

# Colonial Investment Thesis



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**I Key Investment Highlights**

II Capturing the Benefit of Polarization

III Active Management for additional Alpha

IV Active Balance Sheet Management

V Conclusions

COLONIAL – THE FULL BENEFIT OF POLARIZATION



98%<sup>1</sup> City Center  
80%<sup>2</sup> CBD



95%<sup>3</sup> Bream/Leed

Barcelona

Madrid



61% Paris

- > Superior Grade A with unparalleled City Center/ CBD exposure
- > Most sustainable product with leadership in decarbonization
- > Best locations with best services & highest quality features
- > Successful flight to quality strategy

- 1 Maximum rental prices -> setting the benchmark for prime
- 2 Strongest Occupancy Profile -> long term resilient across cycles
- 3 Superior Cash Flow & Capital Value Growth with limited risk
- 4 Strong profitable growth on the back of polarization

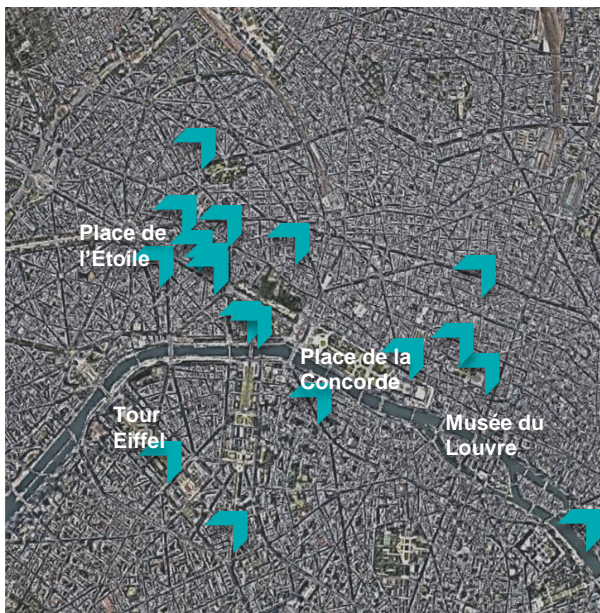
HIGH DOUBLE DIGIT EARNINGS GROWTH FOR THE COMING TWO YEARS

1) CBD & Madrid Inside M-30 & Paris 7<sup>eme</sup> and 15<sup>eme</sup>  
2) CBD includes 22@ in Barcelona  
3) Portfolio in operation  
4) Cumulative EPS growth from 12/21 onwards



COLONIAL – THE FULL BENEFIT OF POLARIZATION

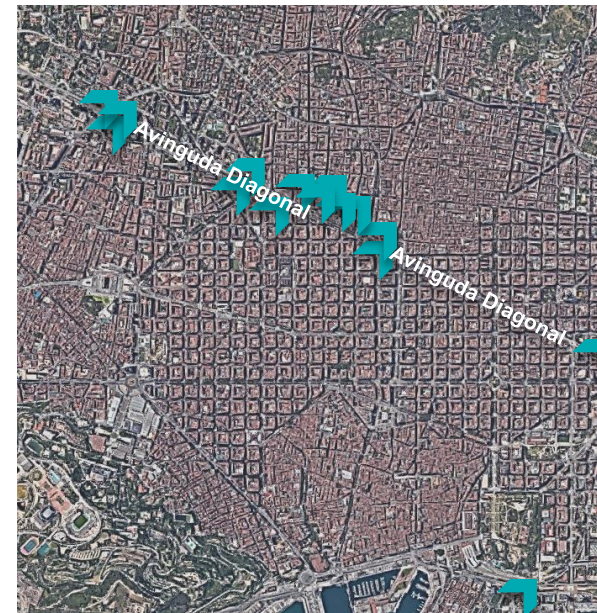
PARIS



MADRID

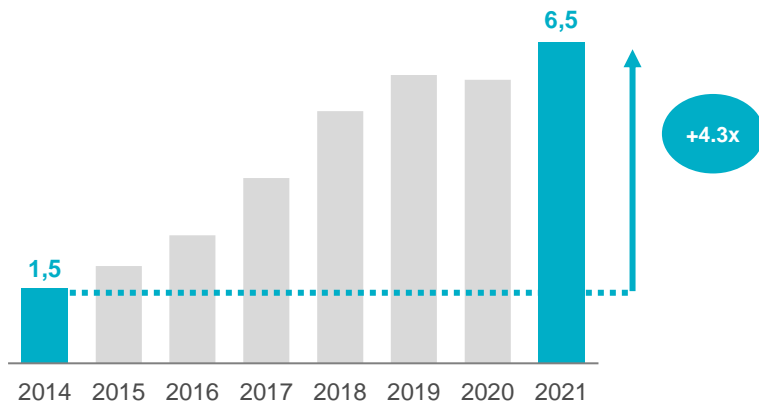


BARCELONA

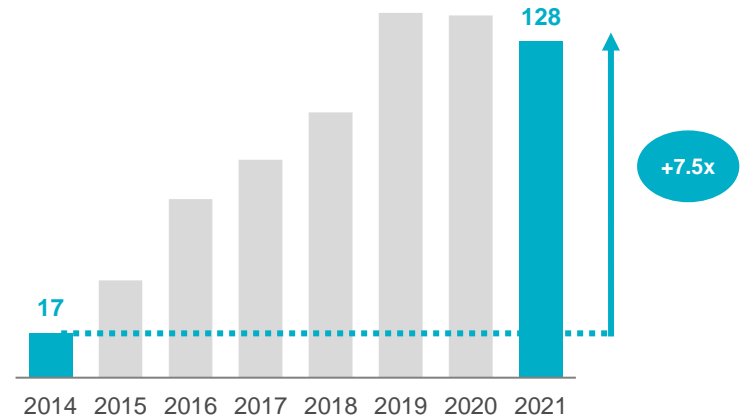


**I Key Investment Highlights**  
**Outstanding Track Record In Earnings & NTA Growth**

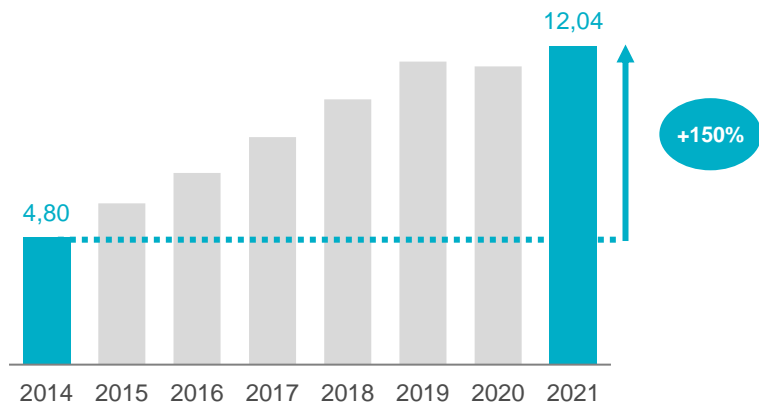
**NTA - €bn**



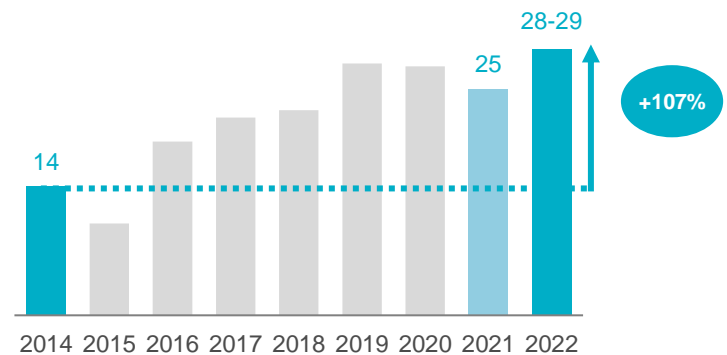
**Recurring Earnings- €m**



**NTA per share - €/sh**

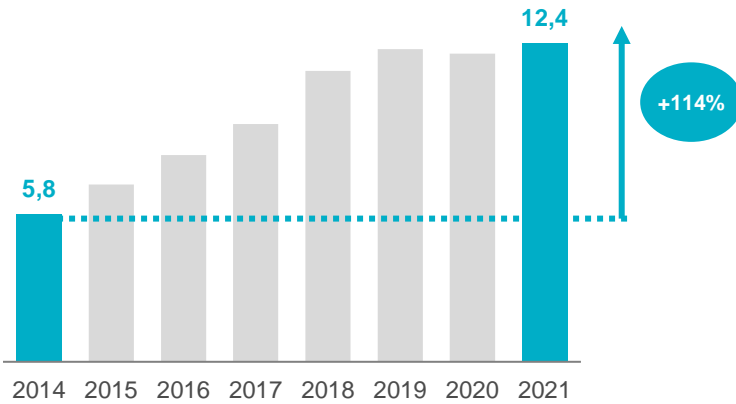


**Recurring EPS - €cts/sh**

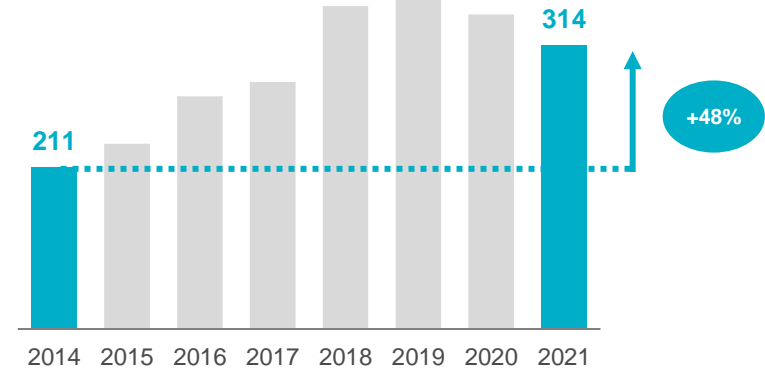


I Key Investment Highlights  
Superior Portfolio returns on the back of Polarization

