

IBEX<sup>35</sup>



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**WINNER 2017**

3/17

At the close of the third quarter of 2017, the Colonial Group obtained a net profit of €454m, an increase of 82% compared to the previous year.

- Gross rental income: €212m, +3% (+4% like-for-like)
- Group recurring EBITDA: €169m, +2% (+4% like-for-like)
- Recurring net profit: €59m, +16%
- Group net profit: €454m, +82%

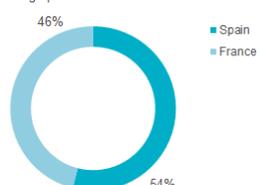
### Company KPIs - 3Q 2017

per share data	2017	2016	Variance
EPS recurring	0.157	0.153	+2%
FFO <sup>1</sup>	0.160	0.153	+4%

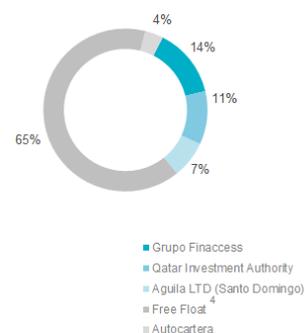
P/L €m data	2017	2016	Variance
Rental revenues	212	205	+3%
EBITDA recurring	169	166	+2%
Recurring income	59	51	+16%
Net income	454	249	82%

Capital Structure	2017
GAV Group (€m) 06/2017 <sup>3</sup>	8,253
Net debt (€m)	2,947
Cash & undrawn bal. (€m)	1,938
Group LTV <sup>3</sup>	33.5%
Debt maturity (years)	4.5

Geographical diversification<sup>2</sup> - 30/06/17



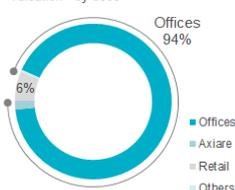
Shareholder structure Colonial



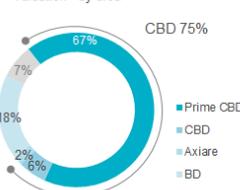
### Portfolio KPIs

	2017
GAV Group (€m) 06/2017 <sup>3</sup>	8,253
No. of assets Spain	43
No. of assets France	20
Total no of assets <sup>5</sup>	63
Lettable surface AG	756,748
Developments underway AG <sup>6</sup>	95,271
Surface above ground (sqm)	852,019

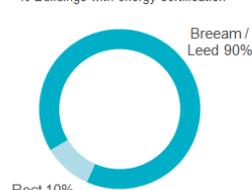
Valuation - by uses



Valuation - by area



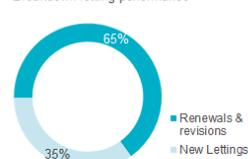
% Buildings with energy certification<sup>7</sup>



### Business KPIs

	Total	Barcelona	Madrid	Paris
# contracts signed	76	23	31	22
Contracts signed sq m	110,050	38,236	56,763	15,051
Total EPRA Vacancy <sup>8</sup>	3%	2%	3%	3%
Rental revenues (€m)	212	26	38	148
% EPRA Like-for-like var	3.7%	9.7%	1.1%	3.3%

Breakdown letting performance



(1) Recurring net result excluding amortisations and accrual of the incentives plan

(2) GAV Parent Company: Value of assets directly-held + NAV of the 55% stake in the SPV Torre Marenostrum + NAV of the 15.5% stake in Axiare + NAV of the 58.6% stake in SFL + Value Plaza Europa JV

(3) Net debt Group /GAV Group (incl. Transfer costs) + NAV of the 15.1% stake in Axiare + Treasury shares + JV Plaza Europa

(4) Free float: shareholders with minority stakes and without representation on the Board of Directors

(5) Excluding small non-core assets

(6) Projects & refurbishments

(7) Buildings in operation with energy certification

(8) Financial vacancy: Financial vacancy according to the calculation recommended by EPRA

(9) GAV 6/2017 adjusted by the In&Out disposal & Arturo Soria acquisition at purchase price

# Highlights

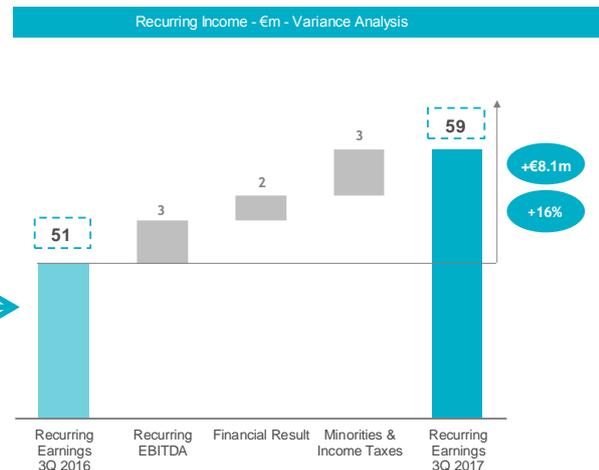
## Results

The third quarter results consolidate the positive trend of previous quarters with solid fundamentals in all of the business segments and strong growth in rental prices.

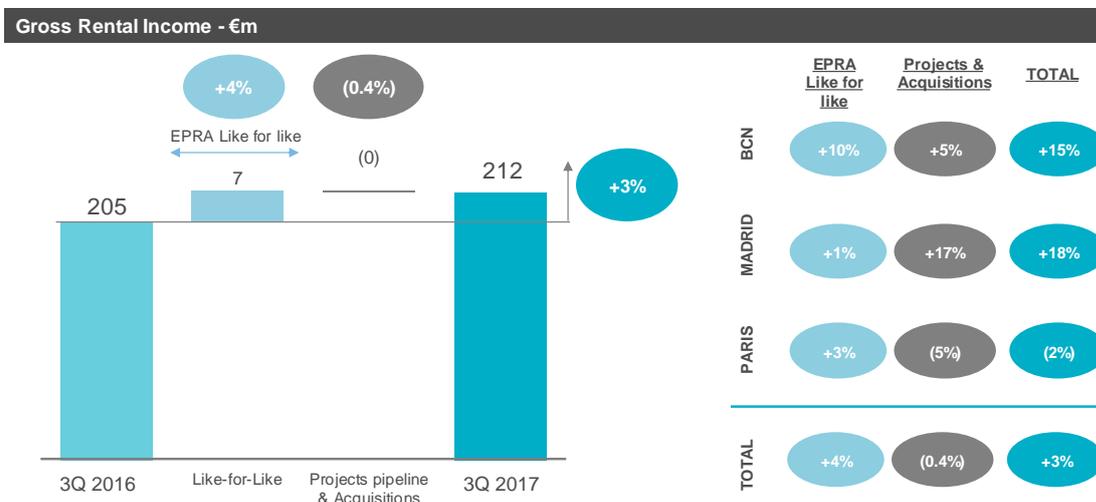
1. EPRA vacancy at 3%, highlighting Barcelona with only 2% vacancy.
2. Significant increases in signed rental prices (+13% vs. release spread).
3. Growth of +4% like-for-like in rental income specifically boosted by the strong growth in the Barcelona portfolio (+10% like-for-like).
4. An increase of +16% in the recurring earnings up to €59m, reaching €0.157/share.
5. Net profit of €454m (+82% compared to the previous year), due to the increase in recurring earnings, the value creation in the asset portfolio and the positive impact of adopting the REIT status (SOCIMI).

Profit & Loss Accounts		
Results analysis - €m	3Q 2017	3Q 2016
Gross Rents	212	205
Net operating expenses <sup>(*)</sup>	(15)	(13)
Overheads	(28)	(26)
<b>Recurring EBITDA</b>	<b>169</b>	<b>166</b>
Recurring financial result	(58)	(60)
Income tax expense & others - recurring	(8)	(9)
Minority interests - recurring	(44)	(46)
<b>Recurring Earnings</b>	<b>59</b>	<b>51</b>
Variance asset values & provisions	523	354
Non-recurring financial result & MTM	(1)	(3)
Income tax & others - non-recurring	39	(12)
Minority interests - non-recurring	(166)	(141)
<b>Profit attributable to the Group</b>	<b>454</b>	<b>249</b>

(\*) Includes other income



The Colonial Group achieved a +4% like-for-like growth in gross rental income compared to the third quarter of the previous year, one of the highest increases among peers.



## Solid fundamentals in all segments

In a context marked by the news about Catalonia, the Colonial Group's business has had an excellent performance, especially in terms of the Barcelona portfolio.

### Excellent results in letting performance

The take up in Colonial's portfolio continues at a robust pace in terms of number of transactions as well as volume of sq m signed. In the first nine months of the year, the Colonial Group signed 76 transactions, corresponding to a letting volume of 110,050 sq m equivalent to an annual rental income of €38m.

# transactions	Surface sqm	GRI €m	
Barcelona	23	38,236	€8m
Madrid	31	56,763	€17m
Paris	22	15,051	€14m
<b>Total</b>	<b>76</b>	<b>110,050</b>	<b>€38m</b>

In the **Barcelona portfolio**, close to 40,000 sq m were let, reaching a maximum rental price of €23.5/sq m/month, setting the benchmark for prime rents in Barcelona. By area, it is worth highlighting 15,000 sq m signed in Diagonal (Prime CBD) and more than 17,000 sq m in the 22@ area, an emerging market for companies in the technology sector.

In the **Madrid portfolio**, more than 56,000 sq m were let. In the third quarter, the maximum rental price of €32/sq m/month has been signed in a 5,000 sq m transaction on the Castellana 43 building. It is also worth highlighting transactions of 500 sq m on the recently refurbished Castellana 52 building, obtaining rental prices at levels of €28/sq m/month.

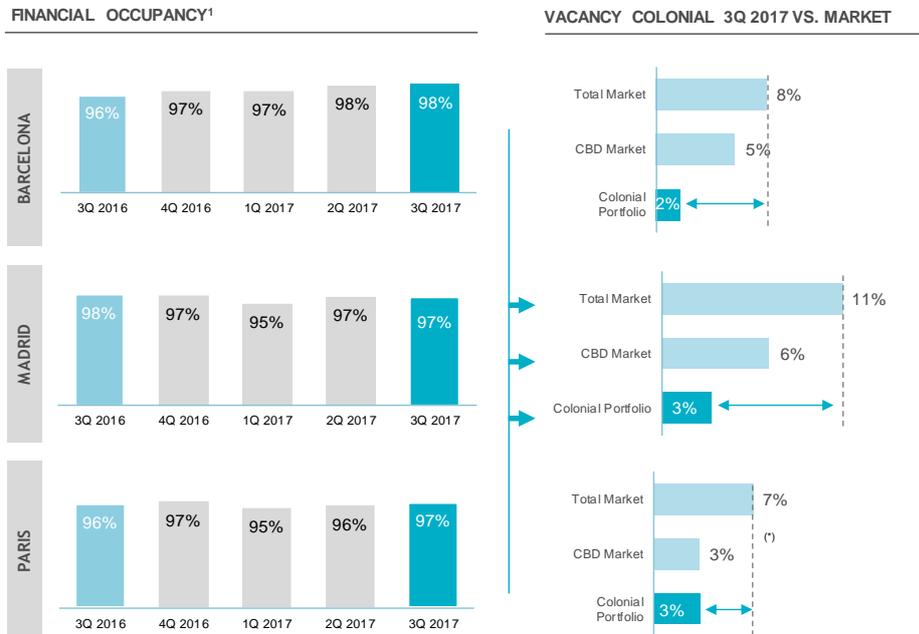
In the **Paris portfolio**, more than 15,000 sq m were let in 22 transactions. The good reception of recently refurbished spaces in Paul Cézanne has allowed to reach a maximum rent of €776 /sqm /year.

Colonial has been able to attract and retain top tier clients, signing rental prices which represent a significant increase on December 2016 ERVs and represent a +13% release spread. In particular, it is worth highlighting the release spreads on the Barcelona portfolio (+19% over previous rents) and Madrid portfolio (+10% over previous rents).

**High occupancy levels**

The excellent letting performance has enabled Colonial to achieve occupancy levels close to full occupancy, clearly above the market average in the three cities in which the Group operates.

At the close of the third quarter of 2017, the Colonial Group reached a financial occupancy of 97%<sup>1</sup>.



(\*) Market vacancy Paris CBD 06/2017 data, 9/2017 not yet available

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

The portfolio in Spain reached a financial occupancy of 97%, with Barcelona at 98% and Madrid at 97%.

The Paris portfolio reached an occupancy ratio of 97% at the close of the third quarter 2017, an increase of 95bp in one quarter.

These high occupancy levels exceed those of our competitors, in Spain as well as in France and comprise a solid base to capture rental price increases.

## Active portfolio management & growth drivers

### 1. Asset rotation

In September 2017, the disposal of the In&Out office complex in Paris was completed for a price of €445m, representing a premium of +27% above appraisal valuation prior to the disposal commitment. This sale represents the culmination of the process of real estate value creation for this asset: (1) the transformation of the building through a development project, (2) the signing of a long-term contract for the OECD headquarters, and finally (3) the disposal of the asset at one of the highest prices in this market segment.

