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

Paris 17/10/16
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Introduction

01 Setting the benchmark in offices

02 Superior returns through value add

03 Future value creation

04 Conclusion
01 Introduction
Firm delivery and execution of growth plan

> From occupancy improvement to rental increases
> Delivery of projects and sourcing of new value add
> Continuous optimization of capital structure

- **Stabilization of Occupancy**
  - 2014: 82%
  - 2015: 94%
  - 2016: 97%

- **Delivery of Projects**
  - 2014: 20% of GAV
  - 2016: c. 5% of GAV

- **Optimization of Capital Structure**
  - Recapitalization
  - RE-IPO
  - Investment Grade
  - Refinancing
  - Further value creation
  - New Refinancing

- **Rental price increases**

- **Acquisition of new value add**
01 Growth strategy on track

GUIDANCE

1. Profit & Loss Top Line: 2016E GRI > €270m

2. Ongoing organic growth focused on high quality offices
   - Acquisitions of €300m per annum
   - Prioritize value add opportunities
   - Disposals of mature assets

3. Growth strategy with moderate dividend yield
   - 2-2.5 % Dividend Yield
   - Redeploy capital on growth opportunities

4. Strong commitment to solid capital structure
Setting the benchmark in offices
A unique business model
> Operating for 70 years in offices
> First mover in operational & strategic trends

LONG TERM TRACK RECORD

✓ Colonial operates since 1946 in the market

OUTSTANDING CORPORATE PERFORMANCE IN LISTED REAL ESTATE

✓ First Spanish company that **successfully recapitalized**

✓ Only Spanish company with a **successful internationalization strategy**

✓ First Spanish company with **investment grade rating**

✓ **Superior Total Shareholder Return** + 25% in 2015

✓ **Listed company of the year 2016** – Property Investor Europe Award
02 Setting the Benchmark in offices

A unique business model
> Manufacturing prime offices as the DNA of the group
> Active asset allocation as a principle

MANUFACTURING PRIME OFFICES

<table>
<thead>
<tr>
<th>Newly Built</th>
<th>Fully Refurbished</th>
</tr>
</thead>
<tbody>
<tr>
<td>7%</td>
<td>76%</td>
</tr>
</tbody>
</table>

ACTIVE ASSET ALLOCATION

| # Developments & refurbishments | 33 |
| # Acquisitions                  | 24 |
| # Disposals                     | 37 |

Since 2004

Colonial’s Main Developments

Colonial’s Main Disposals
02 Setting the Benchmark in offices

A unique business model
> Clear commitment to strategic focus
> Successful internationalization strategy

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2004</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong># of assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Barcelona</td>
<td>25</td>
<td>24</td>
<td>18</td>
</tr>
<tr>
<td>Madrid</td>
<td>11</td>
<td>14</td>
<td>22</td>
</tr>
<tr>
<td>Paris</td>
<td></td>
<td>39</td>
<td>20</td>
</tr>
<tr>
<td><strong>GLA (sqm)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Barcelona</td>
<td>346,000</td>
<td>492,792</td>
<td>282,725</td>
</tr>
<tr>
<td>Madrid</td>
<td>82,000</td>
<td>300,844</td>
<td>354,994</td>
</tr>
<tr>
<td>Paris</td>
<td></td>
<td>450,826</td>
<td>415,643</td>
</tr>
</tbody>
</table>

Office share:
- **COLONIAL 1999**: 62%
- **COLONIAL 2004**: 70%
- **COLONIAL 2016**: 93%
### Setting the Benchmark in offices

**A unique business model**
- Highest standards in capital markets reporting
- Transparency & sustainability at the core of strategy

#### FINANCIAL REPORTING

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colonial</td>
<td><img src="image" alt="Financial Reporting" /></td>
<td><img src="image" alt="Financial Reporting" /></td>
</tr>
<tr>
<td>Peer 1</td>
<td><img src="image" alt="Financial Reporting" /></td>
<td><img src="image" alt="Financial Reporting" /></td>
</tr>
<tr>
<td>Peer 2</td>
<td><img src="image" alt="Financial Reporting" /></td>
<td><img src="image" alt="Financial Reporting" /></td>
</tr>
<tr>
<td>Peer 3</td>
<td><img src="image" alt="Financial Reporting" /></td>
<td><img src="image" alt="Financial Reporting" /></td>
</tr>
<tr>
<td>Peer 4 (1)</td>
<td><img src="image" alt="Financial Reporting" /></td>
<td><img src="image" alt="Financial Reporting" /></td>
</tr>
</tbody>
</table>