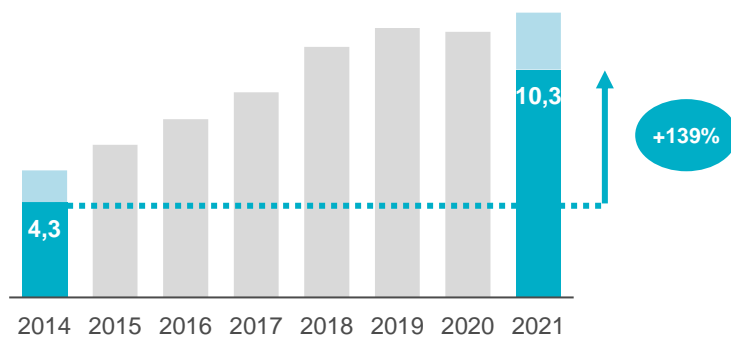
Gross Asset Value - €bn



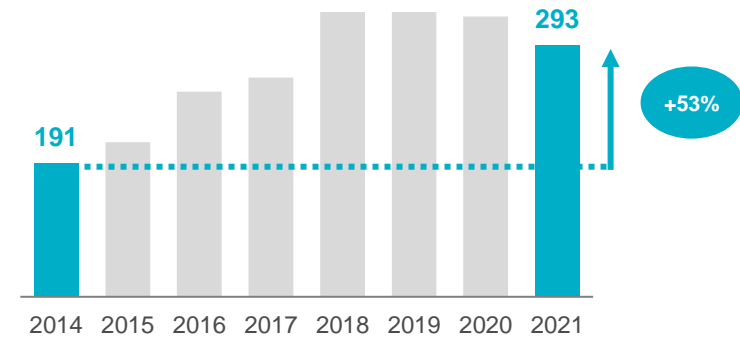
Gross Rental Income - €m



CBD Exposure - €bn



Net Rental Income - €m







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- II Capturing the Benefit of Polarization**
- III Active Management for additional Alpha
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II Capturing the Benefit of Polarization  
 Colonial Portfolio Outperforming its Peers in every market

