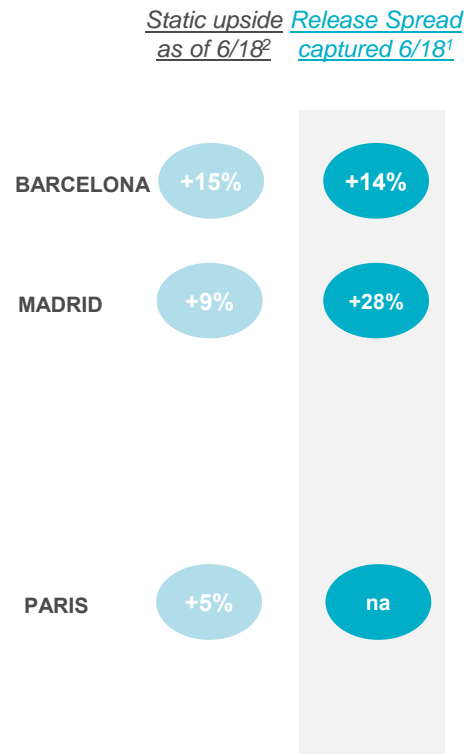


05 Growth drivers

2 Colonial well-positioned to capture reversion

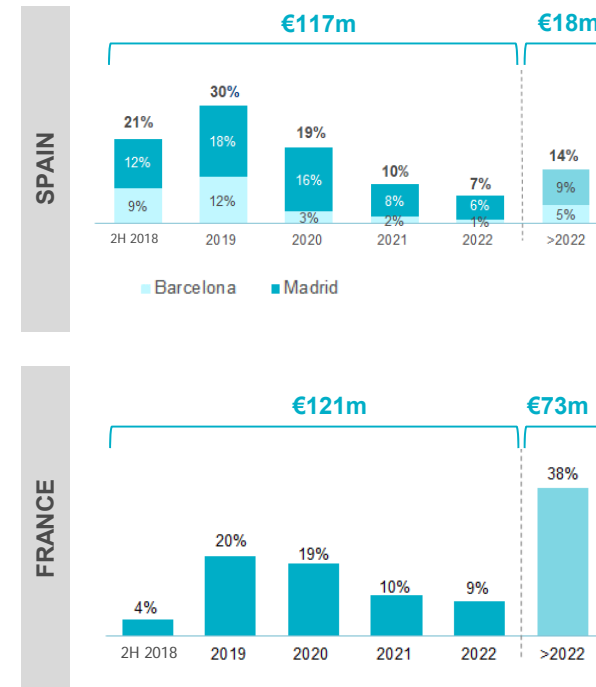
- > Strong delivery on reversion in 1H 2018
- > Attractive rent roll profile
- > Solid positioning in growing markets