#### HIGHEST STANDARDS IN TRANSPARENCY & SUSTAINABILITY

- **First Spanish company** to obtain **EPRA Gold award in Financial reporting**

- **First and only Spanish company** with **EPRA Gold award in sustainability reporting**

#### SUSTAINABILITY REPORTING

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colonial</td>
<td><img src="image" alt="Sustainability Reporting" /></td>
<td><img src="image" alt="Sustainability Reporting" /></td>
</tr>
<tr>
<td>Peer 1</td>
<td><img src="image" alt="Sustainability Reporting" /></td>
<td><img src="image" alt="Sustainability Reporting" /></td>
</tr>
<tr>
<td>Peer 2</td>
<td><img src="image" alt="Sustainability Reporting" /></td>
<td><img src="image" alt="Sustainability Reporting" /></td>
</tr>
<tr>
<td>Peer 3</td>
<td><img src="image" alt="Sustainability Reporting" /></td>
<td><img src="image" alt="Sustainability Reporting" /></td>
</tr>
<tr>
<td>Peer 4 (1)</td>
<td><img src="image" alt="Sustainability Reporting" /></td>
<td><img src="image" alt="Sustainability Reporting" /></td>
</tr>
</tbody>
</table>

- **Most improved achievements in every category**

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(1) Peer 4 is not included in EPRA Index
Superior return through value add
Superior value creation based on “Alpha” strategies - 80% of total return

> Value added strategies
> Value accretive acquisitions

**STRONG MOMENTUM IN NAV GROWTH**

\[ \text{NAV 12/15} - \text{Nav 06/16} = 6.2 \text{€/share} \]

**TOTAL SHAREHOLDER RETURN**

- **ALPHA STRATEGIES** +8%
- **MARKETS** +5%
- **EARNINGS** +2%
- **SFL DIV. & OTHERS** (4%)
- **TOTAL RETURN** +10%
Superior value creation based on “Alpha” strategies - 80% of total return
> Value added strategies
> Value accretive acquisitions

TOTAL SHAREHOLDER RETURN

**ALPHA STRATEGIES**
- +8%

**MARKETS**
- +5%

**EARNINGS**
- +2%

**SFL DIV. & OTHERS**
- (4%)

**TOTAL RETURN**
- +10%

**SPAIN – VALUE ADDED**
- Created Rental Uplift
- Created yield compression

**FRANCE – VALUE ADDED**
- Created Rental Uplift
- Created yield compression

**ACQUISITIONS 2016 YTD**
- Attractive entry prices
- Contribution at premium to NAV
Superior value creation based on “Alpha” strategies - 80% of total return
> Value added strategies
> Value accretive acquisitions

**TOTAL SHAREHOLDER RETURN**

<table>
<thead>
<tr>
<th>ALPHA STRATEGIES</th>
<th>+8%</th>
</tr>
</thead>
<tbody>
<tr>
<td>MARKETS</td>
<td>+5%</td>
</tr>
<tr>
<td>EARNINGS</td>
<td>+2%</td>
</tr>
<tr>
<td>SFL DIV. &amp; OTHERS</td>
<td>(4%)</td>
</tr>
</tbody>
</table>

**BARCELONA**
- Av. Diagonal, 609-615: +7%
- Av. Diagonal, 530: +10%
- Av. Diagonal, 682: +12%

**MADRID**
- Alfonso XII: +7%
- Jose Abascal, 56: +15%
- Castellana, 52: +4%

**PARIS**
- Washington Plaza: +6%
- #Cloud: +16%
- In&Out: +10%

*Note: 6 month GAV growth*
Future value creation
Future value creation based on 5 pillars for growth

PILARS OF FUTURE GROWTH

1. Attractive valuation levels of current portfolio
2. Execution of value added strategies
3. Capturing market growth
4. Acquisitions & Disposals
5. Capture full potential of strong credit profile
**Attractive valuation levels of current portfolio**

- Portfolio valuation 20% below CBD peers
- Maximum prime transactions at €9,000 - €10,000 / sq m

### MADRID

<table>
<thead>
<tr>
<th>Location</th>
<th>GAV €bn</th>
<th>€/sqm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colonial Madrid</td>
<td>1.2</td>
<td>5,096</td>
</tr>
<tr>
<td>Peer 1</td>
<td>1.1</td>
<td>5,808</td>
</tr>
<tr>
<td>Peer 2</td>
<td>0.7</td>
<td>6,170</td>
</tr>
<tr>
<td>Peer 3</td>
<td>1.1</td>
<td>7,075</td>
</tr>
</tbody>
</table>
1 Attractive valuation levels of current portfolio
> Market recognizes premiums on current appraisal