The sale proceeds of this mature asset will be reinvested in new projects of the Group, such as the creation of the Emile Zola office complex in the 15<sup>th</sup> arrondissement in Paris with an approximate investment amount of €265m (purchase price + future capex).

### 2. Project portfolio

To date, Colonial has a project portfolio of almost 140,000 sq m to create top quality products that offer high returns and therefore future value creation with solid fundamentals.

In Spain, the Parc Glories and Plaza Europa 34 projects are highlighted, both positioned in high growth market segments in Barcelona. In addition, Colonial is working on 3 projects in the CBD in Madrid: the Discovery Building, Príncipe de Vergara and Castellana 163. These five projects will result in the creation of more than 71,000 sq m of office space with the highest market standards.



Discovery Building



Príncipe de Vergara



Parc Glories



Plaza Europa 34



Paseo Castellana 163

In the Paris portfolio it is important to mention three large projects: Emile Zola, Louvre St. Honoré and Léna. All of them are located in the best areas of the French capital and together make up more than 44,000 sq m of new spaces with an enormous value creation potential in the coming years.



112-122 Emile Zola



Louvre Saint Honoré



96 Léna

### **3. Acquisitions**

During the first quarter of 2017, the Colonial Group executed the acquisition program Alpha II, corresponding to the purchase of 4 assets for a total investment volume of almost €400m (acquisition price + future capex). These acquisitions offer a substantial value creation potential based on: (1) the real estate transformation of buildings into top quality products, and (2) the location in market segments with attractive growth profiles.

Currently, the Colonial Group has identified additional interesting investment opportunities that are under analysis. As a consequence, a new acquisition program could be announced in the coming months. The acquisition of the Arturo Soria office building in Madrid for a price of €32.5m has to be considered in this context.

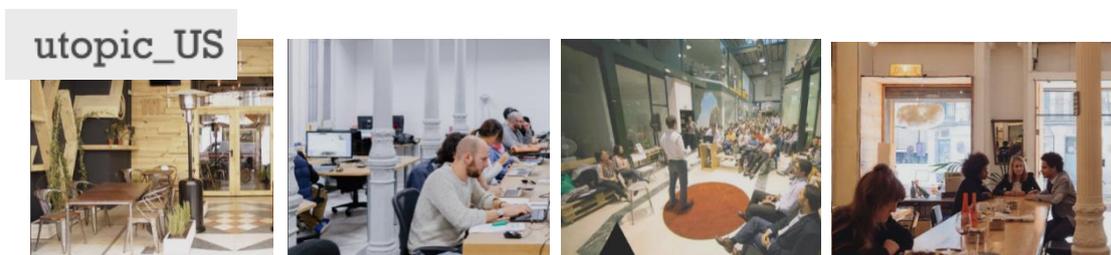
### **4. Proptech enhanced strategies**

The Colonial Group's strategy involves taking advantage of initiatives in the Proptech field, which enable the Group to maximize the service provided to its clients and to be a leader in emerging trends in the offices sector.

In October 2017, Colonial formalised the acquisition of a controlling stake in the Spanish platform Utopic\_US, leader in the field of flexible spaces and Co-working in Spain.

With this acquisition, the Colonial Group is positioning itself in a new strategic line with the objective to complement and reinforce the user strategy of the Group, offering flexibility, integrated services and content. Co-working and flexible spaces represent a growing segment. The platform acquired enables to create collaborative environments, a growing niche in the new economy and business world.

It is also worth highlighting that in August of this year, Colonial announced the arrival of Aleix Valls, former Managing Director of Mobile World Capital Barcelona, as Digital Senior Advisor to boost initiatives and strategies in the "Proptech" area of the company.



## Active management of the capital structure

### Solid financial structure

At the end of the third quarter of 2017, the Colonial Group had a robust capital structure with a solid “Investment Grade” rating.

The LTV of the company stands at 33.5% after the sale of the In&Out building. On the other hand, the liquidity of the Group is above €1.9 billion, with an average maturity of the financial debt at 4.5 years.

1. In April of this year, the Standard and Poor’s ratings agency revised Colonial’s rating upwards and currently gives it a **BBB rating with stable outlook**. Additionally, a report was published in October 2017 that highlighted Colonial’s good positioning due to the geographical diversification of its assets.
2. Moody’s whose **rating for Colonial stands at Baa2 with stable outlook**, recently mentioned in a report the possible impact the political situation in Spain could have on Colonial’s rating where it underlined the defensive nature of Colonial’s prime asset portfolio.
3. Additionally, in October 2017, the credit ratings agency Standard & Poor’s **revised SFL’s rating upwards to BBB+ with stable outlook**.

These current levels of ratings position the Colonial Group among the companies with the best credit ratings in the Spanish real estate sector.

### Share buyback programme

In October, and after the close of the third quarter of 2017, Colonial’s Board agreed to carry out a share buy-back programme for €100m with a maximum amount of 12 million shares to be acquired, representing 3% of the current share capital of the company.

The programme will have a maximum duration of 6 months, remaining in force until 17 April 2018. This programme is similar in its approach to the one agreed to and executed last year, and is based on the solid fundamentals of the company.

To date<sup>1</sup>, 2,075,000 shares have been acquired for €16.3m, resulting in an average price of €7.87/share (a discount of 3% over the last reported Net Asset Value in June 2017). Having treasury shares can be beneficial in order to structure acquisitions of assets where the seller could be interested in receiving Colonial shares in exchange for their buildings. These type of transactions have been carried out in the past with very attractive results for Colonial’s shareholders.

<sup>1</sup> As of 08/11/2017

## Corporate Social Responsibility & Reporting

The Colonial Group is consolidating its leadership in the area of Corporate Social Responsibility (CSR).

### Maximum standards in Reporting

The Colonial Group maintains the maximum standards in Financial Reporting as well as Sustainability Reporting. For the third consecutive year it has been obtained the EPRA Gold Award in Financial Reporting, as well as the EPRA Gold Award in Sustainability Reporting for the second consecutive year. The Colonial Group is the only Spanish REIT company (SOCIMI) with the maximum rating in both categories.



### High standards in Corporate Social Responsibility (CSR)

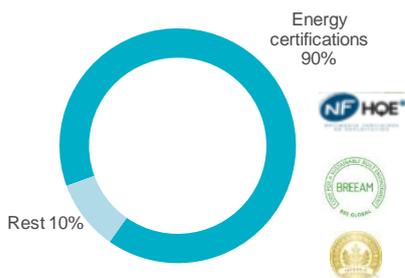
Regarding the ratings in relation to CSR, the Colonial Group has achieved the GREEN STAR rating by GRESB, a benchmark institution in CSR ratings in the real estate sector on a global scale.

In addition, the SFL subsidiary has been awarded with the “Breeam Awards 2017” for its responsible management of its portfolio and the strong commitment of its teams in sustainable development.



It is important to highlight that 90% of the Group's portfolio in operation has maximum Sustainability certificates (BREEAM/LEED), clearly positioning Colonial as a leader in the European offices sector. Corporate Social Responsibility is an integrated part of Colonial's Group strategy to offer long-term sustainable returns.

% Buildings with energy certification <sup>1</sup>



<sup>1</sup> Buildings in operation with energy certification

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# 1. Analysis of the Profit and Loss Account

## Analysis of the Consolidated Profit and Loss Account

September cumulative - €m	2017	2016	Var.	Var. % <sup>(1)</sup>
Rental revenues	212	205	7	3%
Net operating expenses <sup>(2)</sup>	(16)	(15)	(1)	(5%)
<b>Net Rental Income</b>	<b>196</b>	<b>190</b>	<b>6</b>	<b>3%</b>
Other income	1	2	(1)	(69%)
Overheads	(28)	(26)	(2)	(7%)
<b>EBITDA recurring business</b>	<b>169</b>	<b>166</b>	<b>3</b>	<b>2%</b>
EBITDA - asset sales	(3)	1	(4)	-
Exceptional items	(6)	(1)	(7)	(721%)
<b>Operating profit before revaluation, amortizations and provisions and interests</b>	<b>160</b>	<b>166</b>	<b>(6)</b>	<b>(4%)</b>
Change in fair value of assets	523	357	166	47%
Amortizations & provisions	0	(5)	5	100%
Financial results	(59)	(63)	4	6%
<b>Profit before taxes &amp; minorities</b>	<b>623</b>	<b>454</b>	<b>169</b>	<b>37%</b>
Income tax	41	(18)	59	323%
Minority Interests	(210)	(187)	(23)	(12%)
<b>Profit attributable to the Group</b>	<b>454</b>	<b>249</b>	<b>205</b>	<b>82%</b>

Results analysis - €m	2017	2016	Var.	Var. % <sup>(1)</sup>
Rental revenues	212	205	7	3%
Net operating expenses <sup>(2)</sup> & other income	(15)	(13)	(2)	(15%)
Overheads	(28)	(26)	(2)	(7%)
<b>Recurring EBITDA</b>	<b>169</b>	<b>166</b>	<b>3</b>	<b>2%</b>
Recurring financial result	(58)	(60)	2	3%
Income tax expense & others - recurring result	(8)	(9)	2	18%
Minority interest - recurring result	(44)	(46)	2	3%
<b>Recurring net profit - post company-specific adjustments <sup>(3)</sup></b>	<b>59</b>	<b>51</b>	<b>8</b>	<b>16%</b>
<b>EPRA Earnings - pre company-specific adjustments <sup>(4)</sup></b>	<b>60</b>	<b>50</b>	<b>9</b>	<b>19%</b>
<b>Profit attributable to the Group</b>	<b>454</b>	<b>249</b>	<b>205</b>	<b>82%</b>

<sup>(1)</sup> Sign according to the profit impact

<sup>(2)</sup> Invoiceable costs net of invoiced costs + non invoiceable operating costs

<sup>(3)</sup> Recurring net profit = EPRA Earnings - post company-specific adjustments.

<sup>(4)</sup> EPRA Earnings = Recurring net profit pre company-specific adjustments

For details on the reconciliation between the recurring results and the total results, see Appendix 6.1.

- The rental revenues of the Colonial Group amounted to €212m at the close of the third quarter of 2017, +3% higher than the same period of the previous year. In like-for-like terms the increase stood at +4%.
- The recurring EBITDA of the Group reached €164m, which is 2% higher compared to the same period of the previous year.
- The impact on the profit and loss account due to the change in fair value of property investments at 30 June 2017 reached €523m. This revaluation, which was registered in France as well as in Spain, is the result of a 7% increase like-for-like in the appraisal values of the assets in 6 months.
- The net financial results amounted to €(59)m, 6% lower than the same period of the previous year. The recurring financial results of the Group amounted to €(58)m, 3% lower than the same period of the previous year.
- The result before taxes and minority interests at the close of the third quarter of 2017 amounted to €623m, 37% higher than that reached during the same period of the previous year, mainly as a result of an increase in rental income, asset revaluations, as well as a decrease in financial expenses.
- A positive amount was registered under corporate tax for €41m mainly due to the reversion of a provision related to latent capital gains as consequence of Colonial applying to the SOCIMI regime, which amounts to €72m.
- Finally, and once the results attributable to the minorities of €(210)m were deducted, the results after taxes attributable to the Group amounted to €454m, 82% higher than the previous year.

## 2. Office markets

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### Macroeconomic context <sup>(1)</sup>

According to activity data from the third quarter of 2017, **global economic growth** remains high. This growth acceleration can be seen in both the advanced and emerging economies. Despite sources of uncertainty, global economic activity indicators continue to post notable increases. Growth forecasts by analysts remain at 3.5% in 2017, compared to 3.2% in 2016. Regarding price levels, according to CaixaBank Research forecasts, no worrying inflationary tensions are evidenced. On the other hand, there are still some sources of political uncertainty which could affect the baseline scenario.

The **Eurozone** continues to show positive growth, coupled with increased confidence. The main analysts forecast a GDP growth of 2.2%, in contrast to previous forecasts of 1.9%. In particular, private consumption is the driving force for the Eurozone's recovery, thanks to improvements in the labour market; favourable credit conditions; and a better economic outlook. Activity indicators indicate that the Eurozone's growth momentum shall continue throughout 2017. On a political front, following the elections in Germany and France, the Eurozone has a window of opportunity to carry out political and institutional reforms.

The **Spanish economy** maintains positive growth, with an expected acceleration up to 3.1% growth in 2017. Recently it has been following a positive trend in certain aspects which have driven growth in the Spanish economy, in particular these are: 1) the Eurozone growth; 2) the destination for just over half of the Spanish exports; 3) low interest rates and 4) a more moderate increase in oil prices. In addition, the labour market maintains a positive trend with 600,000 more registered workers affiliated to Social Security in the last 12 months.

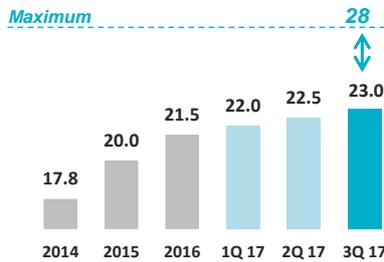
In **France**, Emmanuel Macron's party has begun to implement its reforms agenda, which aims to boost the European integration process. The French President has managed to get approval for one of his key campaign promises: a labour reform to make the rigid French job market more flexible. Regarding growth expectations, the main analysts have revised upwards their forecasts and growth is expected to reach 1.7% both in 2017 and 2018, compared to 1.1% in 2016.