CAPTURING REVERSION

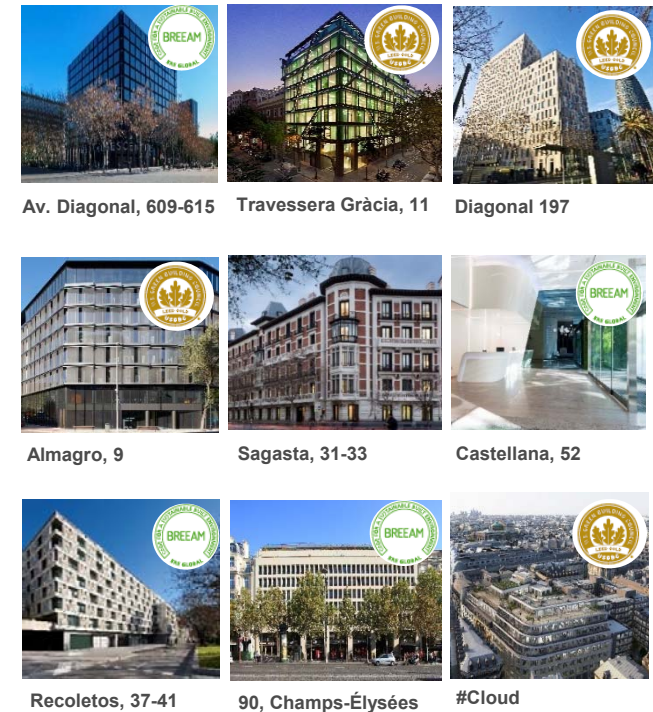


ATTRACTIVE RENT ROLL

COMMERCIAL LEASE EXPIRY DATES  
First potential exit



SOLID POSITIONING IN GROWING MARKETS



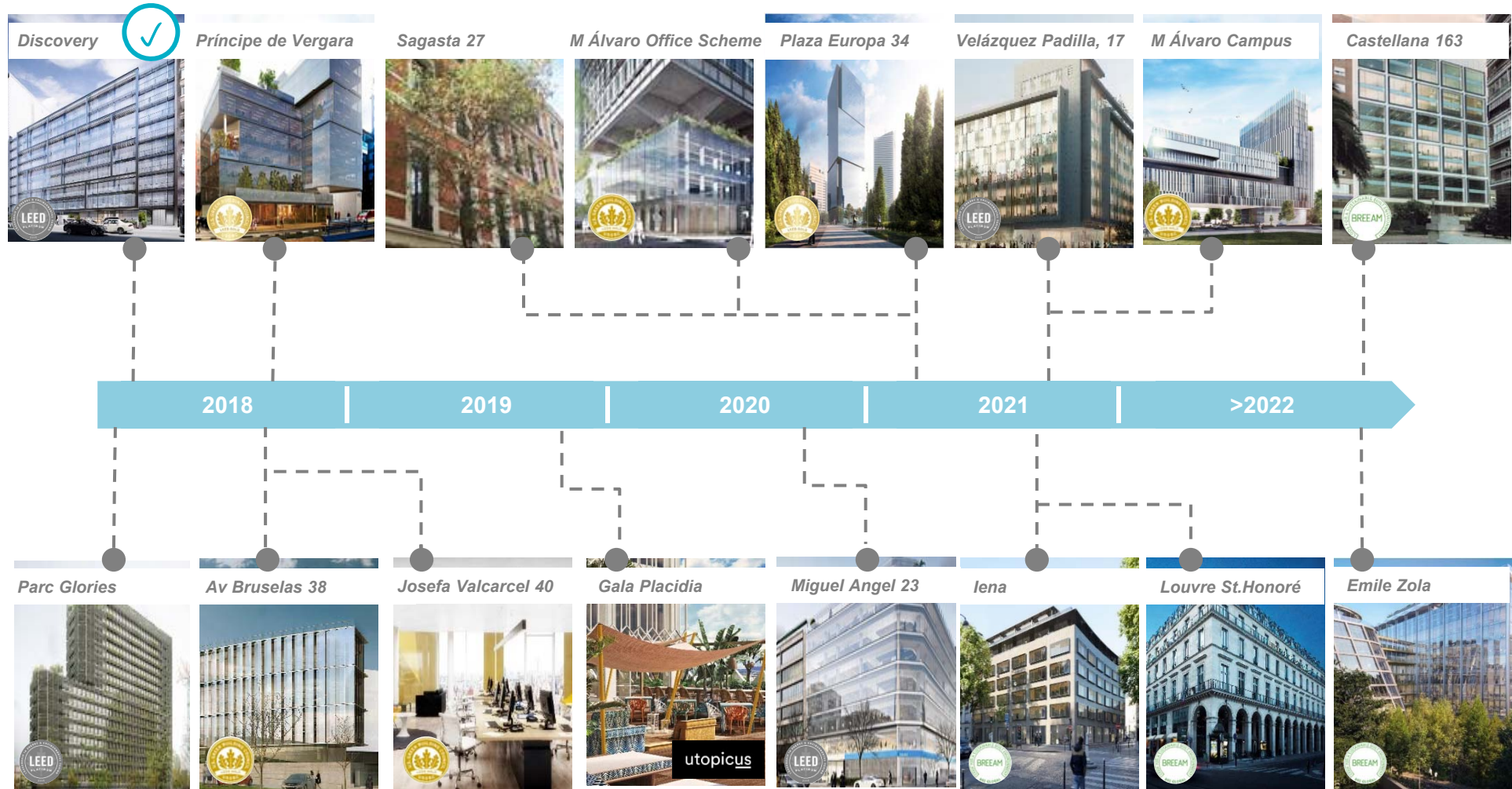
1) New rents signed vs previous

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

05 Growth drivers

3 Value creation potential through project pipeline

- > Project pipeline with substantial capital gain potential
- > Progressive phasing-in of initiatives
- > Short-term projects with strong visibility on pre-lets



## 05 Growth drivers

### 3 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

Discovery



Average ERV signed<sup>1</sup>

26  
€/sqm/m

+24%<sup>2</sup>

Yield on Cost<sup>3</sup>

7.8%

Total Product Cost<sup>4</sup>

4,258  
€/sqm

Príncipe de Vergara



Average ERV signed<sup>1</sup>

24  
€/sqm/m

+22%<sup>2</sup>

Yield on Cost<sup>3</sup>

7.6%

Total Product Cost<sup>4</sup>

3,985  
€/sqm

Parc Glories



Average ERV signed<sup>1</sup>