BARCELONA - Ausiàs March disposal

Market recognizes significant premium to 6/2016 appraisal

Value creation through Ausias March disposal
> Location with no upside
> 40% vacancy
> 48 months with occupancy under 80%

Local family office has paid €15m
A premium of 11% to 6/2016 GAV
Attractive valuation levels of current portfolio:

> Market evidence significantly above current appraisal values
> High quality product facing scarcity in supply

### PARIS INVESTMENT TRANSACTIONS – SINCE JANUARY 2016

<table>
<thead>
<tr>
<th></th>
<th>Surface</th>
<th>Yield</th>
<th>Cap. Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>L’Astorg</td>
<td>10,000</td>
<td>3.25%</td>
</tr>
<tr>
<td>B</td>
<td>17 Matignon</td>
<td>7,260</td>
<td>3.47%</td>
</tr>
<tr>
<td>C</td>
<td>87 rue François 1er</td>
<td>7,400</td>
<td>2.95%</td>
</tr>
<tr>
<td>D</td>
<td>8-10 Lamennais</td>
<td>3,925</td>
<td>3.40%</td>
</tr>
<tr>
<td>E</td>
<td>2-8 Ancelle</td>
<td>17,670</td>
<td>3.65%</td>
</tr>
<tr>
<td>F</td>
<td>Bd des Malesherbes</td>
<td>3,525</td>
<td>4.00%</td>
</tr>
<tr>
<td>G</td>
<td>Horizons 17</td>
<td>5,875</td>
<td>4.00%</td>
</tr>
<tr>
<td>H</td>
<td>Vaugirard</td>
<td>4,000</td>
<td>3.45%</td>
</tr>
<tr>
<td>I</td>
<td>SO Ouest</td>
<td>33,000</td>
<td>4.35%</td>
</tr>
<tr>
<td>J</td>
<td>Tour First</td>
<td>80,000</td>
<td>5.00%</td>
</tr>
</tbody>
</table>

|   | Average | 17,266 | 3.75% | 16,459 |
|   | Median  | 7,330  | 3.56% | 14,590 |

|   | SFL | 3.84% |

(1) Valuation yield as of June 2016
Execution of value added strategies
> Substantial additional GRI from current pipeline
> Important value creation to be captured

PROJECTS & MAIN ONGOING REFURBISHMENTS

<table>
<thead>
<tr>
<th>2H16/2017</th>
<th>2018/2019</th>
<th>2020/2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cezanne St.Honoré</td>
<td>Washington Plaza</td>
<td>Principe de Vergara</td>
</tr>
<tr>
<td>Galeries d'Champs</td>
<td>Percier</td>
<td>Grc Glories</td>
</tr>
<tr>
<td>103 Grenelle</td>
<td>112 Wagram</td>
<td>Estebanez-Calderon</td>
</tr>
<tr>
<td>Surface 11,844 sqm</td>
<td>Surface 46,071 sqm</td>
<td>Surface 15,000 sqm ¹ / 9,839 sqm ²</td>
</tr>
<tr>
<td>Capex €15m</td>
<td>Capex €60m</td>
<td>Capex €90m</td>
</tr>
<tr>
<td>Additional annual GRI €11m-€15m</td>
<td>Additional annual GRI €11m-€12m</td>
<td>Additional annual GRI €14m</td>
</tr>
</tbody>
</table>

(1) Surface final project
(2) Surface as of June 2016
Execution of value added strategies

> Progress on all recent acquisitions
> Enhancement of return through active asset management

**JOSE ABASCAL 45 - Madrid**
- Repositioning surfaces
- Ungeared IRR >6%

**ESTEBANEZ CALDERON - Madrid**
- Strong letting interest
- Ungeared IRR >10%

**CONDORCET - Paris**
- Rental uplift achieved
- Ungeared IRR 6%

**SERRANO 73 - Madrid**
- Reletting underway
- Ungeared IRR 6%

**PRINCIPE DE VERGARA - Madrid**
- Project on track
- Ungeared IRR >10%

**9 PERCIER - Paris**
- Refurbishment underway
- Ungeared IRR 6%

**SANTA ENGRACIA - Madrid**
- Capturing Additional GLA
- Ungeared IRR 7%

**PARC GLORIES - Barcelona**
- Strong letting interest
- Ungeared IRR >9%

Ungeared IRR = 10 year ungeared IRR
2 Execution of value added strategies
   > Repositioning programs of current portfolio to unlock additional value
   + Created ERV uplifts
   + Created yield compression

CURRENT PROGRAMS 2016-17

- Miguel Angel
- Jose Abascal
- Av Diagonal, 609-615
- Diagonal Glories
- Castellana, 52
- Via Augusta