(1) Source: "la Caixa" monthly report

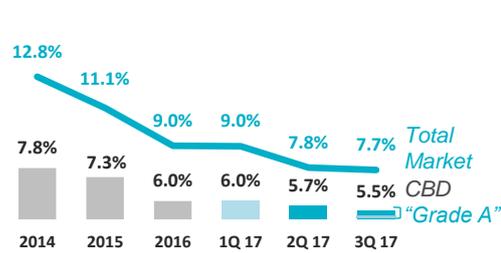
## Rental market situation - offices <sup>(1)</sup>

### Barcelona - Rental Market

**Prime CBD Rents (€/sq m/month)**



**Vacancy (%)**

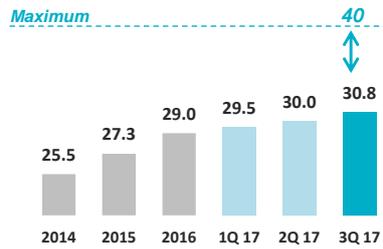


- During the third quarter of 2017, a total of 51,514 sq m of offices were signed in Barcelona, with a cumulative take-up in the first nine months of 2017 of 261,940 sq m. This represents an increase of 18% with respect to the previous year, confirming the positive trend of the Barcelona office market. Particularly worth mentioning is the 22@ with a significant increase in the number of contracts.
- The services sector continues leading the demand in Barcelona, with noteworthy conduct from multinational Internet and e-commerce companies. During 2017, compared to 2016, the average surface in take-up has increased. The transactions in progress continue as planned and the pipeline for year end is positive.
- The vacancy rate in the third quarter of 2017 continued to decrease to stand at 7.7%. In addition, immediate supply of new product also continued to decline in all of the sub markets, except in the peripheral areas. Forecasts continue along the same lines, as many projects due to be delivered are already partially or totally pre-let. The vacancy rate in Grade A and B+ assets was below 2% in the Paseo de Gràcia/Diagonal area. In this respect, the demand struggles to find available spaces above 800 sq m in this particular area.
- As a consequence, maximum rents in the CBD during the third quarter of 2017 continued the positive trend which commenced in 2013, reaching rental levels of €23/sq m/month. Long-term forecasts remain positive, positioning Barcelona as one of the top European cities in terms of expected rental growth, with an annual growth above 4% between 2017 and 2021.

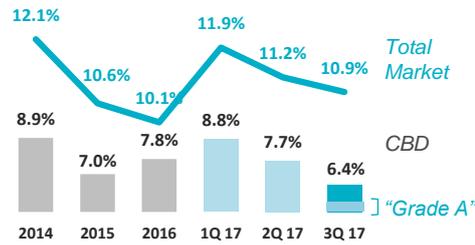
(1) Sources: Reports by Jones Lang Lasalle, Cushman & Wakefield, CBRE & Savills

**Madrid – Rental Market <sup>(1)</sup>**

**Prime CBD Rents (€/sq m/month)**



**Vacancy (%)**



- During the third quarter of 2017, the take-up in Madrid was 94,116 sq m, 7% higher than the same period of the previous year. During the first nine months of 2017, the cumulative figure reached 347,100 sq m, 36% higher than the same period in 2016. If all continues as planned, by the end of 2017 the number of transactions is expected to exceed 500,000 sq m. This figure is higher than the average achieved over recent years.
- From a demand point of view, the gradual increase of average surface in take-up during this year has result in reaching a level of total take-up volume not seen since 2008. On the other hand, demand was particularly high for refurbished buildings, mainly within the M-30.
- The vacancy rate in Madrid stood at 10.9%, during the third quarter of 2017, continuing the downward trend seen in recent quarters. In particular, the vacancy rate in the CBD decreased to 6.4%, a figure which has not been reached since 2008. Increasing demand for refurbished buildings continues to reduce surface quality. Both the take-up as well as available space can be particularly seen in Grade A buildings, thanks to the refurbishments that are being completed.
- Prime rents during the third quarter of 2017 continued to increase to reach €30.75/sq m/month, a figure slightly higher than the previous quarter, continuing a positive trend. Madrid is positioned as one of the three European cities with the best rental growth forecast over the next years until 2021.

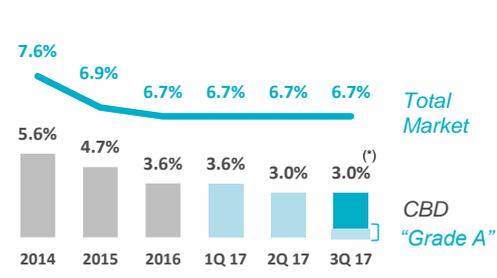
(1) Sources: Reports by Jones Lang Lasalle, Cushman & Wakefield, CBRE & Savills

**Paris – Rental Market <sup>(1)</sup>**

**Prime CBD Rents (€/sq m/year)**



**Vacancy (%)**



- During the third quarter of 2017, the Paris region (Ile-de-France) experienced increased take-up levels, following a first quarter marked by uncertainty due to the May elections. Since the beginning of 2017 to date, the total take-up amounts to 1,765,500 sq m, representing a 2% increase with respect to the first nine months of 2016. On the other hand, analysts’ forecasts indicate that almost 2,500,000 sq m could be signed by the end of 2017.
- In terms of the transactions carried out, of special mention are the number of large transactions (from 5,000 sq m), reaching a total of 50 transactions, a level which has not been reached within the last 5 years. Demand in the segment for large companies is solid, and the market activity is expected to remain strong until the end of 2017.
- On the other hand, the high levels of demand will give rise to a decrease in immediate supply until the end of the year and in 2018. Due to the lack of supply, a significant amount of the projects to be delivered continue to be pre-let spaces. At the close of the third quarter of 2017, the vacancy rate remained stable at 6.7% for the entire market and at levels below 3% in the CBD and less than 2% in the Paris regions 5/6/7 and 12/13.
- Prime rental prices in the Paris CBD reached €750/sq m/year, remaining stable with respect to previous periods. However, analysts forecast a gradual increase in the rental prices by the end of the year.

(1) Sources: Reports by Jones Lang Lasalle, Cushman & Wakefield, CBRE & Savills

(\*) Market vacancy Paris CBD 06/2017 data, 9/2017 not yet available

## Investment market situation – offices



(1) Market analysts in Spain report gross yields and in France net yields (see definition in the glossary in appendix 6.11)

- Barcelona:** The investment volume at the close of the third quarter of 2017 reached a cumulative total of €728m, 75% higher than the same period of the previous year. High occupancy levels, rental growth predictions and a lack of quality product generated a lot of interest from domestic and foreign investors. Prime rents remained close to 4% and may be even lower for individual assets.
- Madrid:** The investment volume in the first nine months of 2017 reached €1,048m. The Madrid offices market continues to recover, attracting investor interest, in particular from international investors. Out of the total number of investments, 44% were made by foreign investors, in contrast to 9% in 2016. Prime rents remained at 3.75%, despite the fact that some individual transactions even obtained returns below 3%, as some investors are acquiring office buildings to reconvert them for residential use.
- Paris:** During the first nine months of 2017, an investment volume of approximately €8,114m was reached. It is worth highlighting the large transactions, above €300m, where there is a lot of interest by international Asian and American investors, especially following the noteworthy election victory of Macron and a better outlook for the French economy. Prime yields stood at 3% in the CBD.

It is important to highlight that in the three markets, the spread between the prime yields and the 10-year bonds remains high.

### 3. Business performance

#### Rental revenues and EBITDA of the portfolio

- Rental revenues reached **€212m, 3% higher than that achieved the previous year**. In **like-for-like terms**, adjusting for investments, disposals and variations in the project and refurbishment portfolio and other extraordinary items, **the rental revenues of the Group increased by 4% like-for-like**.

In **Spain, the rental revenues like-for-like increased by 5%**, especially due to the **Barcelona** portfolio, which increased by **10% like-for-like**. The Barcelona portfolio has experienced significant positive growth, consolidating the good evolution seen in the last quarters.

The **Madrid** portfolio increased **1% like-for-like**, due to the tenant rotation on 4,000 sq m in Alfonso XII (exit of Banca Marenostrum, surface rented in June to a PropTech company with a higher rent). **Excluding this effect** the rest of the Madrid contract portfolio **increased by +4% like for like**.

In **Paris, the rental revenues rose by 3% like-for-like**, mainly due to the contracts signed on the the Edouard VII, #Cloud, Percier and Cézanne Saint Honoré buildings in Paris.

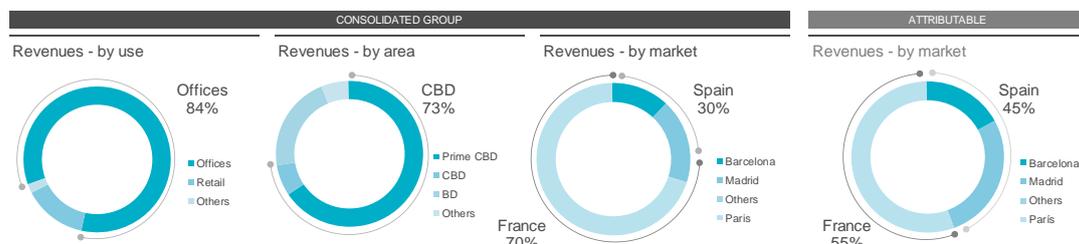
Variance in rents (2017 vs. 2016) €m	Barcelona	Madrid	Paris	Total
Rental revenues 2016R	22.6	32.4	150.1	205.2
<b>EPRA Like-for-Like</b>	<b>2.2</b>	<b>0.3</b>	<b>4.6</b>	<b>7.0</b>
Projects & refurbishments	0.0	(0.6)	(5.1)	(5.7)
Acquisitions & Disposals	1.1	5.8	0.0	7.0
Indemnities & others	0.1	0.3	(1.8)	(1.4)
Rental revenues 2017R	26.0	38.3	147.8	212.1
<b>Total variance (%)</b>	<b>15%</b>	<b>18%</b>	<b>(2%)</b>	<b>3%</b>
<b>Like-for-like variance (%)</b>	<b>10%</b>	<b>1%</b>	<b>3%</b>	<b>4%</b>

(1) **EPRA like-for-like**: Like-for-like calculated according to EPRA recommendations.

An additional increase in the rental revenues comes from new acquisitions, in particular €7m in Spain. In Paris, there was a temporary downward impact due to the rotation in the project portfolio, in particular in relation to the Cézanne Saint Honoré, 92 Champs Elysées and Le Vaisseau buildings.

- **Breakdown – Rental revenues:** The majority of the Group's revenues (84%) are from office buildings. Likewise, the Group maintains its high exposure to CBD markets (73%).

In consolidated terms, 70% of the rental revenues (148€m) came from the subsidiary in Paris and 30% were generated by properties in Spain. In attributable terms, 55% of the rents were generated in France and the rest in Spain.



- **Rental EBITDA reached €196m, a 4% increase in like-for-like terms, with an EBITDA margin of 92%.**

#### Property portfolio

September cumulative - €m	2017	2016	Var. %	EPRA Like-for-like <sup>1</sup>		
				€m	%	Adjusting Alfonso XII
Rental revenues - Barcelona	26	23	15%	2.2	9.7%	9.7%
Rental revenues - Madrid	38	32	18%	0.3	1.1%	3.6%
Rental revenues - Paris	148	150	(2%)	4.6	3.3%	3.3%
<b>Rental revenues</b>	<b>212</b>	<b>205</b>	<b>3%</b>	<b>7.0</b>	<b>3.7%</b>	<b>4.1%</b>
EBITDA rents Barcelona	25	20	21%	2.9	14.5%	14.5%
EBITDA rents Madrid	32	28	15%	0.1	0.6%	3.4%
EBITDA rents Paris	139	142	(2%)	4.4	3.5%	3.5%
<b>EBITDA rents</b>	<b>196</b>	<b>190</b>	<b>3%</b>	<b>7.5</b>	<b>4.3%</b>	<b>4.8%</b>
<i>EBITDA rents/Rental revenues - Barcelona</i>	<i>95%</i>	<i>90%</i>	<i>4.9 pp</i>			
<i>EBITDA rents/Rental revenues - Madrid</i>	<i>84%</i>	<i>86%</i>	<i>(2.5 pp)</i>			
<i>EBITDA rents/Rental revenues - Paris</i>	<i>94%</i>	<i>94%</i>	<i>(0.1 pp)</i>			
<b>EBITDA rents/Rental revenues</b>	<b>92%</b>	<b>93%</b>	<b>(0.1 pp)</b>			

Pp: percentage points

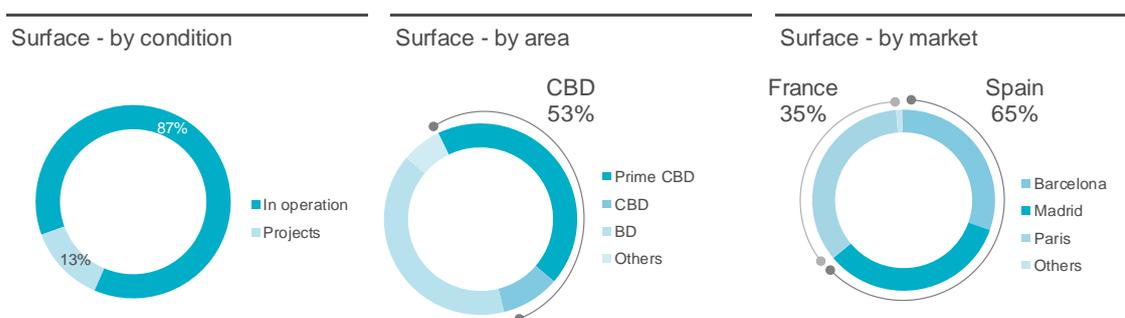
(1) **EPRA like-for-like:** Like-for-like calculated according to EPRA recommendations.