20  
€/sqm/m

+30%<sup>2</sup>

Yield on Cost<sup>3</sup>

7.9%

Total Product Cost<sup>4</sup>

3,130  
€/sqm

<sup>1</sup> Average ERV signed excluding rent of parking spaces

<sup>2</sup> ERV signed vs ERV at acquisition date (excludes rent of parking spaces)

<sup>3</sup> Gross Yield based on contracts signed YTD and assuming 100% occupancy at average ERV signed

<sup>4</sup> Acquisition price + Capex invested



05 Growth drivers

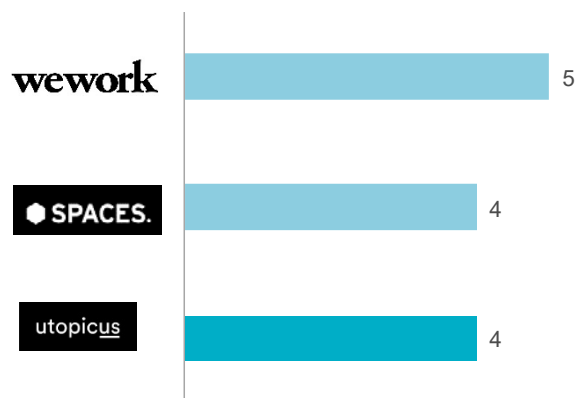
4 Flexible office space

- > Creation of a leading flexible office platform in Spain through Utopicus
- > Strong brand positioning within the co-working space
- > 10 new centers to be operating soon in Barcelona and Madrid

MAIN TAKEAWAYS

- > #3 in Spain after Spaces and WeWork
- > Platform with 30,000 sqm of GLA
- > Creation of Community
- > 10 new centers being opened

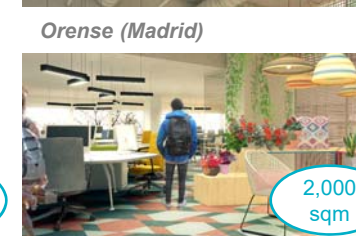
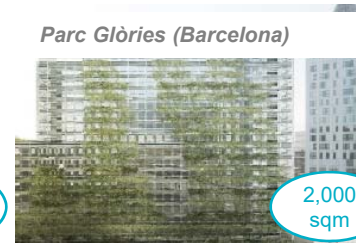
# CENTERS OPENED YTD IN BCN & MADRID