CBD EXPOSURE<sup>1</sup>

OCCUPANCY LAST REPORTED<sup>1</sup>

GAV LFL<sup>1</sup>

2019

2020

2021

Colonial

Peer 1

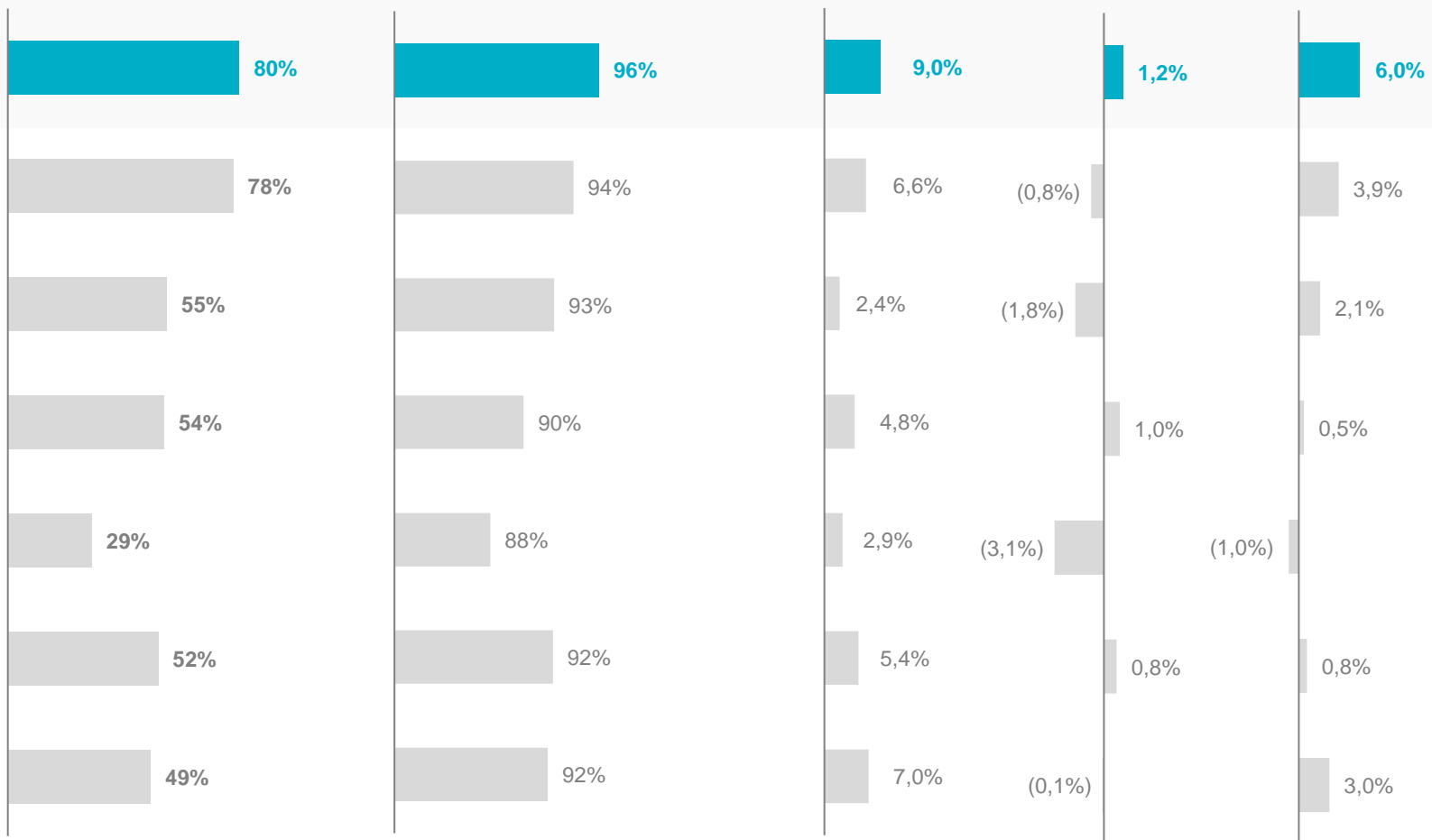
Peer 2

Peer 3

Peer 4

Peer 5

Peer 6

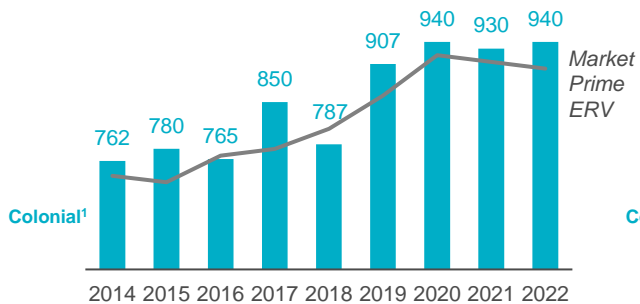


<sup>1</sup> Peer analysis elaborated by Colonial based on public information

## II Capturing the Benefit of Polarization Setting the benchmark in Prime

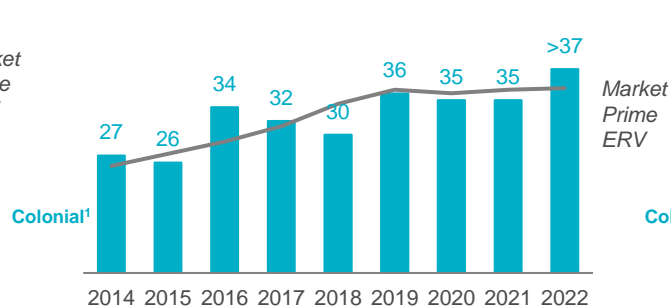
### PARIS

€/sqm/year



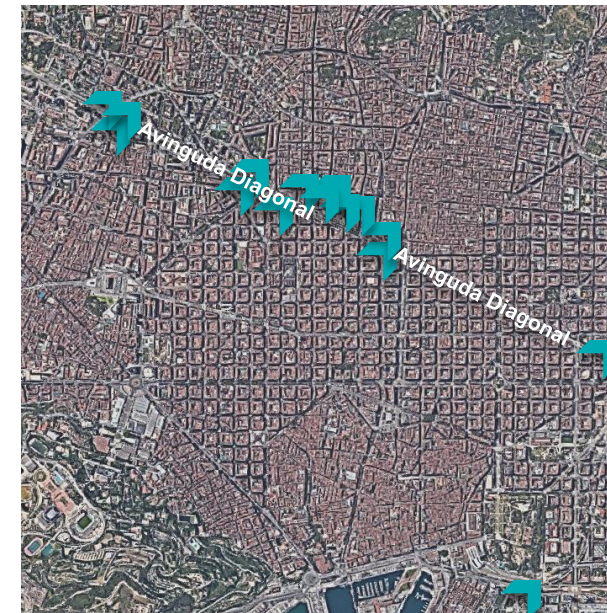
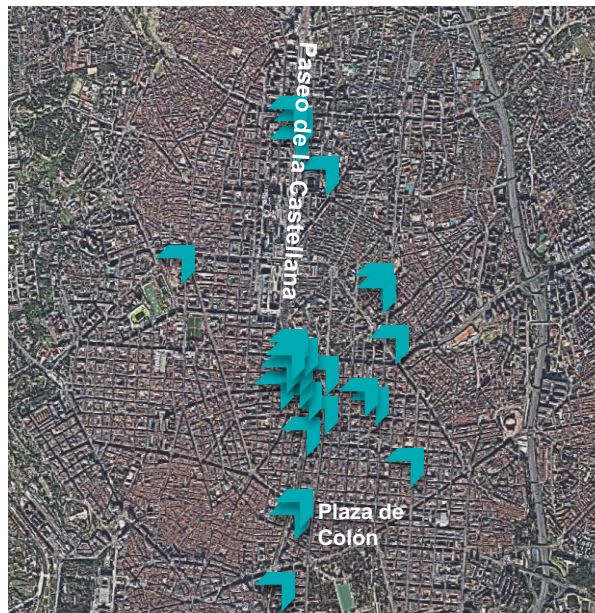
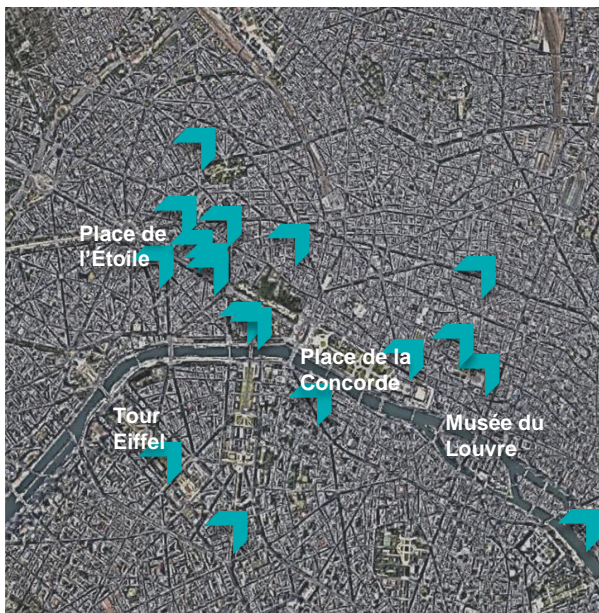
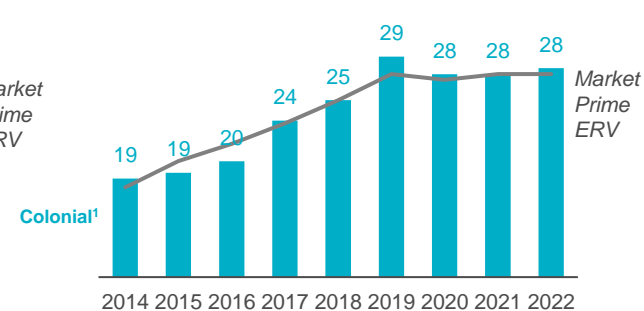
### MADRID

€/sqm/month



### BARCELONA

€/sqm/month

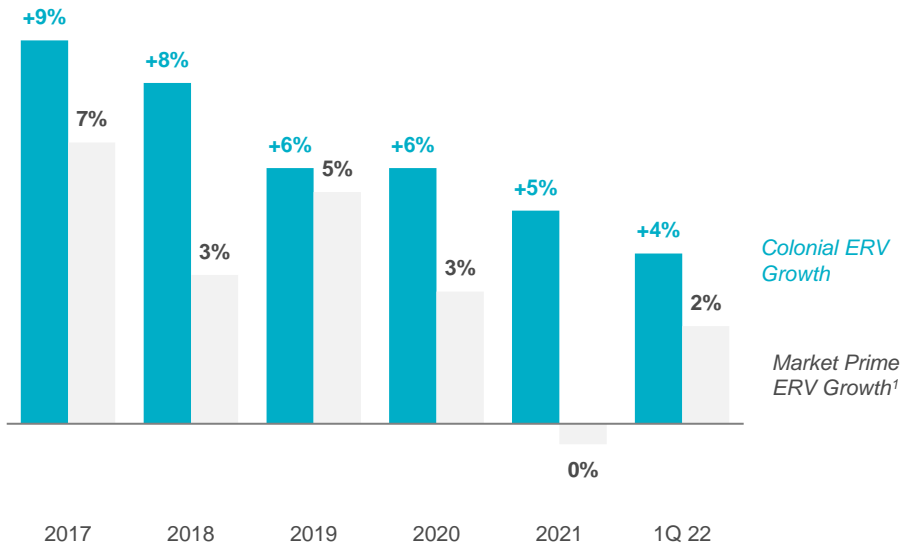


<sup>1</sup> Colonial maximum rental price signed  
Source: JLL research & Colonial



## II Capturing the Benefit of Polarization Superior Pricing Power – Beating the market

### Prime ERV Growth - Colonial vs Market average



### ERV Growth

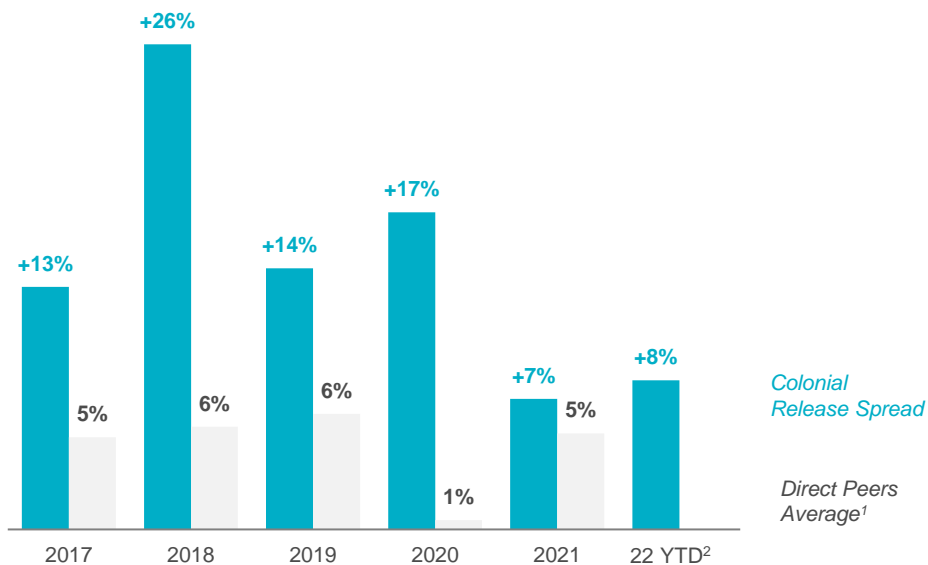
	2019	2020	2021	22YTD <sup>2</sup>
<b>GROUP</b>	+6%	+6%	+5%	+5%
<b>PARIS</b>	+7%	+9%	+8%	+5%
<b>MADRID</b>	+4%	+2%	+1%	+5%
<b>BARCELONA</b>	+9%	+6%	+3%	+3%

<sup>1</sup> Weighted average of Paris, Madrid and Barcelona Prime Market ERV Growth published by CBRE research

<sup>2</sup> As of May 2022

## II Capturing the Benefit of Polarization Superior Pricing Power – Beating the market

### Release Spread – Colonial vs. Peers Average<sup>3</sup>



### Release Spread

	2019	2020	2021	22YTD <sup>2</sup>
<b>GROUP</b>	+14%	+17%	+7%	+8%
<b>PARIS</b>	+7%	+6%	+2%	+6%
<b>MADRID</b>	+9%	+15%	+4%	+8%
<b>BARCELONA</b>	+31%	+45%	+24%	+18%

<sup>1</sup> Average release spread of Spanish and French peers. Peer analysis elaborated by Colonial based on public information