(2) **Excluding the exit of Banca Marenostrum from the Alfonso XII asset in Madrid (surface re-let in June 2017).**

## Portfolio letting performance

- **Breakdown of the current portfolio by surface area:** At the close of the third quarter of 2017, the Colonial Group's portfolio totalled 1,203,324 sq m (852,019 sq m above ground), concentrated mainly in office assets.

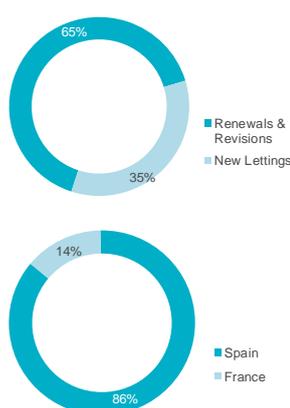
At 30 September 2017, 87% of the portfolio was in operation and the rest corresponded to an attractive portfolio of projects and refurbishments and the Parc Central plot of land in Barcelona.



- **Signed contracts:** During the first nine months of 2017, the Colonial Group signed contracts for a total of 110,050 sq m. Out of the total contracts 86% (94,999 sq m) were signed in Barcelona and Madrid, and the rest (15,051 sq m) were signed in Paris.

**New lettings:** Out of the total commercial effort, 35% (38,155 sq m) related to new contracts, of which more than 25,000 sq m were signed in Barcelona and Madrid.

**Renewals:** Contract renewals were carried out for 71,895 sq m, highlighting almost 40,000 sq m that were renewed in Madrid.



### Letting Performance

September cumulative - sq m	2017	Average maturity	% New rents vs. previous
Renewals & revisions - Barcelona	30,114	3	19%
Renewals & revisions - Madrid	39,731	4	10%
Renewals & revisions - Paris	2,050	9	0%
<b>Total renewals &amp; revisions</b>	<b>71,895</b>	<b>3</b>	<b>13%</b>
New lettings Barcelona	8,122	4	
New lettings Madrid	17,032	7	
New lettings Paris	13,001	10	
<b>New lettings</b>	<b>38,155</b>	<b>7</b>	<b>na</b>
<b>Total commercial effort</b>	<b>110,050</b>	<b>5</b>	<b>na</b>

**New signed rents were 13% above previous rents**, in particular signed rents in Barcelona were up 19% and in Madrid up 10%.

Colonial's total commercial effort is spread over the three markets in which the company operates, highlighting the following actions:

**Main actions**

	Building	Tenants	Surface (sq m)
<b>BARCELONA</b>	Diagonal, 220-240 Glories	Ajuntament de Barcelona	11,672
	Diagonal, 530	Caixabank	7,058
	Illacuna	Liberty Seguros, Konecta & others	7,522
	Diagonal, 609-615 (Dau/Prisma)	Caixabank, Ceva Salud Animal & others	6,376
<b>MADRID</b>	Poeta Joan Maragall, 53	Public company	11,475
	Alcala, 30-32	Comunidad de Madrid	9,088
	Santa Engracia	Public service company, Canal Isabel II Gestion & others	8,489
	Recoletos, 37-41	Casino & BDO Audiberia	5,470
	Castellana, 43	WeWork & others	5,998
	Alfonso XII	PropTech company	4,100
	José Abascal, 56	Grant Thornton	2,820
	Génova, 17	Caixabank & Zooplus Services	2,619
<b>PARIS</b>	Edouard VII	Theatre Edouard VII & otros	2,811
	Cezanne Saint-Honoré	KBL Richelieu Banque Privée & Consulting firm	3,458
	103 Grenelle	Real Estate Group & Apparel company	2,946
	Washington Plaza	Harmonie Technologie & others	2,832

In Spain, during the first nine months of 2017, almost 95,000 sq m were signed, corresponding to 54 contracts.

In **Barcelona**, more than 38,000 sq m were signed, in particular the renewal of more than 11,000 sq m with the Ajuntament de Barcelona on the Diagonal Glories building, the renewal with Caixabank of more than 7,000 sq m on the Diagonal 530 building, the renewal of almost 6,000 sq m with Liberty Seguros on the Illacuna building, as well as the signing of almost 2,000 sq m and the renewal by Caixabank of 2,500 sq m on the Diagonal, 609-615 building.

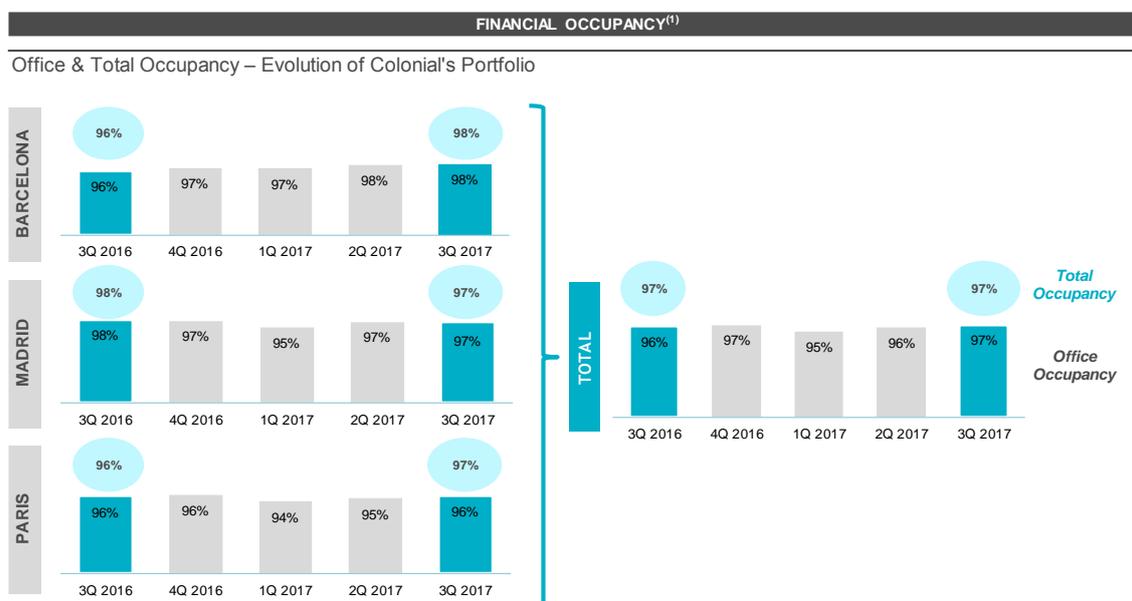
In **Madrid**, it is worth highlighting the renewal of a contract for more than 11,000 sq m on the Poeta Joan Margall 53 with a government organisation, the renewal of 9,000 sq m on the Alcalá 30-32 building with the Comunidad de Madrid, as well as the renewal of a contract of almost 5,000 sq m with a transportation company on the Santa Engracia building and the renewal of 4,500 sq m in Recoletos 37-41 with Casino. Also worth mentioning is the signing of 5,500 sq m on the Castellana 43 building with WeWork and the signing of a contract for 4,100 sq m with the company PropTech on the Alfonso XII building, with rental revenues 28% higher than those of the previous tenant.

In **Paris**, 15,000 sq m signed during the first nine months of the year. Among others, it is worth highlighting the renewal on Theatre Edouard VII of more than 2,000 sq m, the signing of 1,800 sq m with KBL Richelieu Banque Privée and 1,580 sq m on the Cézanne Saint-Honoré property with a consulting firm. Also worth mentioning is the signing of 1,350 sq m with a real estate services group and 1,596 sq m with a fashion company on the Grenelle 103 building.

The transactions described above were closed with rental prices at the high end of the market.

## Portfolio occupancy

- At the close of the third quarter of 2017, the Colonial Group's financial occupancy<sup>(1)</sup> for the office portfolio reached 97%, a figure in line with the previous year. The total financial occupancy<sup>(1)</sup> for the portfolio including all uses also reached 97%.



<sup>(1)</sup> **Financial occupancy:** financial occupancy according to the calculation recommended by EPRA (occupied surfaces multiplied by the market prices/surfaces in operation at market prices).

In **Barcelona**, the financial occupancy<sup>(1)</sup> of the office portfolio increased +267 bps compared to the previous year, reaching a ratio of 98%. This increase is mainly due to the contracts signed on the Travessera de Gràcia/Amigó, Diagonal 609-615, Illacuna & Sant Cugat buildings, among others. Occupancy increased +41 bps compared to the previous quarter.

In **Madrid**, the financial occupancy<sup>(1)</sup> of the office portfolio is 97%, a figure in line with the previous quarter.

In **Paris**, the financial occupancy<sup>(1)</sup> of the office portfolio is 96% , which means an increase of 90 bp in a quarter, mainly due to the commercialization of Cézanne Saint Honoré and Washington Plaza.

Currently, Colonial has more than 21,000 sq m of available GLA which corresponds to 3% of EPRA vacancy over the total portfolio.

<b>Vacancy surface of offices</b>				
Surface above ground (sq m)	BD area and others	CBD area	2017	EPRA Vacancy Offices
Barcelona	1,955	1,231	3,186	2%
Madrid	2,614	4,180	6,794	3%
París	6,026	5,281	11,307	4%
<b>TOTAL</b>	<b>10,595</b>	<b>10,692</b>	<b>21,287</b>	<b>3%</b>

The vacant surfaces correspond to a supply of top quality spaces in very central areas, highlighting assets such as:



**Av. Diagonal, 609-615**



**José Abascal, 56**



**Cézanne Saint Honoré**



**Torre BCN**



**Agustín de Foxá, 29**



**Washington Plaza**

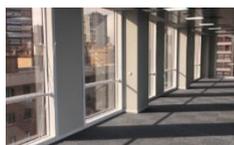
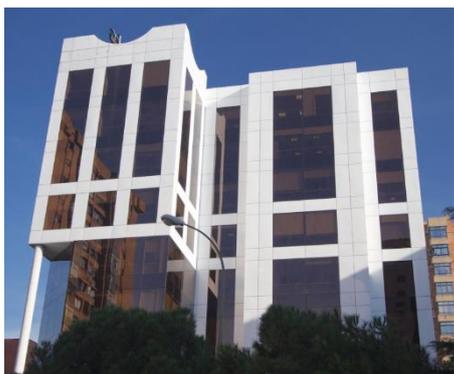
## Acquisitions

- Accelerating the fulfilment of growth objectives in the strategic plan, Colonial commenced 2017 with the execution of the Alpha II project, which includes the acquisition of four assets for an investment volume of almost €400m (total investment volume including future capex of development projects). Specifically, three development projects were acquired: Plaza Europa 34 in Barcelona, Paseo de la Castellana 163 in Madrid and 112-122 Av. Emile Zola in Paris. Additionally, Colonial purchased the Spanish headquarters of the Bertelsmann Group, located in the CBD in Barcelona.

MADRID		1 Paseo de la Castellana, 163 <i>Madrid Prime CBD</i>		Value Added – Prime factory GLA: 10,910 sq m	Total Investment <sup>1</sup> : €51m
	BARCELONA		2 Travessera de Gracia, 47-49 <i>Barcelona Prime CBD</i>		Core with value added potential GLA: 8,939 sq m
BARCELONA			3 Plaza Europa, 34 <i>Barcelona Plaza Europa</i>		Value Added – Prime factory GLA: 14,306 sq m
	PARIS		4 112-122 Av. Emile Zola <i>Paris South Center</i>		Value Added – Prime factory GLA: 20,340 sq m

<sup>1</sup> Acquisition price + total project capex

- In addition to these investments, Colonial has purchased to Lar España, an office building located at the Arturo Soria Street in Madrid for a price of €32.5m. The acquired asset has a gross lettable area of 8,663 sq m above ground and almost 200 parking spaces. The building is located in an area of high demand by multinational companies, with excellent public and private transportation connections to the city centre and the airport. The building is currently occupied and has an attractive value creation potential based on the future implementation of real estate transformation strategies of the Colonial Group.



- All of these acquisitions offer a substantial upside potential of real estate value creation based on: (1) the real estate transformation of the buildings into top quality products and (2) the location in market segments with solid fundamentals.
- All the acquisitions were made under very attractive terms, which shows the capacity of the Colonial Group to identify and capture opportunities of real estate value creation.