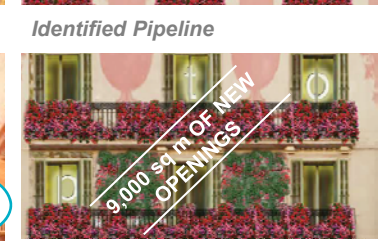
CENTERS IN OPERATION



OPENING 2H2018



OPENING 1H2019





4 Flexible office space – New opening in Plaça Catalunya





05 Growth drivers

5 Smart Capital Recycling – solid track record with €2bn acquisitions in 4 years

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

INVESTMENTS SINCE 2015 - €m



## 05 Growth drivers

### 5 Prime CBD Acquisition in Barcelona - D525

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

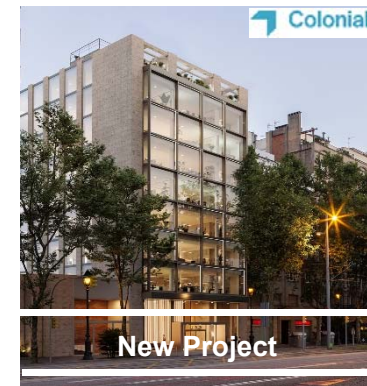
#### Diagonal 525 – Prime CBD

#### CORE WITH VALUE ADDED POTENTIAL

##### Creation of an emblematic premise at the heart of Barcelona's CBD

- > Acquisition of a 5,710 sq m office premise in Diagonal – Prime CBD
- > Location in a CBD market segment with 2.4% vacancy and no product availability
- > Area sought after for services and amenities (shopping centers, high street retail, movie theaters) with excellent public transport connections
- > Mid-sized office building with 3 facades, high ceilings and efficient floor plates
- > Undermanaged office premise currently 100% occupied by a sole tenant
- > Major refurbishment to be carried out in 2019

#### Creation of a unique premise



05 Growth drivers

5 Prime CBD Acquisition in Barcelona - D525

- > 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

- > Purchase price well below recent comparable transactions sourced through an off-market transaction
- > Full redevelopment – creation of an emblematic premise in Barcelona’s CBD
  - > Iconic 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

Total Cost <sup>1</sup>	€37m
GLA	5,710 sq m
Parking	10 units
Total Cost <sup>1</sup>	€6,460/sq m