<sup>2</sup> As of May 2022

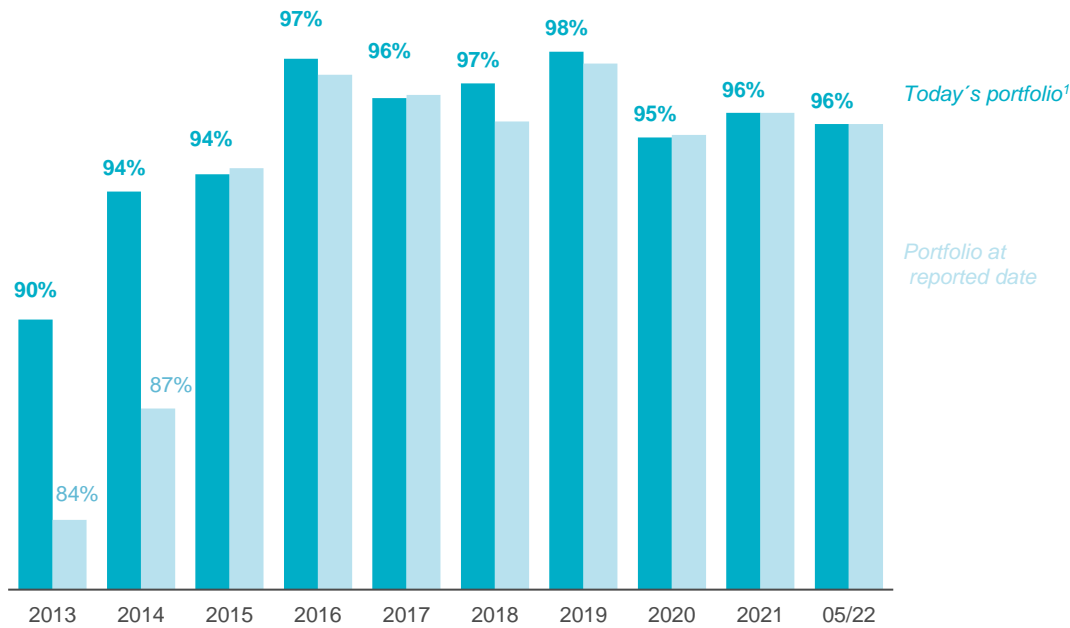
<sup>3</sup> Peer analysis elaborated by Colonial based on public information



## II Capturing the Benefit of Polarization

### Maximum occupancy levels through flight to quality

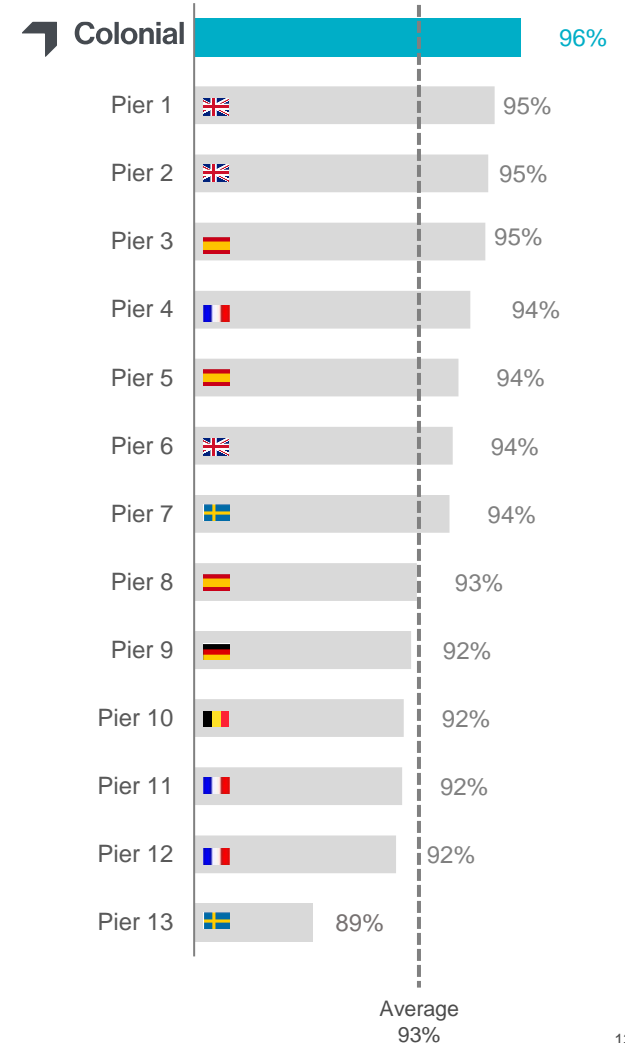
#### FLIGHT TO QUALITY TRANSLATED INTO SOLID OCCUPANCY



<sup>1</sup> Historical Occupancy considering only Colonial's current portfolio of assets

<sup>2</sup> Peer analysis elaborated by Colonial based on public information

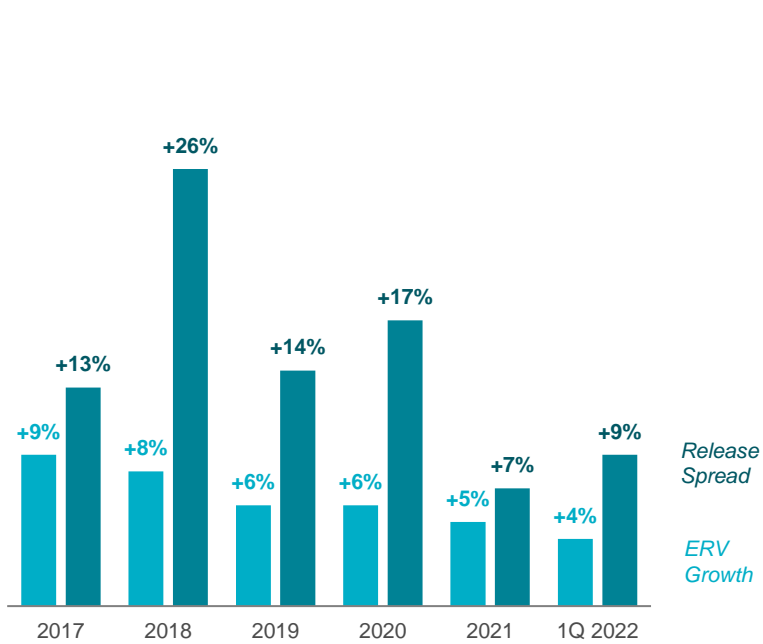
#### QUALITY AS GUARANTEE FOR MAXIMIZING OCCUPANCY<sup>2</sup>



## II Capturing the Benefit of Polarization Strong Topline On The Back Of Solid Operations

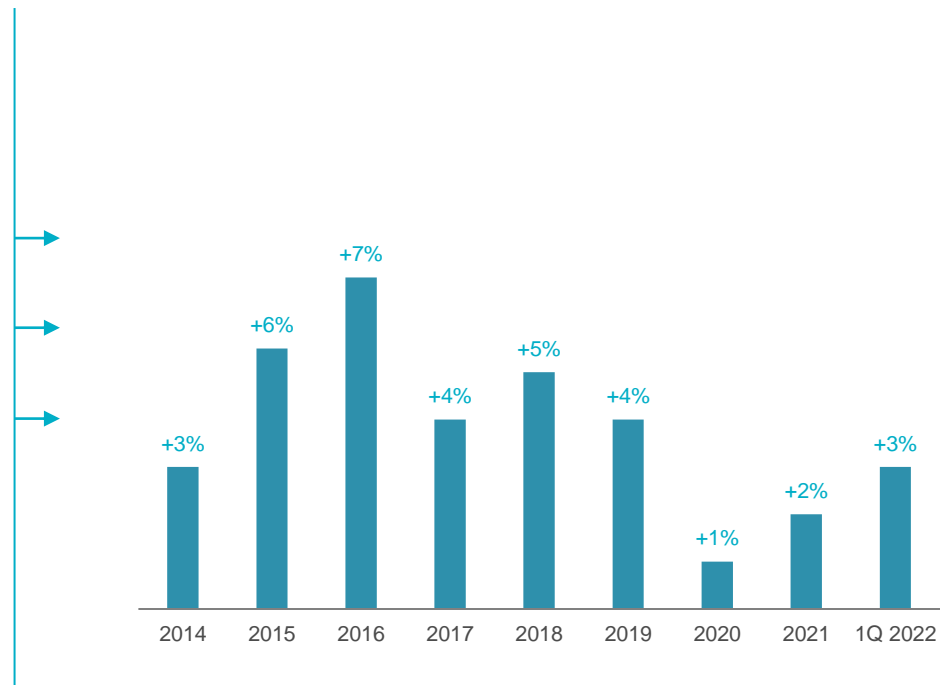
### SOLID OPERATIONAL PERFORMANCE

ERV & Release Spread



### LEADING TO STRONG INCREASE IN GRI LFL

GRI LFL growth

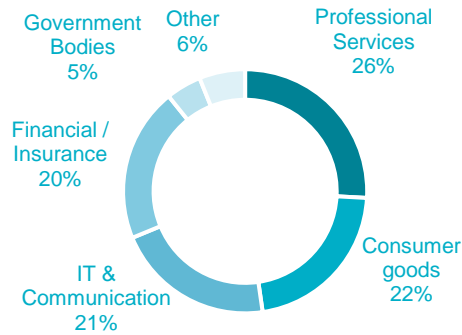




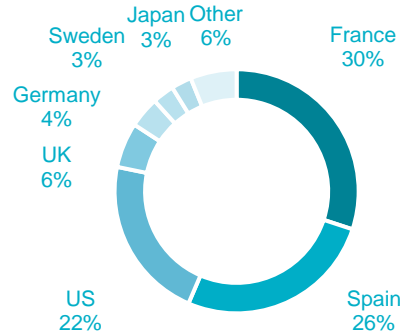
## II Capturing the Benefit of Polarization