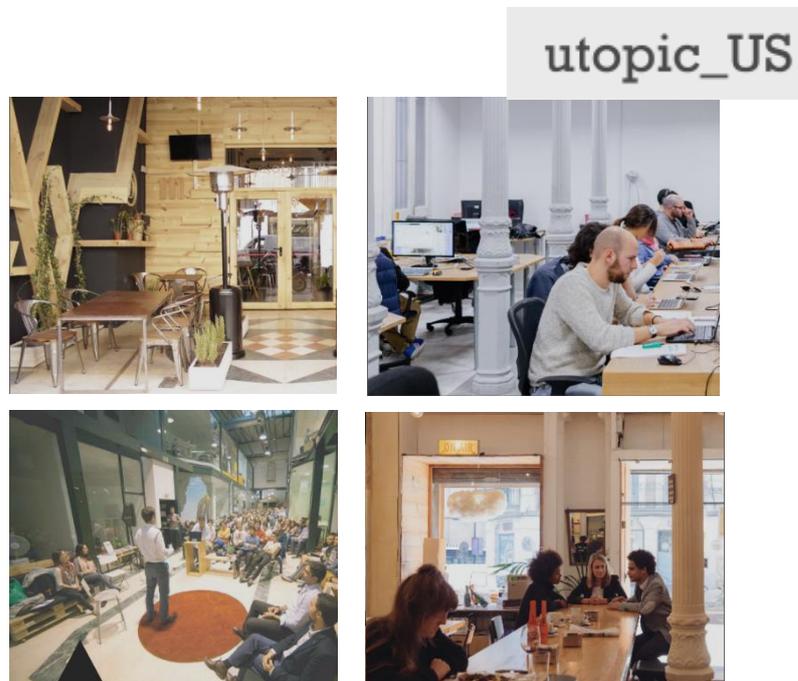
## Asset Rotation

- In September 2017, the disposal of the In&Out office complex in Paris was completed for a price of €445m, representing a premium of +27% above appraisal valuation prior to the disposal commitment. This sale represents the culmination of the process of real estate value creation for this asset: (1) the transformation of the building through a development project, (2) the signing of a long-term contract for the OCDE headquarters, and finally (3) the disposal of the asset at one of the highest prices in this market segment.
- The sale proceeds of this mature asset will be reinvested in new projects of the Group, such as, the creation of the Emile Zola office complex in the 15th arrondissement in Paris with an approximate investment amount of €265m (purchase price + future capex).



## Proptech enhanced strategies

- After the close of the third quarter 2017, the Colonial Group closed an agreement to acquire a controlling stake in the Spanish Co-working platform Utopic\_US. With this transaction, the Colonial Group positions itself in a new strategic line in order to complement and reinforce the strategy of the users in the Group, offering flexibility, integrated services and contents.  
Co-working and flexible spaces represent a growing segment and offer new services to its clients. In addition, it fosters collaborative areas for professionals, creating communities for the clients. This type of initiatives constitute a niche of growth in the new economy and the business world.
- The acquisition includes the joint development of the Utopic\_US strategic plan, through subsequent injections of capital by the Colonial Group. Founded in 2010, the company has been consolidated as a benchmark in the segment of Co-working spaces in Spain. Utopic\_US currently has three centres in Madrid (Duque de Rivas, Colegiata and Conde Casal) and plans to open a new centre in Barcelona in the coming weeks.
- With this acquisition, the Colonial Group continues to expand the services offered to its clients and reinforces a business model based on innovation as the driving force of added value creation in the real estate sector.



- It is also worth highlighting that in August of this year, Colonial announced the arrival of Aleix Valls, former Managing Director of Mobile World Capital Barcelona, as Digital Senior Advisor to boost initiatives and strategies in the Proptech area of the company.

## Portfolio of projects and refurbishments

### Project portfolio

- At the close of the third quarter of 2017, Colonial owns a large portfolio of development and refurbishment projects of almost 140,000 sq m above ground<sup>4</sup>, with significant potential for value creation in the short and long term.
- The projects are progressing as planned and delivery is expected during the next five years.

Projects	Entry into operation	% Group	% Prelet	Market	Use	Surface above ground (sq m) <sup>(1)</sup>
"Discovery Building"	2H 2017	100%	-	Madrid	Offices	10,152
Príncipe de Vergara, 112	2018	100%	-	Madrid	Offices	11,368
Parc Glòries	2018	100%	38%	Barcelona	Offices	24,551
Plaza Europa,34	>2020	50%	-	Barcelona	Offices	14,306
112-122 Avenue Emile Zola	2021	100%	-	Paris	Offices	20,340 <sup>(2)</sup>
Louvre Saint Honoré	2021	100%	-	Paris	Retail	16,000
96 lèna	2020	100%	-	Paris	Offices	7,505 <sup>(3)</sup>
Paseo Castellana 163	>2019	100%	-	Madrid	Offices	10,910 <sup>(3)</sup>
<b>Projects in development</b>						<b>115,132</b>
92 Champs Eysées	2017	100%	-			3,381
Cezanne Saint-Honoré	2017	100%	-			1,787
Rest of portfolio			na			4,035
<b>Surface in refurbishment</b>						<b>9,203</b>
Parc Central 22@	na	100%	na			14,737
<b>Solar Parc Central 22@</b>						<b>14,737</b>
<b>TOTAL PROJECTS &amp; REFURBISHMENTS</b>						<b>139,072</b>

(1) Surface area of completed project

(2) Current surface. The project targets a GLA increase of 10%-15%. The execution of the acquisition of this asset will be formalized in 3Q 2017

(3) Futur projects that are expected to start in the coming years, currently these assets are in operation

- In Spain, the current projects in the pipeline correspond to the Discovery Building, Príncipe de Vergara 112 and Castellana 163 in Madrid, as well as the Parc Glories and Plaza Europa 34 projects in Barcelona. The delivery of the Discovery building is expected in the coming weeks. In the case of Príncipe de Vergara and Parc Glòries, these assets are expected to enter into operation in 2018 and in the case of the Plaza Europa 34 project, it is expected to be completed by 2020.



(4) Includes future projects 96 lèna and Paseo de la Castellana 163 (buildings currently in operation)).

- In Paris, the portfolio offers attractive returns through the Avenue Emile Zola and Léna 96 projects. In addition, it is worth highlighting the total refurbishment project on the commercial part of the Louvre Saint Honoré through the creation of a prime space in the very centre of Paris in front of the Louvre. In all the assets, unique Prime Factory development projects will be carried out, and they are expected to be delivered as of 2020.



112-122 Emile Zola



Louvre Saint Honoré



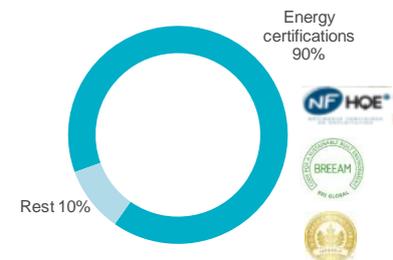
96 Léna

- In addition to these development projects, the Colonial Group is currently carrying out substantial refurbishments on 10,000 sq m above ground, with the aim of optimizing the positioning of these assets in the market. These include refurbishments on the 92 Champs Elysées and Cézanne Saint-Honoré buildings, among others. In addition, Colonial owns a plot of land of more than 14,000 sq m above ground in the 22@ submarket in Barcelona.

- During the third quarter of 2017, approximately €61m were invested in Prime Factory projects and refurbishments to optimize the positioning of the property portfolio.

- Colonial is a clear leader in energy efficiency and sustainability with their building portfolio. Currently 90% of the Group's real estate is certified with maximum energy ratings (BREEAM/LEED), which is a very high percentage compared to the sector average. This fact places the Colonial Group in a differential competitive position to attract quality demand and maximise the value creation of the portfolio.

% Buildings with energy certification <sup>1</sup>



<sup>1</sup> Buildings in operation with energy certificates

The Colonial Group is the only Spanish Company with the EPRA Gold Award in sustainability reporting and the French subsidiary, at the BREEAM Awards 2017 received the Corporate Investment in Responsible Real Estate Award. SFL is now being recognized by BREEAM and GRESB, the main rating agency in Corporate Social Responsibility, for its long-term commitment to the responsible management of its portfolio. In addition, Colonial has obtained the “Green Star” certification by GRESB



## 4. Financial structure

### Main debt figures

Colonial Group	09/2017	Var. Vs 12/2016
Gross financial debt	3,375	(7%)
Net financial debt	2,947	(16%)
Undrawn balances	1,938	122%
% debt fixed or hedged	94%	15%
Average maturity of the debt ( <i>years</i> )	4.5	(0,5)
Cost of current debt	2.03%	7 b.p.
Rating Colonial	BBB	<i>Improved</i>
Rating SFL	BBB+	<i>Improved</i>
LtV Group ( <i>including transfer costs</i> )	33.5%	(790 b.p.)

Main financing transactions formalized in 2017:

- Colonial: new credit line for €375m, maturing in five years. This credit line is intended to meet the general corporate demands of the company, and counts on the participation of a total of 10 banks, with Credit Agricole acting as the agent bank. This new financing increases Colonial's liquidity and investment capacity, maximizing its strength and financial flexibility.
- SFL: an increase in its credit lines by €195m in June 2017 with two new bilateral loans for a total amount of €175m and an increase in the limit of an existing loan by €20m. The new bilateral loans mature in 6 and 7 years, respectively.
- Torre Marenstrum: renewal of the mortgage security loan, of which it is the holder, extending the maturity term by 8 years (from 2024 to 2032) and adjusting the cost of debt (loan + hedging) to the current market situation.

These transactions have enabled the Group to increase its liquidity and the average maturity of the undrawn debt.

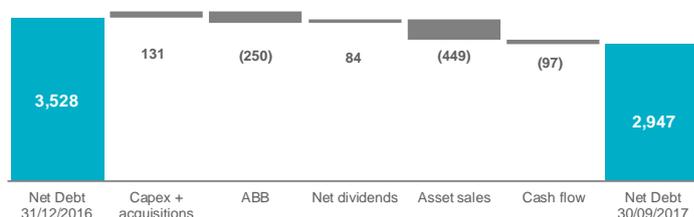
The net financial debt of the Group at 30 September 2017 stood at €2,947m, the breakdown of which is as follows:

Breakdown of the consolidated net financial debt	September 2017			December 2016			Var. Total
	COL	SFL	Total	COL	SFL	Total	
Syndicate loan	0	10	10	122	20	142	(132)
Mortgage debt/leases	36	204	239	36	205	241	(2)
Unsecured debt and others	0	300	300	0	425	425	(125)
Bonds	1,525	1,301	2,826	1,525	1,301	2,826	0
<b>Total gross debt</b>	<b>1,561</b>	<b>1,815</b>	<b>3,375</b>	<b>1,682</b>	<b>1,951</b>	<b>3,633</b>	<b>(258)</b>
Cash & cash equivalents (*)	(97)	(332)	(428)	(85)	(20)	(105)	(323)
<b>Group Net Debt</b>	<b>1,464</b>	<b>1,483</b>	<b>2,947</b>	<b>1,597</b>	<b>1,931</b>	<b>3,528</b>	<b>(581)</b>
Average maturity of drawn debt (years)	5.4	3.8	4.5	6.0	4.1	5.0	(0.5)
Cost of debt % (without arrangement fees)	2.02%	2.04%	2.03%	1.96%	1.95%	1.96%	-

The net Group debt decreased by €581m (-16%) compared to December 2016, mainly as a result of the capital increase carried out by Colonial in May 2017 and of the sale of the In&Out building by SFL for the net amount of €445m in September.

The evolution of the Group's net debt during the third quarter of 2017 is as follows:

#### Net Debt Movement €m - September 2017



### Main leverage ratios and liquidity

At 30 September 2017, the Colonial Group's net debt amounted to €2,947m. The LTV (Loan to Value) of the Group, calculated as the total net debt ratio between the total GAV of the Group, was 33.5% (40.3% at 30 September 2016). The LTV of the parent company, calculated as the net debt of the parent company between the GAV of the parent company and the NAV of its 100% subsidiaries, plus the NAV of the rest of its subsidiaries 28.9% (32.8% at September 2016).