The Opportunity

Ungeared IRR	7%-8%
Yield on Cost <sup>2</sup>	>6%



<sup>1</sup> Acquisition price + future capex

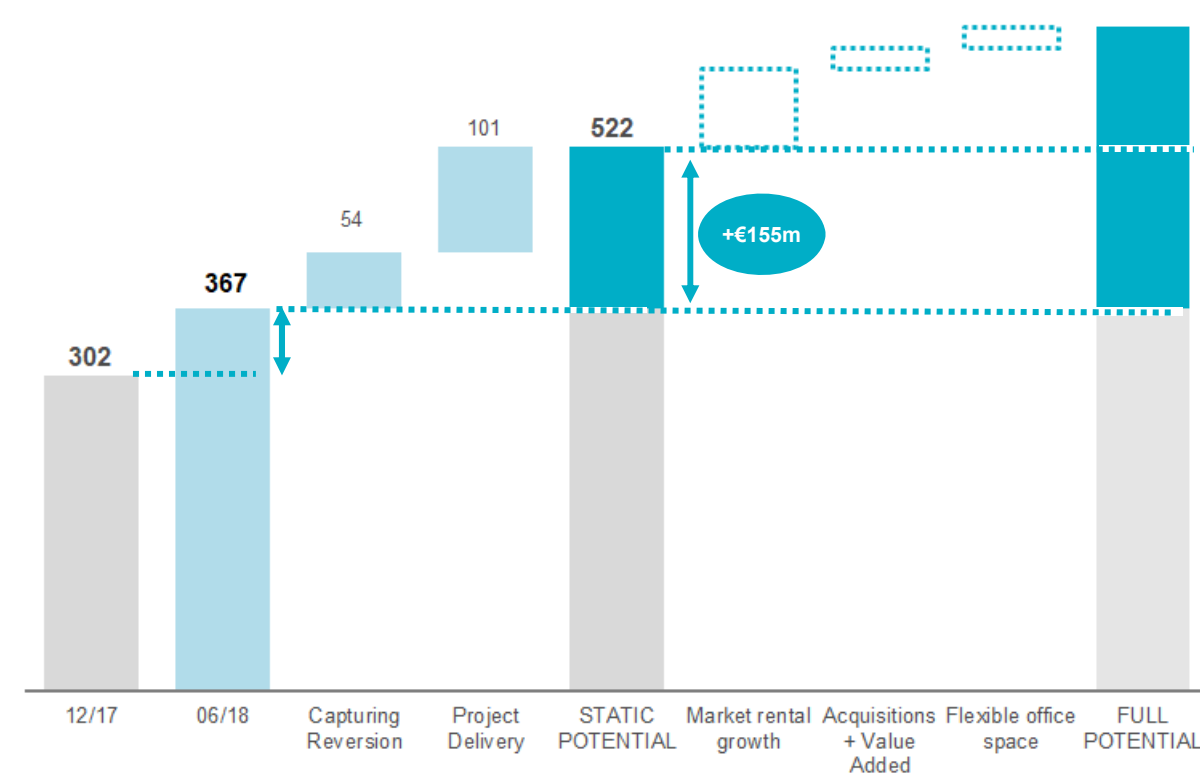


## 05 Growth drivers

### A solid platform to capture future growth

- > Well-positioned to capture reversion
- > Significant future value creation through Project pipeline
- > Combination of complementary – Grade A – office portfolios

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



Solid platform for future growth

- I. Well positioned to capture reversion with strong delivery on rental growth
- II. Solid project pipeline to capture future value creation
- III. Acceleration of growth through combination of complementary office portfolios

Significant future growth potential in

Cash Flow and Capital Value

First Half 2018

Growth potential

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

06 Conclusion







#### DELIVERY OF BUSINESS PLAN ON TRACK

---

- > Axiare transaction completed ahead of guidance
- > Strong operational performance
  - ✓ Very healthy vacancy levels
  - ✓ Strong growth in rental prices in every city
  - ✓ GRI & Capital Value growth price driven
- > Solid top line driving bottom-line results
  - ✓ Outstanding NRI like-for-like increase in every market
  - ✓ High Capital Value Growth in every segment
  - ✓ Axiare integration accelerating profitable growth

#### A SOLID PLATFORM FOR FUTURE GROWTH

---

- > Enhanced competitive positioning through Axiare
- > Colonial best positioned to capture rental growth
- > An attractive project pipeline of prime product
- > A proven track record on acquisitions and capital recycling
- > Confident outlook on real estate markets

Q&A



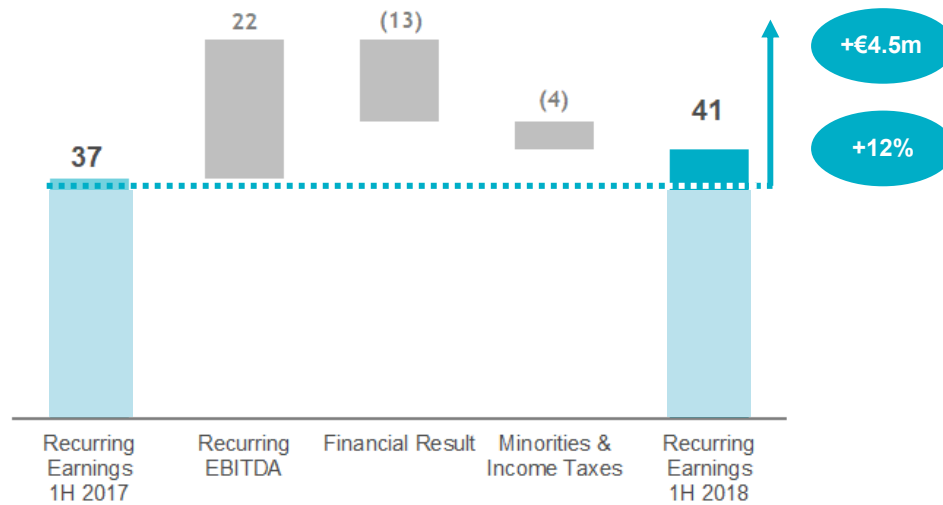
## APPENDICES

### Acceleration of profitable growth



- > +12% increase in Recurring Earnings
- > Earnings driven by solid top-line growth
- > Axiare acquisition enhancing results