**ACTIONS**

- **11** Assets
- **125,993** sq m to be worked out
- **€9m** Capex deployed

**VALUE CREATION - WITHOUT RENTAL RECOVERY**

- Created ERV Uplift
- Created Yield Compression

GAV 6/2016 of current program: €531m

<table>
<thead>
<tr>
<th>Value Creation Multiplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERV Uplift</td>
</tr>
<tr>
<td>2.4x</td>
</tr>
</tbody>
</table>

(*) For illustrative purposes only, not a forecast

Expected Value Creation

100%

+10%

+1.5%

Capex
Capturing market growth
> Attractive lease profile in both markets
> Best positioned to capture rental growth

**SPAIN – CURRENT RENT ROLL €m**

- Current Portfolio under-rented: +8% upside
  - Positive reversion YTD: 27,000 s qm as of June
    - +3.6% vs. 12/15 ERV
    - +0.7% vs. previous rents
  - Additional upside from acceleration of rental prices

**FRANCE – CURRENT RENT ROLL €m**

- Current Portfolio under-rented: +2.4% upside
  - Positive momentum YTD: 6,000 s qm as of June
    - +9.6% vs. 12/15 ERV
    - (2.4%) vs. previous rents
  - Additional upside from acceleration of rental prices

---

1 Annualised contract volume due based on first potential exit date
2 Excluding Torre Marenostrum
## Acquisitions & Disposals

> Delivery YTD beating expectations
> Attractive returns maintaining investment discipline

### INVESTMENTS SINCE 2015

<table>
<thead>
<tr>
<th>Investment</th>
<th>City</th>
<th>Price - €m</th>
<th>IRR 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Condorcet ¹</td>
<td>Paris</td>
<td>230</td>
<td>6%</td>
</tr>
<tr>
<td>Plaza Europa ¹</td>
<td>Barcelona</td>
<td>10</td>
<td>&gt;7%</td>
</tr>
<tr>
<td>Estébanez Calderón</td>
<td>Madrid</td>
<td>43</td>
<td>&gt;10%</td>
</tr>
<tr>
<td>Príncipe Vergara 112</td>
<td>Madrid</td>
<td>45</td>
<td>&gt;10%</td>
</tr>
<tr>
<td>Génova 17</td>
<td>Madrid</td>
<td>36</td>
<td>7%</td>
</tr>
<tr>
<td>Percier</td>
<td>Paris</td>
<td>68</td>
<td>6%</td>
</tr>
<tr>
<td>Santa Engracia</td>
<td>Madrid</td>
<td>67</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Total 2015</strong></td>
<td></td>
<td><strong>499</strong></td>
<td></td>
</tr>
</tbody>
</table>

### STRONG DELIVERY YTD

1. **Target volume**

2. **Asset quality**

3. **Required Return**

### INVESTMENT VOLUMES €m

<table>
<thead>
<tr>
<th>Investment</th>
<th>City</th>
<th>Price - €m</th>
<th>IRR 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jose Abascal 45</td>
<td>Madrid</td>
<td>35</td>
<td>&gt;6%</td>
</tr>
<tr>
<td>Parc Glories</td>
<td>Barcelona</td>
<td>77</td>
<td>&gt;9%</td>
</tr>
<tr>
<td>Serrano 73</td>
<td>Madrid</td>
<td>48</td>
<td>6%</td>
</tr>
<tr>
<td>Santa Hortensia</td>
<td>Madrid</td>
<td>154</td>
<td>&gt;7%</td>
</tr>
<tr>
<td>4.4% Stake SFL</td>
<td>Paris</td>
<td>106</td>
<td>6.5%</td>
</tr>
<tr>
<td>1.0% Stake SFL</td>
<td>Paris</td>
<td>24</td>
<td>6.5%</td>
</tr>
<tr>
<td><strong>Total 2016</strong></td>
<td></td>
<td><strong>446</strong></td>
<td></td>
</tr>
</tbody>
</table>

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¹ Investments materialized in November and December 2014 respectively
² 10 year ungeared asset IRR
Acquisitions & Disposals

> Organic growth targets focusing on value add
> Disposals to capture market premiums

**ACQUISITION TARGETS**

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

**Investment parameters: Organic growth**

✓ €300m per annum
✓ Ungeared 10 year IRR target

  Value Add Spain  8 - 9%
  Value Add France  7 - 8%
  Core Investments  5 - 6%

**DISPOSALS CREATE VALUE**

✓ Realize premiums on mature assets
✓ Active asset allocation across markets

  > Arbitrage returns
  > Redeploy capital in an efficient way
Future value creation