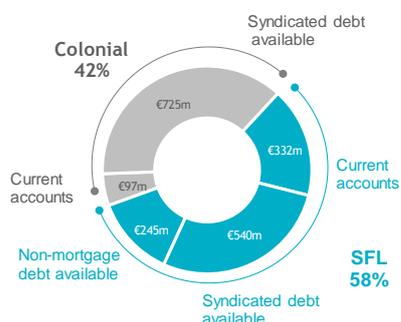
Main leverage ratios		
30/09/2017 -€m	Holding	Group
GAV incl. transfer costs <sup>(1)</sup>	4,973	8,799
Net debt - excluding committed cash	1,435	2,947
LTV incl. transfer costs	28.9%	33.5%

(1) Holding: GAV at 30/06/2017 including holding transfer costs and subsidiaries 100% + NAV SFL, TMN, 15.5% Axiare+ Autocarera + NAV JV Plaza Europa 34

Group: GAV Group at 30/06/2017 including transfer costs, adjusted by the IN/Out divestment and the Arturo Soria investment

Cash & undrawn balances of the Colonial Group at 30 September 2017 amounted to €1,938m, distributed as shown in the graph below:

**Cash & Undrawn balances**

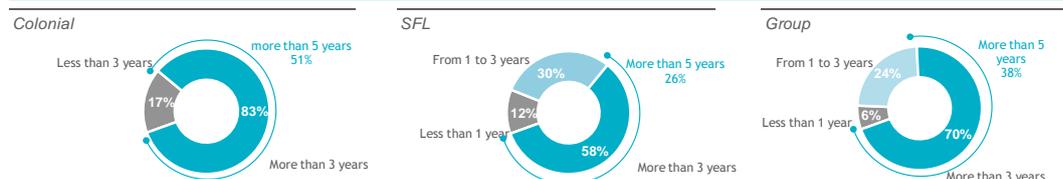


The main characteristics of the Group's debt are shown below:

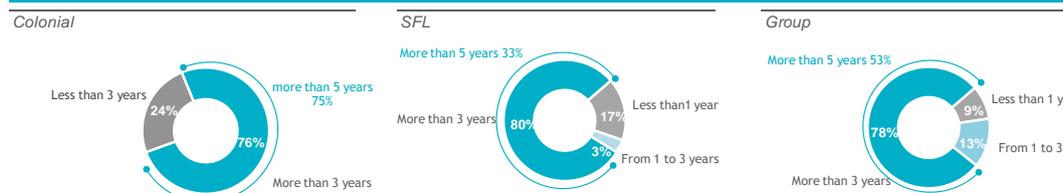
**TYPE OF DRAWN DEBT 30/09/2017**



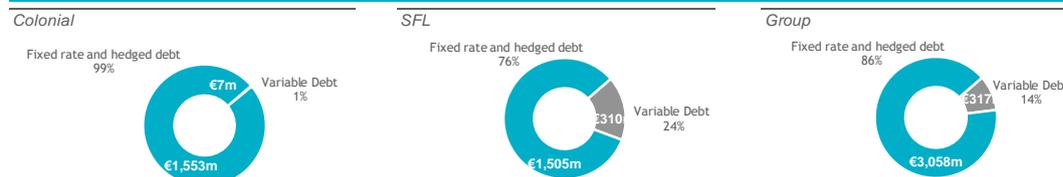
**MATURITY OF CONTRACTED DEBT 30/09/2017**



**MATURITY OF DRAWN DEBT 30/09/2017**



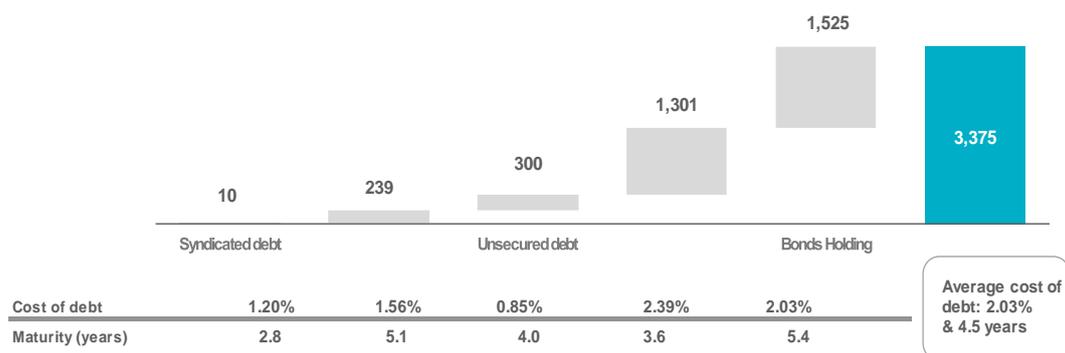
**FIXED RATE AND HEDGED DEBT**



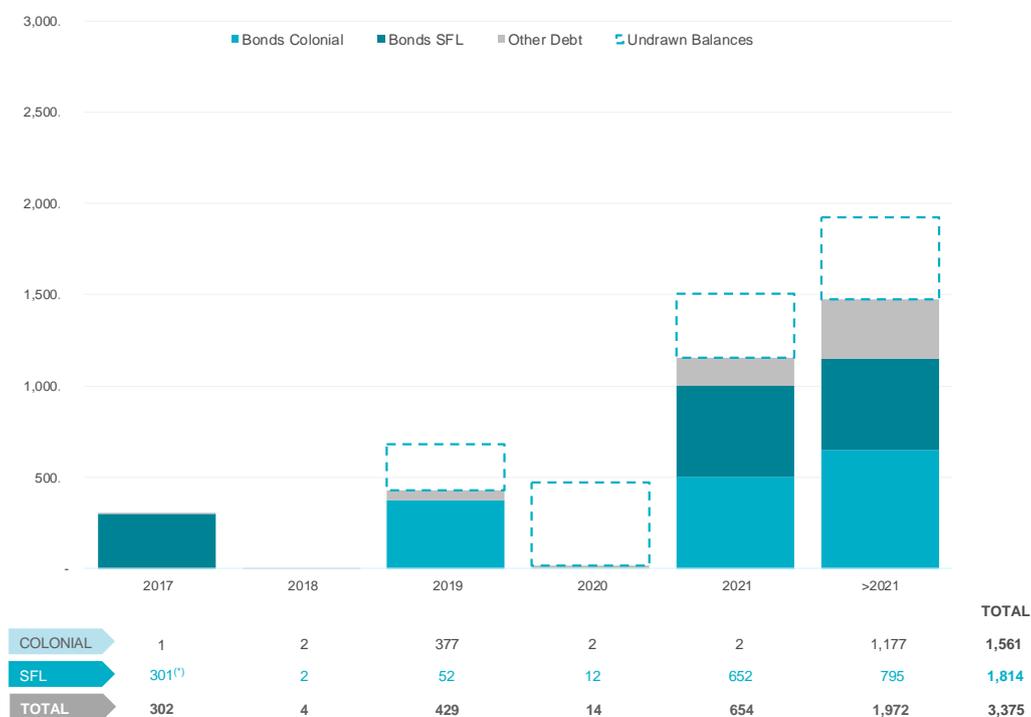
Colonial	SFL	Total
Spread	163 b.p.	160 b.p.
Cost of debt *	202 b.p.	203 b.p.
Average maturity of drawn down debt (years)	5.4	4.5
Average maturity of the contracted debt (years)	5.1	4.2
Contracted debt	€2,286m	€4,885m

(\*) Cost of debt: Euribor + Spread as of 30/9/2017. Without commissions and hedges.

The composition of the Group's debt at 30 September 2017 is as follows:



The breakdown of the drawn debt in terms of maturity is as follows:



<sup>(\*)</sup> Corresponds to bonds issued by SFL in 2012, maturing in November 2017. As of today, the Group has enough liquidity to cover these maturities.

## Financial results

- The main figures of the financial results of the Group are found in the following table:

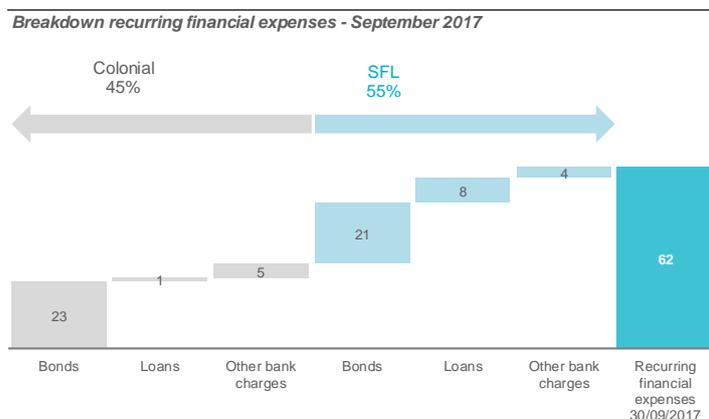
<i>Financial results</i>					
September cumulative - €m	COL	SFL	2017	2016	Var. %
Recurring financial expenses - Colonial	(29)	0	(29)	(26)	12%
Recurring financial expenses - SFL	0	(33)	(33)	(36)	(8%)
<b>Total recurring financial Expenses</b>	<b>(29)</b>	<b>(33)</b>	<b>(62)</b>	<b>(62)</b>	<b>0%</b>
Recurring Financial Income	2	0	2	1	102%
Capitalized interest expenses	1	1	2	1	70%
<b>Recurring Financial Result</b>	<b>(26)</b>	<b>(32)</b>	<b>(58)</b>	<b>(60)</b>	<b>(2%)</b>
Non-recurring financial expenses	0	0	0	(1)	(100%)
Change in fair value of financial instruments	0	(0)	(0)	(3)	(91%)
<b>Financial Result</b>	<b>(26)</b>	<b>(32)</b>	<b>(59)</b>	<b>(63)</b>	<b>(6%)</b>

- The recurring financial results of the Group for the first nine months of 2017 improved 2% compared to the same period of the previous year due to a decrease in financial expenses of SFL (mainly as a result of lower costs of drawn debt). In Colonial the recurring financial expenses slightly increased compared to the same period of the previous year, due to the increase in the average amount of the gross debt.



- The average credit spread in the first nine months of 2017 amounted to 158 bps (versus 164 bps. in the same period in 2016). This improvement is mainly due to (1) the transaction of the repurchase of 50% of Colonial's bonds maturing in June 2019 through the issue of new bonds at a lower coupon rate (liability management) carried out in the fourth quarter of 2016 and (2) to the maturity of an SFL bond in May 2016 for an amount of €156m, issued in 2011 with a spread of 180 bps.

- The breakdown of the recurring financial expenses at 30 September 2017 is as follows:



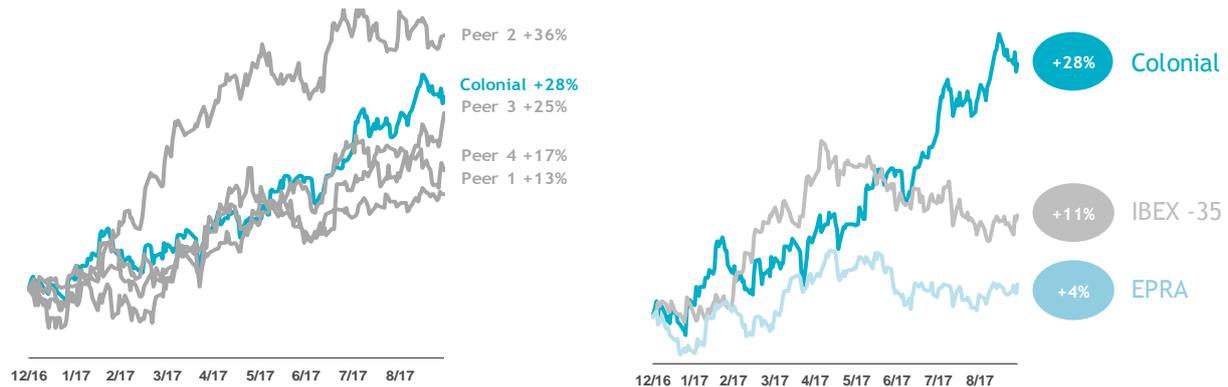
At 30 September 2017, 94% of the Group's net debt was at a fixed or hedged rate. During this period, SFL formalized a pre-hedging for a nominal amount of €100m, maturing in 2022, which will start in November 2017.

More details on the financial structure are found in Appendix 6.7.

## 5. Share price performance & Shareholding

### Share price performance

Colonial's shares closed the third quarter of 2017 with a revaluation of 28%, outperforming the benchmark indices (EPRA and IBEX35).

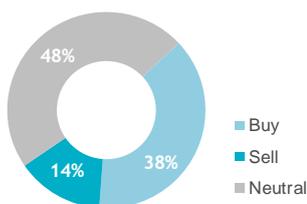


The average daily trading volume during 2017 reached €10.5m, positioning it among the most liquid values of the Spanish Real Estate Companies. Additionally, on 19 June 2017, the Colonial Group was included in the IBEX 35, the benchmark index for the Spanish Stock Exchange, increasing the visibility of the company for institutional investors.

With respect to analyst coverage, it is worth highlighting that in the last two years, the number of analysts covering the company has significantly increased, both domestically and internationally, with a total of 21 analysts currently covering the company.

The target prices based on analysts' consensus have substantially increased over recent months, reaching the highest target price since the initial coverage, to stand at €8.3/share (with a maximum target price of €10/share by Morgan Stanley).

Out of the total recommendations, 38% of the analysts issued a buy recommendation.