### Attracting the best clients with high loyalty

#### HEALTHY SECTOR MIX

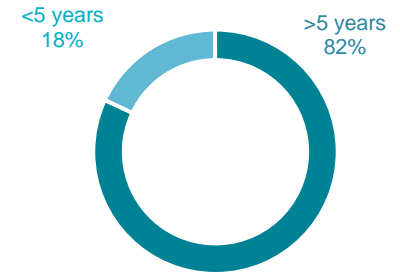


#### INTERNATIONALLY DIVERSIFIED



#### HIGH TENANT LOYALTY

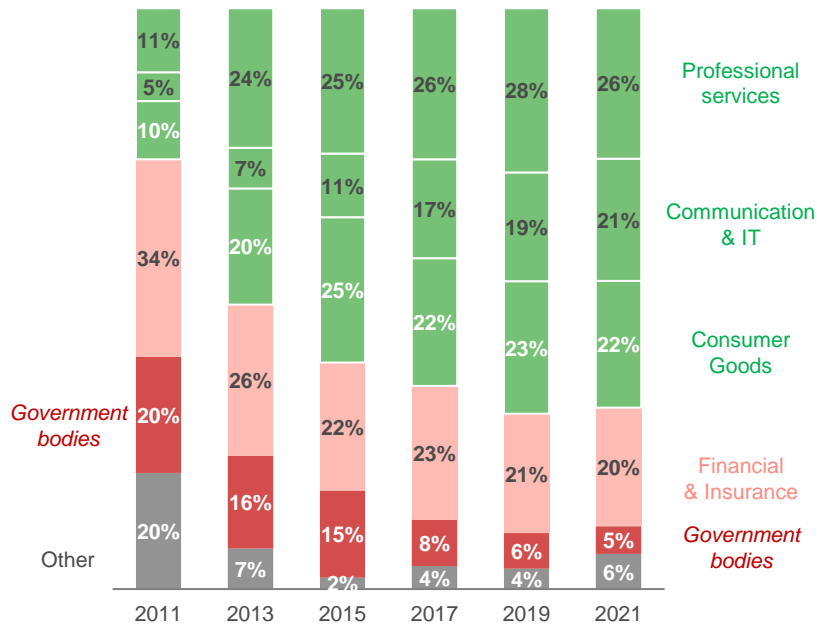
Avg. Loyalty 14 years



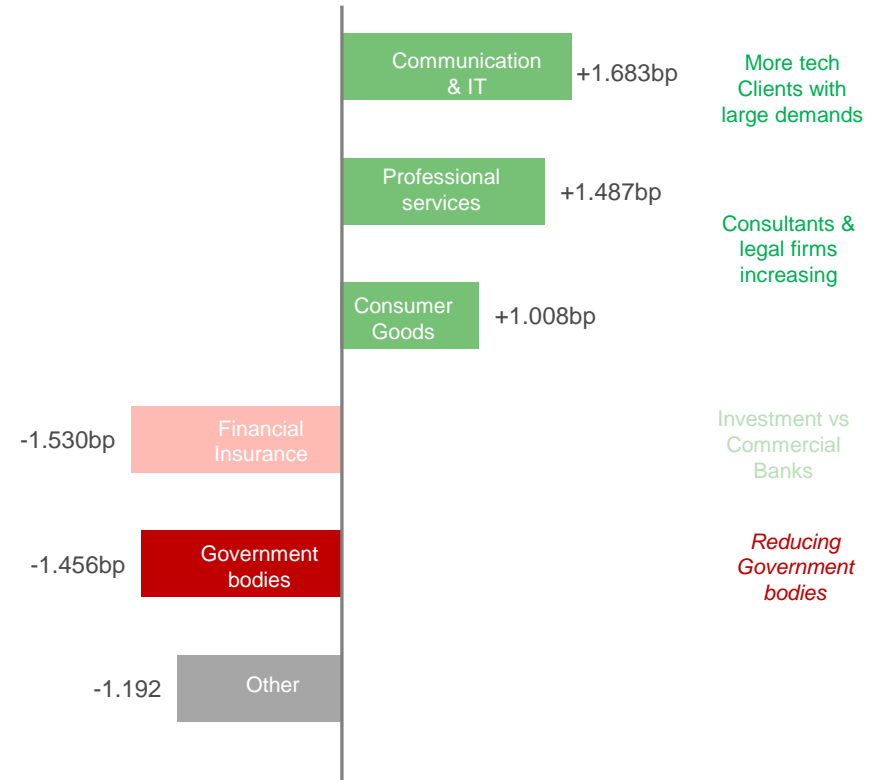
## II Capturing the Benefit of Polarization

### Attracting the best clients with high loyalty

#### IMPROVING THE TENANT MIX...



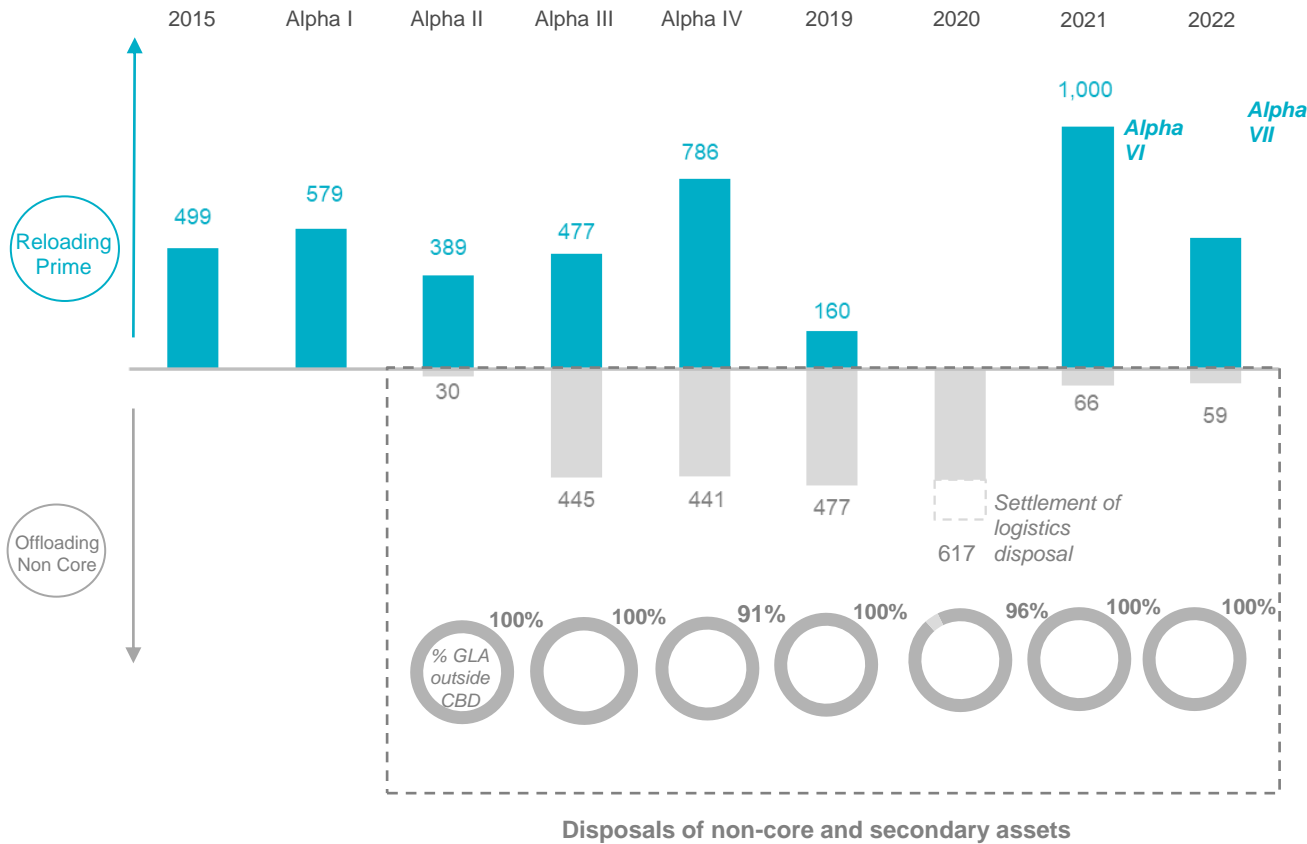
#### ATTRACTING HIGH VALUE-ADDED CLIENTS





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ONGOING FLIGHT TO QUALITY THROUGH ACTIVE CAPITAL ALLOCATION



1. Prioritize opportunities in prime
2. Enhance exposure to high quality offices direct or indirectly
3. Maintain capital allocation discipline