Capture full potential of strong credit profile
> Active balance sheet management
> Strong commitment to enhance credit profile

INVESTMENT GRADE RATING & HUGE FIREFPOWER CAPACITY

<table>
<thead>
<tr>
<th>COLONIAL</th>
<th>BBB- with stable outlook (by S&amp;P)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SFL</td>
<td>BBB with stable outlook (by S&amp;P)</td>
</tr>
</tbody>
</table>

Available cash & undrawn balances

<table>
<thead>
<tr>
<th></th>
<th>Spain</th>
<th>France</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>€</td>
<td>362m</td>
<td>594m</td>
<td>956m</td>
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</table>

A SOLID DEBT MATURITY PROFILE

Undrawn balances


Other debt
Bonds France
Bonds Spain

VALUE CREATION THROUGH CAPITAL STRUCTURE

✓ Competitive financing costs in Spain & France

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Spain</th>
<th>France</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>2.06%</td>
<td>2.13%</td>
<td>2.01%</td>
</tr>
</tbody>
</table>

✓ Active liability management

✓ Capture attractive windows in the market

GROWTH STRATEGY WITH MODERATE DIVIDEND

✓ 2-2.5% Dividend Yield going forward

✓ Redeploy capital to growth opportunities
FIVE PILARS OF VALUE CREATION

1. Attractive valuation levels of current portfolio

2. Execution of value added strategies

3. Capacity to capture market growth

4. Value Add acquisitions & disposals of mature assets

5. Crystalize full potential of strong credit profile
OUTLOOK - COLONIAL’S PORTFOLIO WELL POSTIONED

A Strong rental growth in high quality products

> Barcelona & Madrid with solid evidence of rental increases

> Paris CBD with acceleration of rental growth

B Increasing demand for high quality product pushing yields down

C Strong investor interest in debt markets for high quality collaterals
GUIDANCE

1. Profit & Loss Top Line: 2016E GRI > €270m

2. Ongoing organic growth focused on high quality offices
   - Acquisitions of €300m per annum
   - Prioritize value add opportunities
   - Disposals of mature assets

3. Growth strategy with moderate dividend yield
   - 2-2.5% Dividend Yield
   - Redeploy capital on growth opportunities

4. Strong commitment to solid capital structure
MINORITY STAKE ACQUISITION IN AXIARE
> Acquisition of a 15.1% stake in Axiare
> Total investment of €135.6m financed with debt

THE TRANSACTION

✓ Acquisition of a 15.1% stake in Axiare
✓ Price of 12.5 €/share paid in cash
✓ Investment volume of €135.6m funded by Colonial’s debt capacity

THE OPPORTUNITY

1. Attractive acquisition price: 4% discount on last reported EPRA NAV (June 2016)
2. Increased exposure to the Spanish market cycle through an office specialist
3. Opportunistic deal at optimal timing
4. Positioning as shareholder in Axiare with a 15.1% stake
ACQUISITION WITH ATTRACTIVE OPTION VALUE

> Axiare – an office specialist in Madrid & Barcelona

THE COMPANY - AXIARE

✓ Spanish real estate investment company (SOCIMI) internally managed by an experienced team with exclusive dedication

✓ Listed on the Madrid Stock Exchange (since July 9, 2014) with a market cap of circa €800m\(^1\)

✓ An attractive portfolio with a GAV of €1.049m\(^2\)
  > 32 assets with focused exposure to quality offices
  > More than 85% of total GAV in Madrid & Barcelona
  > Good balance of operating assets and projects underway
  > Interesting reversionary yield

✓ Company with low leverage: net LTV around 11%\(^2\) with more than €200m\(^2\) of cash and cash equivalents

PORTFOLIO BREAKDOWN - 1H 2016 \(^2\)

- Total GAV: €1,049m

- Madrid 77%
- Barcelona 9%
- Logistics 19%
- Offices 67%
- Others 13%

Other 14%

KEY METRICS - 1H 2016 \(^2\)

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
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</thead>
<tbody>
<tr>
<td>GAV (€m)</td>
<td>1,049</td>
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<tr>
<td>EPRA Vacancy Rate</td>
<td>18.8%</td>
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<tr>
<td>EPRA &quot;Topped-up&quot; Net Initial Yield</td>
<td>4.5%</td>
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<tr>
<td>EPRA NAV (€m)</td>
<td>928</td>
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<tr>
<td>EPRA NAV / share (€)</td>
<td>13.01</td>
</tr>
</tbody>
</table>

(1) Estimated market capitalization at last week’s market close
(2) Based on public information released by the company (first half figures 2016)