The target prices and recommendations are as follows:

Institution	Analyst	Date	Recommendation	Target Price actual (€/share)	Rental Income		Recurring Net Profit		NAV/ share (€)	
					2017	2018	2017	2018	2017	2018
1 Banco Santander	Jose Alfonso Garcia	17/10/2016	Buy	7.5	310	na	117	na	7.6	na
2 Mirabaud	Ignacio Méndez Terroso	23/01/2017	Sell	6.8	297	303	na	na	na	na
3 Fidentis	Pepa Chapa	23/02/2017	Buy	7.6	291	301	74	76	8.0	8.7
4 Kepler Cheuvreux	Carlos Ais	21/03/2017	Sell	6.5	295	321	na	na	8.3	8.7
5 Intermoney Valores	Esther Martín	05/05/2017	Maintain	7.5	282	na	na	na	7.7	na
6 Merrill Lynch	Samuel Warwood	07/05/2017	Neutral	7.4	291	300	na	na	7.6	7.7
7 Alpha Value	Alda Kule Dale	21/06/2017	Overweight	8.6	298	323	na	na	9.2	10.3
8 Bankinter Securities	Juan Moreno Martínez de Le	26/06/2017	Sell	7.4	302	316	na	na	na	na
9 Bankinter	Jesús Amador	18/07/2017	Neutral	8.1	300	322	na	na	na	na
10 Societe Generale	Alvaro Soriano De Miguel	10/07/2017	Buy	8.8	292	320	84	130	8.0	9.0
11 Haitong	Juan Carlos Calvo	13/07/2017	Neutral	8.1	304	322	100	116	8.0	8.4
12 Banco Sabadell	Ignacio Romero	20/07/2017	Buy	8.7	288	304	na	na	na	na
13 Morgan Stanley	Bart Gysens	29/08/2017	Overweight	10.0	291	318	na	na	8.7	9.5
14 Green Street Advisors	Peter Papadakos	14/09/2017	Maintain	8.3	280	285	92	na	7.9	8.7
15 JB Capital	Daniel Gandoy	18/10/2017	Neutral	9.2	301	314	na	na	7.7	8.1
16 Alantra Equities	Jaime Amoribieta	18/10/2017	Neutral	8.6	292	310	110	127	8.9	9.5
17 Kempen	Max Nimmo	18/10/2017	Buy	9.8	296	318	90	101	8.1	8.6
18 BPI	Gonzalo Sanchez Bordona	18/10/2017	Maintain	8.8	302	311	85	106	na	na
19 ING	Jaap Kuin	18/10/2017	Maintain	8.3	283	300	82	93	8.1	8.7
20 Deutsche Bank	Markus Scheufler	18/10/2017	Buy	9.5	na	na	75	na	8.3	9.0
21 Goldman Sachs	Jonathan Kownator	01/11/2017	Neutral	8.9	282	314	na	na	8.7	9.4
<b>Analysts consensus</b>				<b>8.3</b>	<b>294</b>	<b>311</b>	<b>91</b>	<b>107</b>	<b>8.2</b>	<b>8.9</b>

Source: Bloomberg & reports of analysts

Colonial is a member of the following indices: IBEX 35, FTSE EPRA/NAREIT Developed Europe, FTSE EPRA/NAREIT Developed Eurozone, as well as the Global Property Index 250 (GPR 250 Index).

In addition, Colonial is a member of the Morgan Stanley Capital International (MSCI) index, a global property benchmark index for profitability.



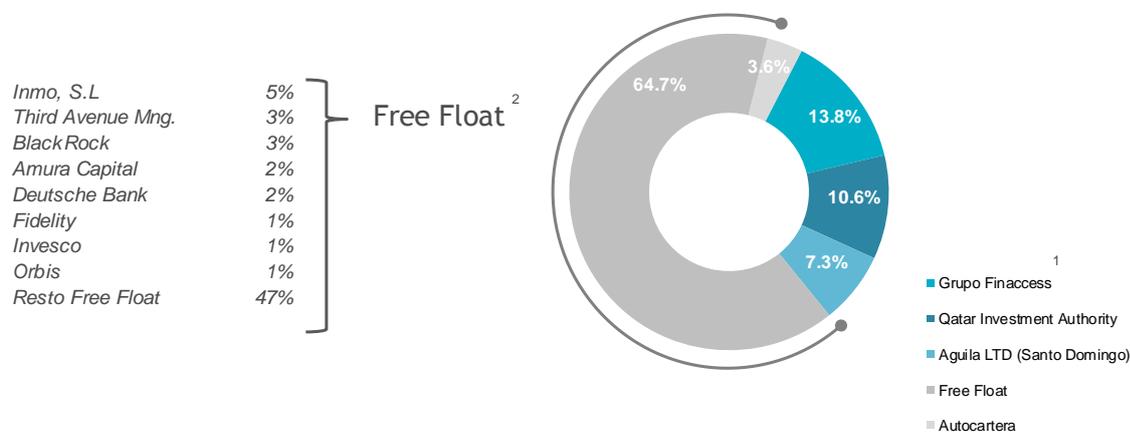
During the first half of 2017, MSCI rated Colonial as the best performing specialist fund for Spain. In particular, MSCI highlighted that Colonial had obtained the highest total annualized return in the last 3 years as at 31 December 2016 compared to the property sector benchmark.



## Company shareholder structure

Colonial's shareholder structure is as follows:

### Shareholder structure at 9/11/2017 (\*)



(\*) According to reports in the CNMV and notifications received by the company

(1) Through Hofinac BV, Finaccess Capital, S.A. de C.V. and Finaccess Capital Inversores, S.L.

(2) Free float: shareholders with minority stakes and without representation on the Board of Directors

### Board of Directors

Name of Director			Executive Committee	Nominations & Remunerations Committee	Audit & Control Committee
Juan José Brugera Clavero	Chairman		Chairman		
Pere Viñolas Serra	Chief Executive Officer		Member		
Sheikh Ali Jassim M. J. Al-Thani	Director				
Adnane Moussanif	Director		Member	Member	
Juan Carlos García Cañizares	Director	Aguila LTD (Santo Domingo)	Member	Member	
Carlos Fernández González	Director		Member		
Ana Sainz de Vicuña	Independent Director				Chairman
Carlos Fernández-Lerga Garralda	Independent Director		Member	Chairman	Member
Javier Iglesias de Ussel Ordiz	Independent Director			Member	Member
Luis Maluquer Trepas	Independent Director			Member	Member
Francisco Palá Laguna	Secretary - Non-Director		Secretary	Secretary	Secretary
Nuria Oferil Coll	Vice-secretary - Non-Director		Vice-secretary	Vice-secretary	Vice-secretary

## 6. Appendices

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6.1 EPRA Ratios

6.2 Consolidated balance sheet

6.3 Asset portfolio – Locations

6.4 Asset portfolio – Details

6.5 Portfolio of projects and new acquisitions

6.6 Historical series

6.7 Financial Structure - Details

6.8 Legal structure

6.9 Subsidiaries - Details

6.10 Glossary

6.11 Contact details

6.12 Disclaimer

## 6.1 Appendix – EPRA ratios

### 1) EPRA Earnings

EPRA Earnings - €m	3Q 2017	3Q 2016
Earnings per IFRS Income statement	454	249
<i>Earnings per IFRS Income statement - €/share</i>	<i>1.21</i>	<i>0.75</i>
<b>Adjustments to calculate EPRA Earnings, exclude:</b>		
(i) Changes in value of investment properties, development properties held for investment and other interests	(521)	(354)
(ii) Profits or losses on disposal of investment, development properties held for investment and other interests	8	0
(iii) Profits or losses on sales of trading properties including impairment changes in respect of trading properties	0	(1)
(iv) Tax on profits or losses on disposals	0	0
(v) Negative goodwill / goodwill impairment	0	0
(vi) Changes in fair value of financial instruments and associated close-out costs	1	2
(vii) Acquisition costs on share deals and non controlling joint venture interests	0	0
(viii) Deferred tax in respect of EPRA adjustments	(49)	11
(ix) Adjustments (i) to (vii) above in respect of joint ventures (unless already included under proportional consolidation)	0	0
(x) Minority interests in respect of the above	166	141
<b>EPRA Earnings</b>	<b>60</b>	<b>50</b>
<i>EPRA Earnings per Share (EPS) - €/share</i>	<i>0.16</i>	<i>0.15</i>
<b>Company specific adjustments:</b>		
(a) Extraordinary expenses	(1)	1
(b) Non recurring financial result	0	0
<b>Company specific adjusted EPRA Earnings</b>	<b>59</b>	<b>51</b>
<i>Company adjusted EPRA Earnings per Share (EPS) - €/share</i>	<i>0.16</i>	<i>0.15</i>
<i>Average N° of shares (m)</i>	<i>375.8</i>	<i>331.6</i>

## 6.1 Appendix – EPRA ratios (cont.)

### 2) EPRA Vacancy Rate

EPRA Vacancy Rate - Offices Portfolio			
€m	3Q 2017	3Q 2016	Var. %
<b>BARCELONA</b>			
Vacant space ERV	1	1	
Portfolio ERV	35	31	
<b>EPRA Vacancy Rate Barcelona</b>	<b>2%</b>	<b>4%</b>	<b>(3 pp)</b>
<b>MADRID</b>			
Vacant space ERV	2	1	
Portfolio ERV	56	48	
<b>EPRA Vacancy Rate Madrid</b>	<b>3%</b>	<b>2%</b>	<b>1 pp</b>
<b>PARIS</b>			
Vacant space ERV	7	7	
Portfolio ERV	174	184	
<b>EPRA Vacancy Rate Paris</b>	<b>4%</b>	<b>4%</b>	<b>(0 pp)</b>
<b>TOTAL PORTFOLIO</b>			
Vacant space ERV	9	10	
Portfolio ERV	265	263	
<b>EPRA Vacancy Rate Total Office Portfolio</b>	<b>3%</b>	<b>4%</b>	<b>(0 pp)</b>

Annualized figures

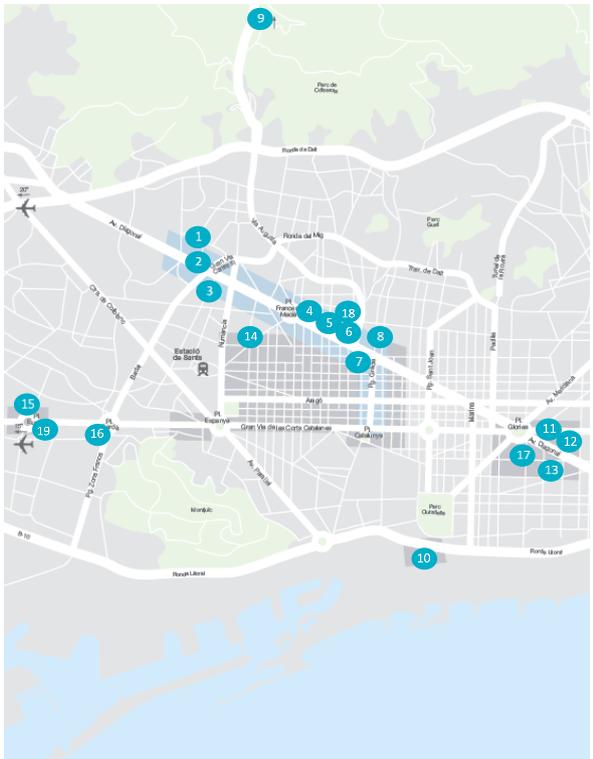
EPRA Vacancy Rate - Total Portfolio			
€m	3Q 2017	3Q 2016	Var. %
<b>BARCELONA</b>			
Vacant space ERV	1	1	
Portfolio ERV	36	33	
<b>EPRA Vacancy Rate Barcelona</b>	<b>2%</b>	<b>4%</b>	<b>(3 pp)</b>
<b>MADRID</b>			
Vacant space ERV	2	1	
Portfolio ERV	58	49	
<b>EPRA Vacancy Rate Madrid</b>	<b>3%</b>	<b>2%</b>	<b>1 pp</b>
<b>PARIS</b>			
Vacant space ERV	7	8	
Portfolio ERV	212	220	
<b>EPRA Vacancy Rate Paris</b>	<b>3%</b>	<b>4%</b>	<b>(0 pp)</b>
<b>TOTAL PORTFOLIO</b>			
Vacant space ERV	9	10	
Portfolio ERV	307	302	
<b>EPRA Vacancy Rate Total Portfolio</b>	<b>3%</b>	<b>3%</b>	<b>(1 pp)</b>

## 6.2 Appendix – Consolidated balance sheet

Consolidated balance sheet		
€m	3Q 2017	2016
<b>ASSETS</b>		
Property investments	7,988	7,763
Other non-current assets	247	198
<b>Non-current assets</b>	<b>8,235</b>	<b>7,960</b>
Debtors and other receivables	102	125
Other current assets	452	142
Assets available for sale	0	0
<b>Current assets</b>	<b>554</b>	<b>267</b>
<b>TOTAL ASSETS</b>	<b>8,789</b>	<b>8,228</b>
<b>LIABILITIES</b>		
Share capital	981	892
Reserves and others	1,493	1,136
Profit (loss) for the period	454	274
<b>Equity</b>	<b>2,928</b>	<b>2,302</b>
Minority interests	1,900	1,706
<b>Net equity</b>	<b>4,828</b>	<b>4,008</b>
Bond issues and other non-current issues	2,512	2,510
Non-current financial debt	602	712
Deferred tax	301	347
Other non-current liabilities	60	143
<b>Non-current liabilities</b>	<b>3,476</b>	<b>3,712</b>
Bond issues and other current issues	340	314
Current financial debt	6	89
Creditors and other payables	89	61
Other current liabilities	50	43
<b>Current liabilities</b>	<b>485</b>	<b>507</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>8,789</b>	<b>8,228</b>