#### PROFIT & LOSS ACCOUNT



#### RESULTS TOP LINE DRIVEN

- > Solid 7% like-for-like net rental income growth
- > Results enhancement through Axiare
  - ✓ Recurring EBITDA increases up to +20%
  - ✓ High double-digit increase of recurring earnings
  - ✓ 1H results include consolidation of Axiare from 1 February onwards

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



## APPENDICES

### A solid capital structure

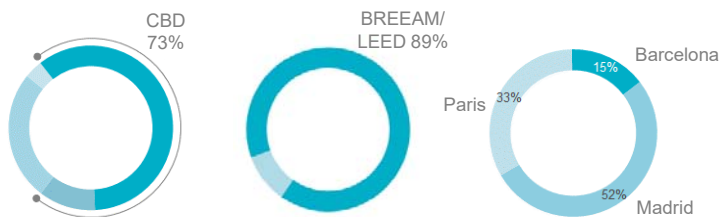


- > An unparalleled high-quality collateral diversified in three cities
- > A solid financial structure with competitive financing costs
- > A strong credit profile

#### FIRST CLASS COLATERAL

More than €11bn 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**

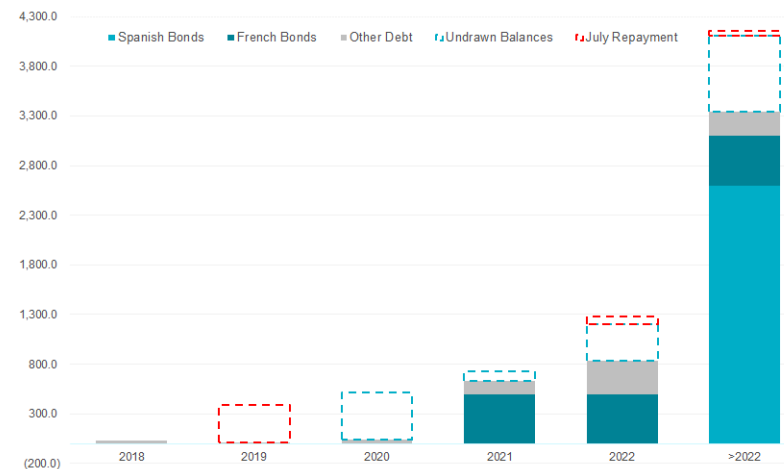


Rating Moody's  
**Baa2 Negative Outlook**

#### A SOLID FINANCIAL STRUCTURE

##### Capital Structure

	31/12/2017	30/06/2018
Cost of Debt Spain	1.98%	1.94%
Cost of Debt Group	1.86%	1.90%
Maturity Spain	6.4 years	6.2 years
Maturity Group	5.5 years	5.7 years
Net Debt	€3,066m	€4,633m
Cash	€1,105m	€745m
Undrawn balances	€1,322m	€1,717m
Group LTV	31%	39%
% Debt fixed or hedged	90%	97%



### 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%	-	6%	43%
12-15	6,16	0	6,16	29%	-	29%	42%
12-16	7,25	0,150	7,40	18%	2%	20%	41%
12-17	8,60	0,165	8,77	19%	2%	21%	31%
06-18	9,11	0,180	<b>9,29</b>	6%	2%	8%	<b>39%</b>
<b>Total Return since 6/14 (NAV per share growth + dividends)</b>						<b>114%</b>	
Dividend Return						11%	
NAV growth						103%	



Colonial



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