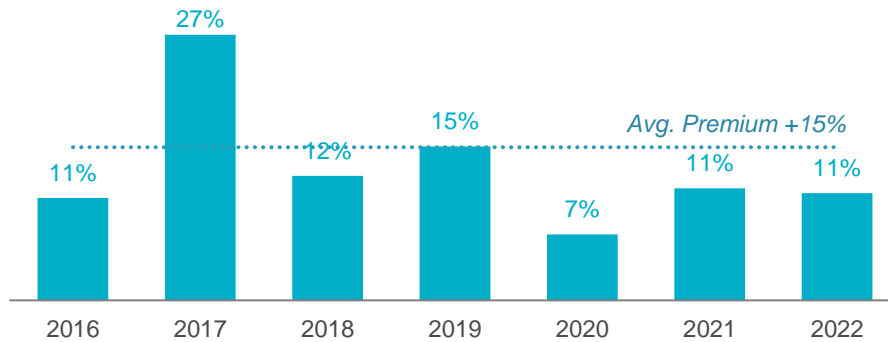
DISPOSALS OF €1.9bn OF NON CORE

1. Non-Core Product
2. Secondary and Mature Offices
3. Prices at premium to GAV

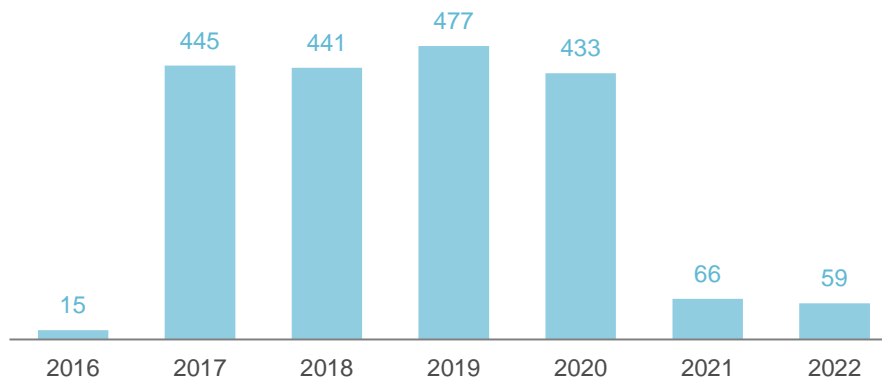


### Colonial Group Divestment Through Last Cycle

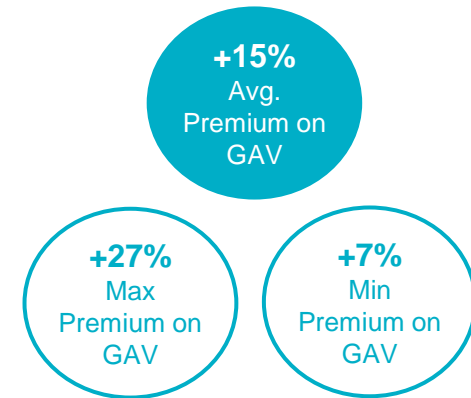
Disposals premium on GAV (%)



Disposal Volume (€m)

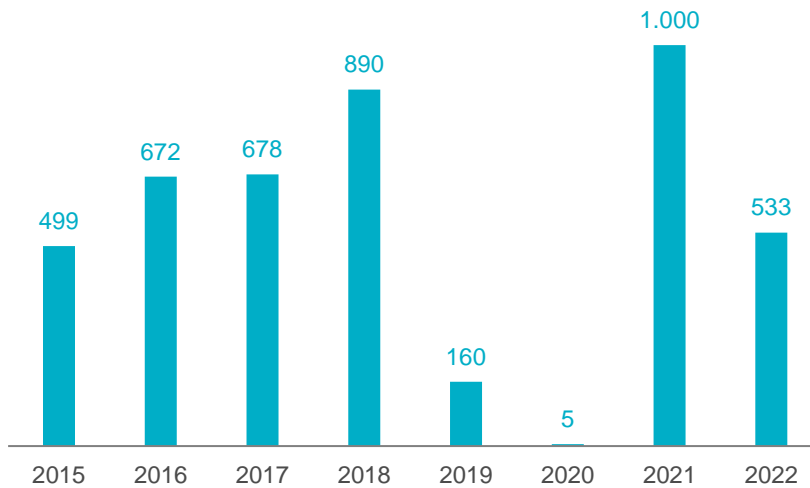


### Disposal with Double digit Premium On GAV



III Active Management for additional Alpha  
Prime Factory with High Double Digit capital gains

SUCCESSFUL INVESTMENT STRATEGY...



	2015	2016	2017	2018	2019	2020	2021	2022
CBD & City center	100%	100%	100%	100%	100%	100%	100%	100%

	2015	2016	2017	2018	2019	2020	2021	2022
Value Added	52%	52%	95%	6%	91%	100%	-	-
Core/ Core +	48%	48%	5%	94%	9%	-	100%	100%

...WITH A STRONG DELIVERY OF VALUE CREATION

Capital Gain<sup>1</sup> on 2021 Deliveries

Diagonal 525



Marceau



Capital Gain<sup>1</sup> on selected assets

Discovery



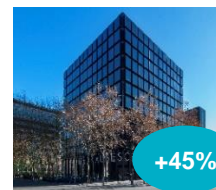
Window



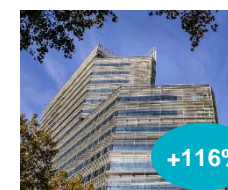
Castellana 163



Pedralbes Center



Parc Glories

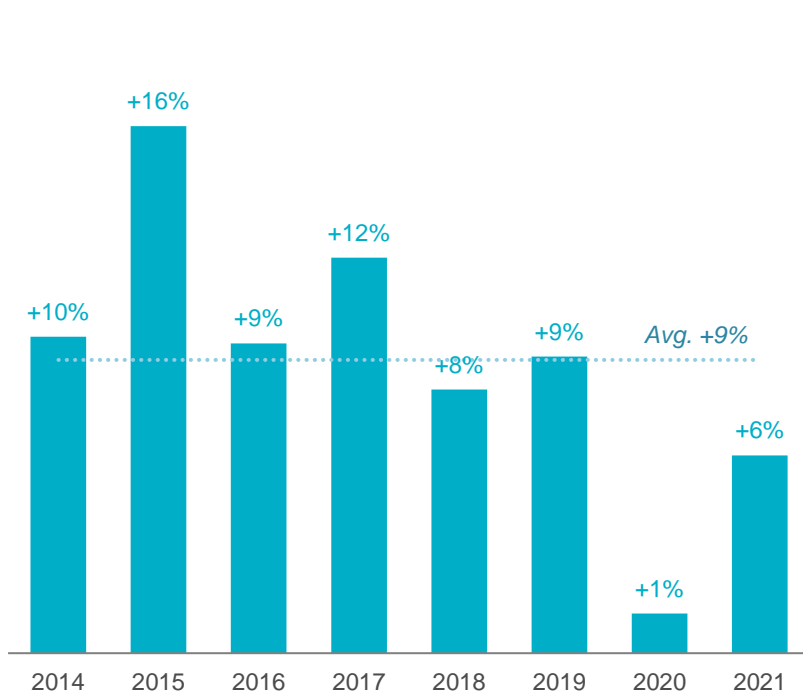


Cloud

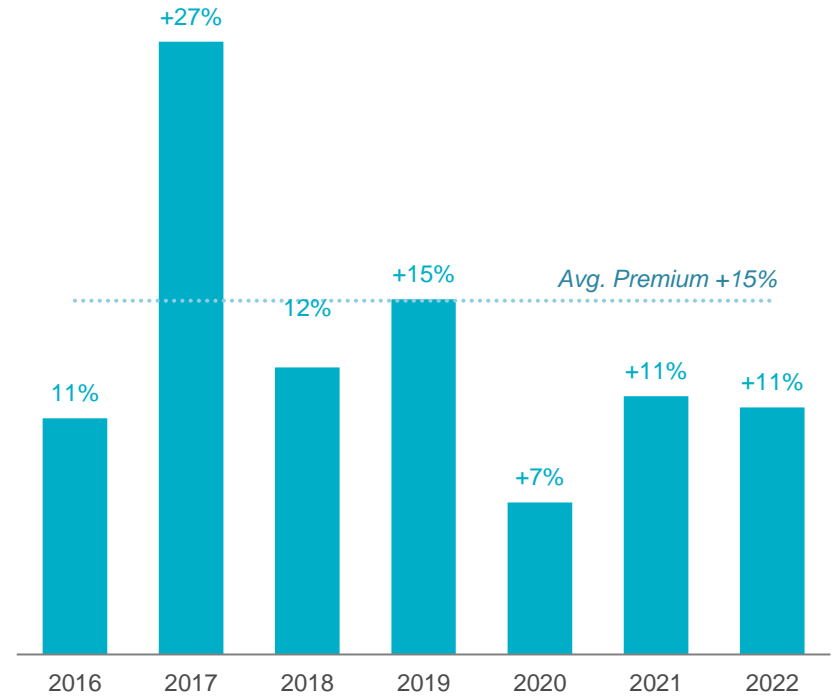


<sup>1</sup> Capital Gain = ((GAV at Delivery / Acquisition Cost + Capex)-1)

GAV LFL growth



Disposals Premium on GAV

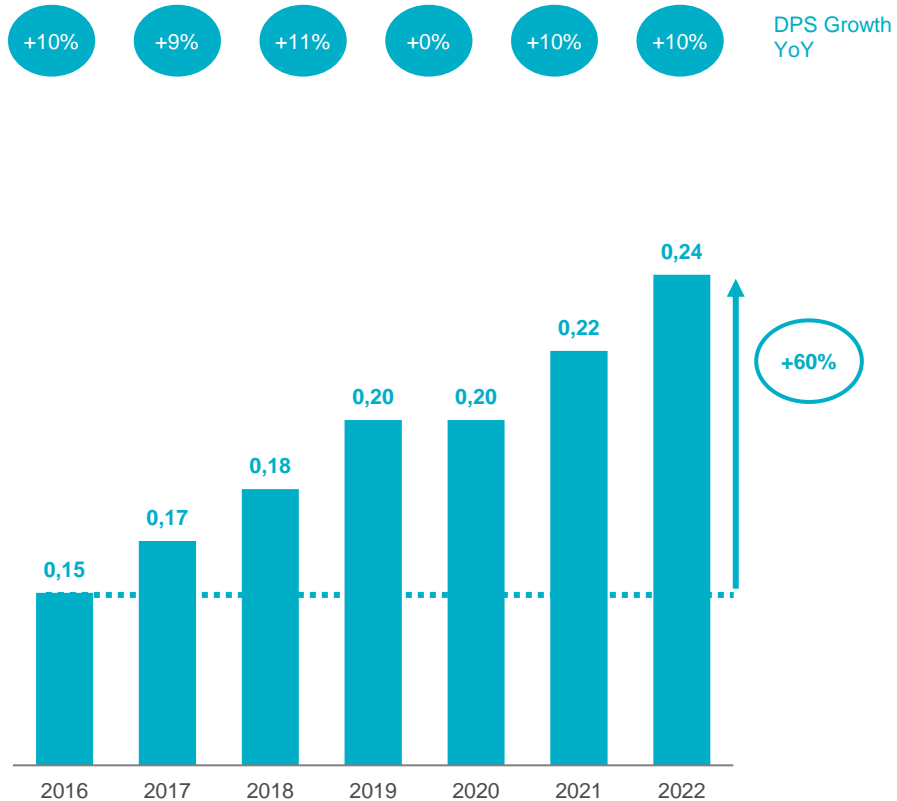




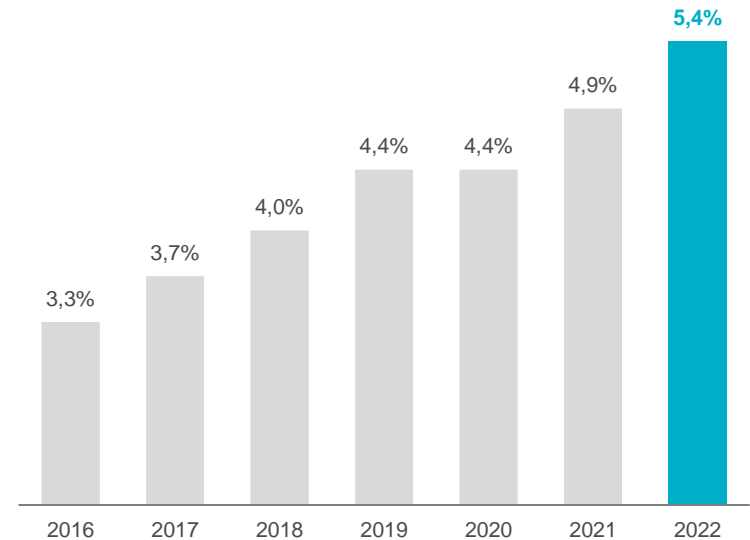
### III Active Management for additional Alpha

## Outstanding DPS Growth Profile on the back of superior earnings

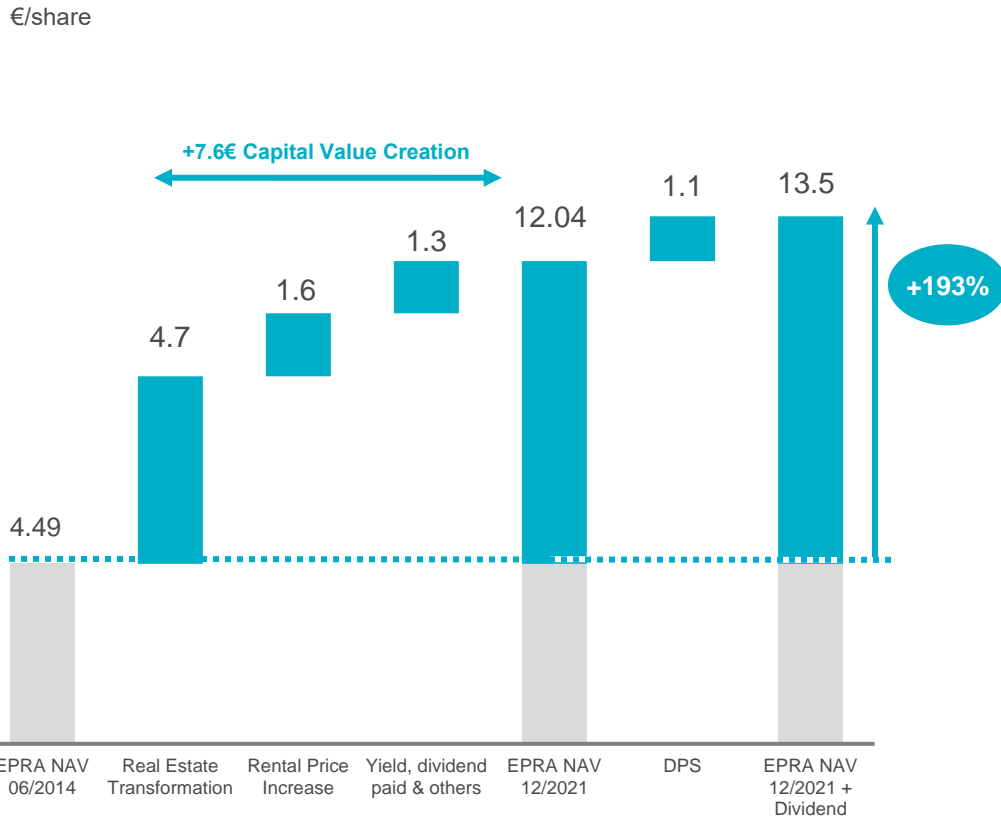
#### DPS evolution (€/sh)



#### DPS Yield on Cost 6/14 base



**STRONG MOMENTUM IN NAV GROWTH**



**TOTAL SHAREHOLDER RETURN**

	6/14 – 12/21	CAGR
NAV Growth per share	+168%	+13%
Cum. Dividend paid per share	+25%	+1%
<b>Total Return per share</b>	<b>+193%</b>	<b>+14%</b>

Total Shareholder Return = NAV growth + dividends



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**Assets**

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-----  
**€12bn of Prime Assets**  
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- > Portfolio with 80% CBD Exposure
  - > Green portfolio with 95%<sup>1</sup> Leed / Breeam
- 

**Top Tier**  
Clients

**CPI FULLY**  
Passed  
through

**96%**  
Occupancy

**€95m**  
Secured  
Additional  
rents

**6 Years<sup>3</sup>**  
contract  
maturity

**High**  
Liquidity

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**Liabilities**

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-----  
**€4.7bn of Net Debt**  
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- > BBB+ credit rating by S&P, highest in Spanish Real Estate
  - > 100% Green Bonds: 1st issuer in Spain with 100% Green debt
- 

**90%**  
Fixed  
Interest rate

**€2.5bn**  
Liquidity  
available for  
the next 4  
years

**5 years**  
Avg. debt  
maturity

**3 times**  
Interest  
Coverage  
Ratio

**1.48%**  
Spot Cost of  
Debt

**Stable**  
Loan To  
Value

<sup>1</sup> Operating Portfolio

<sup>2</sup> Occupancy As of May 2022

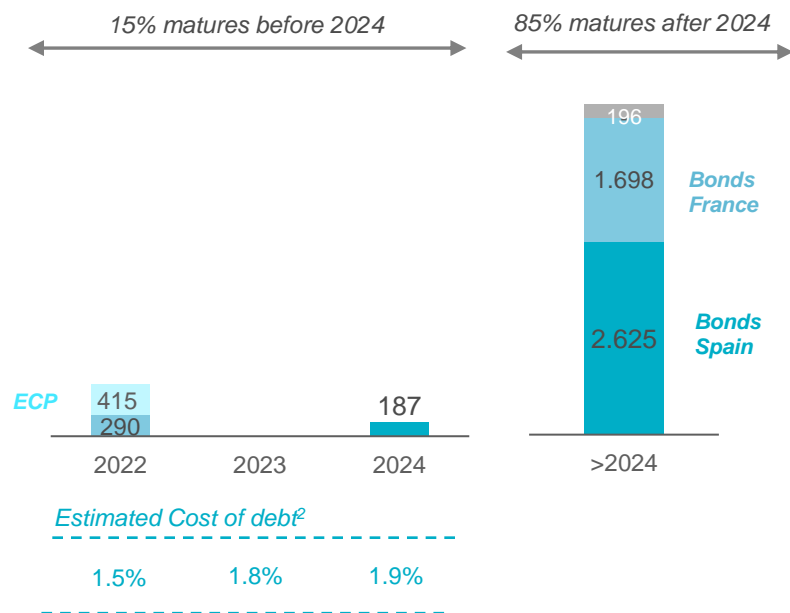
<sup>3</sup> Maturity until contract end of contract

# Interest Rate Risk Under Control & No Refinancing Risk

## STRONG FINANCIAL POSITION



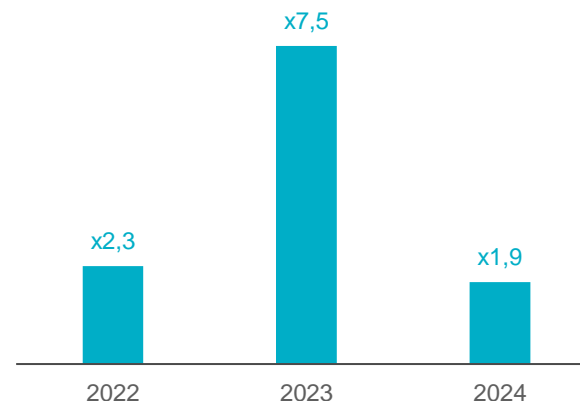
### Colonial Group - Debt Maturity Profile As Of May22



## CURRENT LIQUIDITY ENSURING FUTURE FINANCING



### Colonial Group – Coverage ratio considering future financing needs<sup>3</sup>



<sup>1</sup> €200m pre-hedgings already applied in 2Q2022

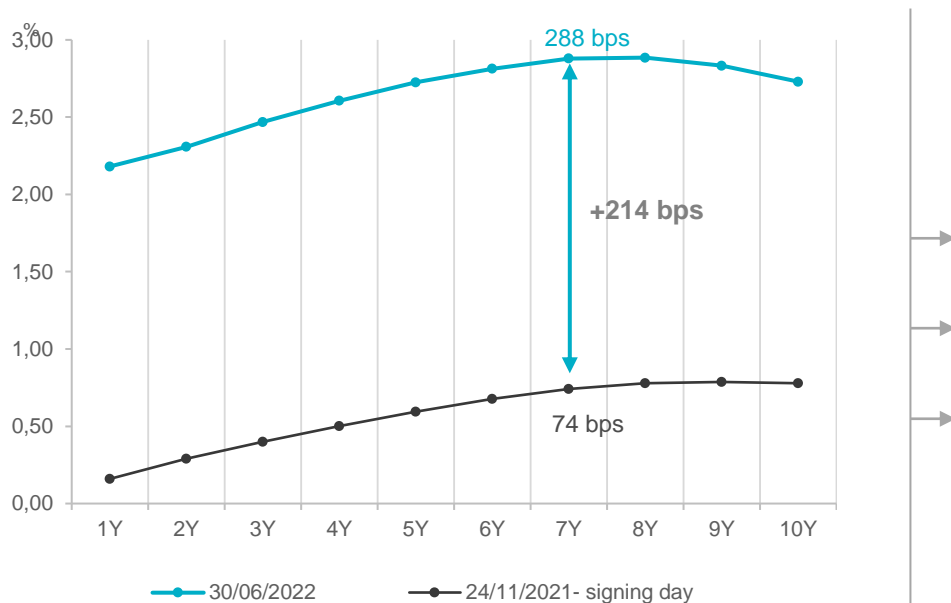
<sup>2</sup> Interest rates curves and future spreads, as of 4th of July 2022

<sup>3</sup> Coverage ratio as Sources / Uses

<sup>4</sup> Revolving Credit facility

PREHEDGING STRATEGY COVERING HIGH INTEREST RATES

7y FSS curve evolution



Interest rate pre-hedging covering €1.5bn of bonds  
Hedges contracted in 11/21 pre interest rate increase

- +€216m MtM as of 06/22
- One Third Bonds are pre-hedged
- 0.6% Strike
- 8.6 years average term
- €200m Bonds issued in 2Q22 at 1.39% and 5.5 years thanks to pre-hedging

Breakdown of bonds pre-hedges

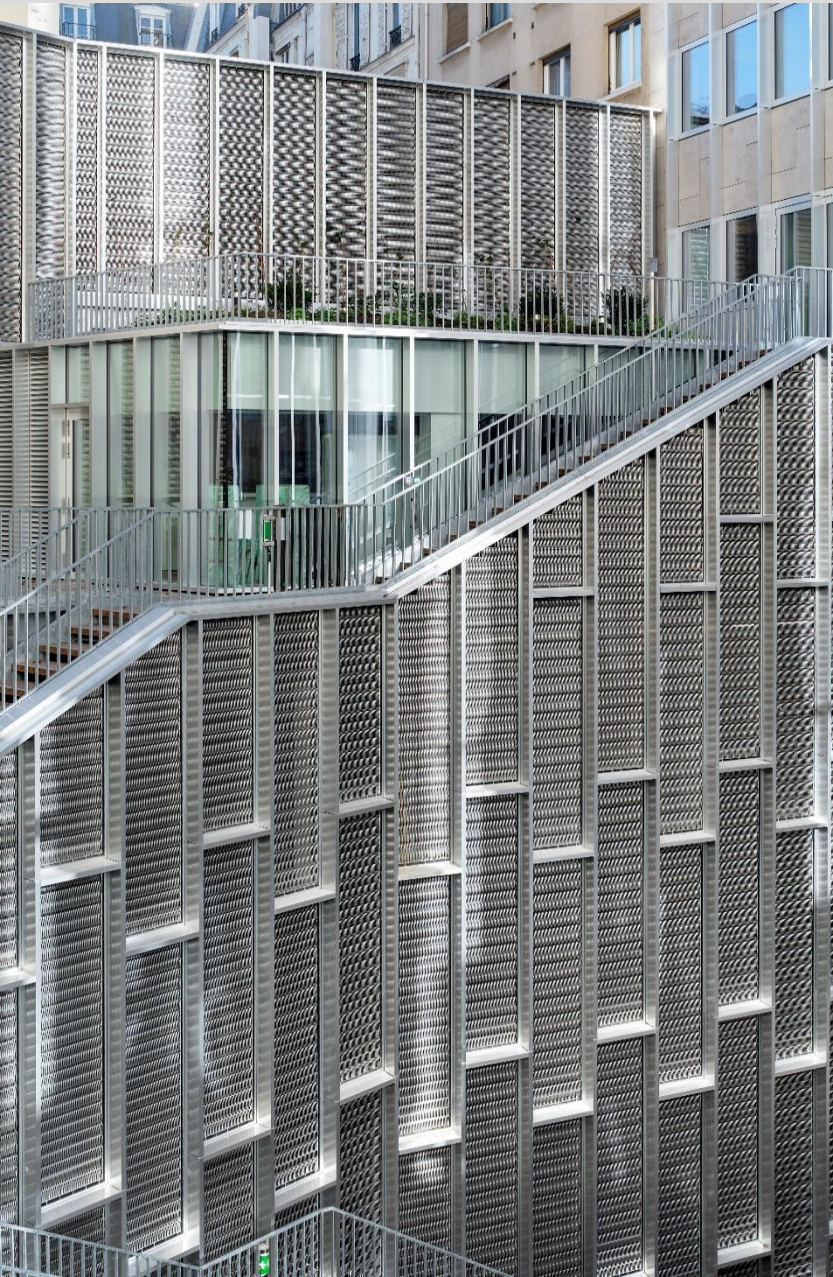
	Maturity		Total
	<=2024 <sup>(1)</sup>	>2024	
% hedged	79%	31%	100%
Strike	0.07%	0.68%	0.6%
Tenor	7.9yr	8.4yr	8.6yr

<sup>1</sup>€200m pre-hedgings included in this ratio, already applied in 2Q2022 (SFL's bonds tapering). Still €175m to be applied



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## CAPTURING THE FULL BENEFIT OF POLARIZATION

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- > Resilient occupancy through flight to quality strategy
- > Prime Portfolio with superior Pricing Power
- > Attracting the best clients with high loyalty

## ALPHA VALUE CREATION THROUGH ACTIVE MANAGEMENT

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- > Continuous double-digit premium on disposals
- > Strong value creation captured through projects deliveries
- > Solid GAV LFL growth

## A SOLID BALANCE SHEET WITH A STRONG HEDGING PROFILE

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- > 90% of debt at a fixed interest rate
- > Pre-hedging of more than 1/3 of future debt maturities
- > Liquidity of €2.5bn: more than 2x coverage of financing needs 2022-24



Colonial



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