## 6.3 Appendix – Asset portfolio – Locations

### Barcelona



1. Paseo de los Tilos, 2-6
2. Av. Diagonal, 682
3. Av. Diagonal, 609-615
4. Travessera de Gràcia, 11
5. Amigó, 11-17
6. Av. Diagonal, 530-532
7. Av. Diagonal, 409
8. Via Augusta, 21-23
9. Complejo de oficinas Sant Cugat Nord
10. Torre Marenostrom
11. Diagonal Glories
12. Complejo de oficinas Parc Central 22@
13. Complejo de oficinas Illacuna
14. Berlin, 38-48 / Numància, 46
15. Plaza Europa, 42-44
16. Torre BCN
17. Parc Glories
18. Travessera de Gràcia, 47-49
19. Plaza Europa, 34



1- Paseo de los Tilos, 2-6



2- Av. Diagonal, 682



3- Av. Diagonal, 609-615



4- Travessera de Gràcia, 11



5- Amigo, 11-17



6- Av. Diagonal, 530-532



7- Av. Diagonal, 409



8- Via Augusta, 21-23



9- Sant Cugat Nord



10- Torre Marenostrom



11- Diagonal Glories



12- Parc Central 22@



13- Complejo Oficinas Illacuna



14- Berlin 38-48/Numancia, 46



15- Plaça Europa, 42-44



16- Torre Bcn



17- Parc Glories



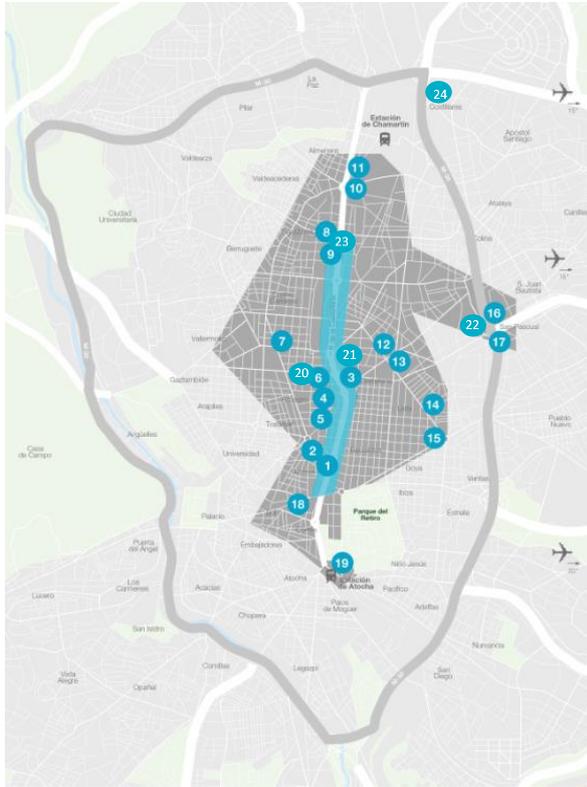
18- Travessera Gràcia, 47-49



19- Plaza Europa 34

### 6.3 Appendix – Asset portfolio – Locations (cont.)

#### Madrid



1. Paseo de Recoletos, 37-41
2. Génova, 17
3. Paseo de la Castellana, 52
4. Paseo de la Castellana, 43
5. Miguel Ángel, 11
6. José Abascal, 56
7. Santa Engracia
8. Poeta Joan Maragall, 53
9. Estébanez Calderón, 3-5
10. Agustín Foxá, 29
11. Hotel Tryp Chamartín
12. López de Hoyos, 35
13. Príncipe de Vergara, 112
14. Francisco Silvela, 42
15. Ortega y Gasset, 100
16. Ramírez de Arellano, 37
17. MV 49 Business Park
18. Alcalá, 30-32
19. Alfonso XII, 62
20. José Abascal, 45
21. Serrano, 73
22. Santa Hortensia, 26-28
23. Paseo de la Castellana, 163
24. Arturo Soria, 336



1- Paseo Recoletos, 37-41



2- Génova, 17



3- Castellana, 52



4- Castellana, 43



5- Miguel Angel, 11



6- José Abascal, 56



7- Santa Engracia



8- Poeta Joan Maragall, 53



9- Estébanez Calderón, 3-5



10- Agustín Foxá, 29



11- Hotel Tryp Chamartín



12- López de Hoyos, 35



13- Príncipe de Vergara, 112



14- Francisco Silvela, 42



15- Ortega y Gasset, 100



16- Ramírez Arellano, 37



17- MV 49 Business Park



18- Alcalá, 30-32



19- Alfonso XII, 62



20- José Abascal, 45



21- Serrano, 73



22- Santa Hortensia, 26-28



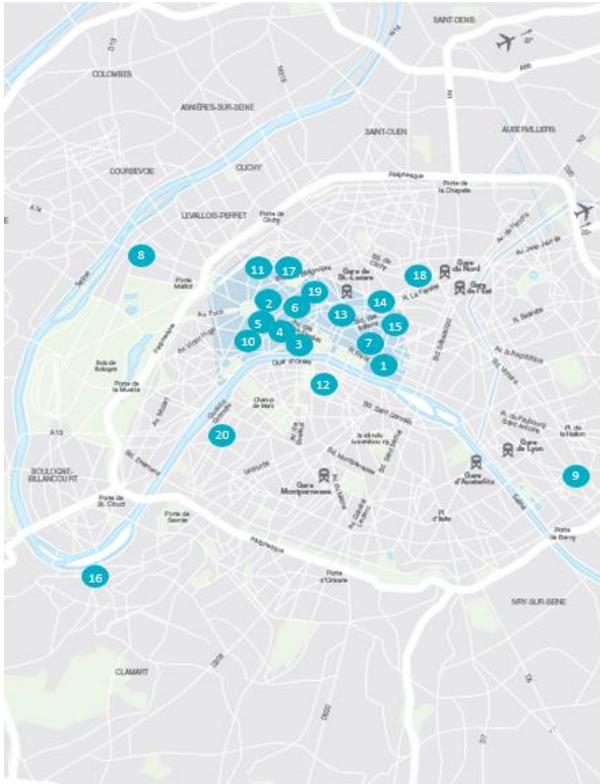
23- Paseo Castellana, 163



24- Arturo Soria, 336

### 6.3 Appendix – Asset portfolio – Locations (cont.)

#### Paris



1. Louvre Saint-Honoré
2. Washington Plaza
3. Galerie des Champs-Élysées
4. 90 Champs-Élysées
5. 92 Champs-Élysées Ozone
6. Cézanne Saint-Honoré
7. Édouard VII
8. 176 Charles de-Gaulle
9. Rives de Seine
10. 96 Iéna
11. 131 Wagram
12. 103 Grenelle
13. 104-110 Haussmann Saint-Augustin
14. 6 Hanovre
15. #Cloud
16. Le Vaisseau
17. 112 Wagram
18. 4-8 Rue Condorcet
19. 9 Avenue Percier
20. 112-122 Av. Emile Zola



1- Louvre-Saint-Honoré



2- Washington Plaza



3- Galerie de Champs-Élysées



4- 90, Champs-Élysées



5- 92, Champs-Élysées



6- Cézanne Saint-Honoré



7- Édouard VII



8- 176, Charles de Gaulle



9- Rives de Seine



10- 96, Iéna



11- 131, Wagram



12- 103, Grenelle



13- 104 Haussmann St-Augustin



14- 6, Hanovre



15- #Cloud



16- Le Vaisseau



17- 112, Wagram



18- 4-8, Rue Condorcet



19- 9, Avenue Percier



20- Emile Zola

## 6.4 Appendix – Asset portfolio - Details

### Spain

RENTAL PORTFOLIO SPAIN	Acquisition year	Floor space above ground				Floor space above ground	Floor space below ground	Total surface	Parking units
		Offices	Retail	Resid.	Hotel				
DIAGONAL, 409	2001	3,680	851			4,531	0	4,531	
DIAGONAL, 530	1992	9,226	2,555			11,781	4,708	16,489	
DIAGONAL, 609-615 - DAU/PRISMA	1997	21,996				21,996	18,839	40,835	438
AV. DIAGONAL, 682	1997	8,372	250			8,622	1,795	10,417	50
PEDRALBES CENTRE	1997	0	5,558			5,558	1,312	6,870	
BERLIN, 38-48/NUMANCIA, 46	1997	9,644	3,173			12,817	3,779	16,596	99
DIAGONAL 220-240, GLORIES	2000	11,672				11,672	536	12,208	40
ILLACUNA	2006	18,883	812			19,695	13,620	33,315	481
P/TILOS, 2-6	2000	5,143				5,143	3,081	8,224	79
TRAVESSERA, 47-49	2016	8,939				8,939	1,705	10,644	6
VIA AUGUSTA, 21-23	1999	4,620	218			4,838	0	4,838	
TRAVESSERA, 11	1994	4,105	410			4,515	1,994	6,509	61
AMIGÓ, 11-17	1994	2,960	608			3,568	1,778	5,346	88
PLZ EUROPA 42-44	2014	4,869				4,869	2,808	7,677	68
TORRE BCN	2000	9,600	235			9,835	3,398	13,233	88
TORRE MARENOSTRUM	2003	22,394				22,394	19,370	41,764	616
SANT CUGAT	1999	27,904				27,904	20,531	48,435	690
CASTELLANA, 52	1998	6,496	1,027			7,523	2,615	10,138	49
P. CASTELLANA, 163	2016	9,610	600			10,210	1,855	12,065	52
RECOLETOS, 37-41	2005	13,642	3,560			17,202	5,340	22,542	175
CASTELLANA, 43	2005	5,455	543			5,998	2,441	8,439	81
MIGUEL ANGEL, 11	2005	5,370	930			6,300	2,200	8,500	81
JOSE ABASCAL, 56	2005	10,857	1,468			12,325	6,437	18,762	219
GÉNOVA, 17	2015	3,638	1,038			4,676	2,601	7,277	70
JOSE ABASCAL, 45	2016	5,290				5,290	1,929	7,219	54
SERRANO, 73	2016	4,242				4,242	3,220	7,462	104
ALCALA, 30-32	1994	8,573	515			9,088	1,700	10,788	52
ALFONSO XII, 62	2002	13,135				13,135	2,287	15,422	78
SANTA ENGRACIA	2015	13,444	220			13,664	5,562	19,226	180
FRANCISCO SILVELA, 42	1999	5,393				5,393	3,926	9,319	105
JOSE ORTEGA Y GASSET 100	2000	6,870	922			7,792	2,563	10,355	96
POETA JOAN MARAGALL, 53	2001	13,685	2,330			16,015	9,668	25,683	295
LÓPEZ DE HOYOS, 35	2005	7,140				7,140	4,105	11,245	111
AGUSTÍN DE FOXÁ, 29	2003	6,402	873			7,275	2,515	9,789	158
HOTEL CENTRO NORTE	2003	0	385		8,073	8,458	11,089	19,547	
ARTURO SORIA, 336	2017	8,363	300			8,663	5,655	14,318	200
MARTÍNEZ VILLERGA, 49	2006	24,135				24,135	14,746	38,881	437
RAMÍREZ DE ARELLANO, 37	1999	5,988				5,988	4,923	10,911	160
SANTA HORTENSIA, 26-28	2016	46,928				46,928	25,668	72,596	946
HOTEL MUJACAR	2006	0			11,519	11,519	0	11,519	
RESTO LOCALES			969			969	350	1,319	
<b>CARTERA EN EXPLOTACIÓN</b>		<b>398,663</b>	<b>30,350</b>	<b>0</b>	<b>19,592</b>	<b>448,605</b>	<b>222,649</b>	<b>671,255</b>	<b>6,606</b>
PARC GLORIES	2016	24,551				24,551	5,343	29,894	141
PARC CENTRAL 22@	2010	14,737				14,737	14,737	29,474	184
PLAZA EUROPA, 34	2017	14,306				14,306	4,500	18,806	
ESTEBANÉZ CALDERÓN, 3-5	2015	10,152				10,152	4,751	14,903	103
PRÍNCIPE DE VERGARA, 112-114	2015	11,368				11,368	4,530	15,898	108
P. CASTELLANA, 163	2016	700				700	0	700	
RESTO ACTIVOS		768	1,100			1,868	3,235	5,103	13
<b>PROYECTOS &amp; REHABILITACIONES</b>		<b>76,582</b>	<b>1,100</b>	<b>0</b>	<b>0</b>	<b>77,682</b>	<b>37,096</b>	<b>114,778</b>	<b>549</b>
<b>TOTAL ESPAÑA</b>		<b>475,245</b>	<b>31,450</b>	<b>0</b>	<b>19,592</b>	<b>526,287</b>	<b>259,745</b>	<b>786,032</b>	<b>7,155</b>
BARCELONA		228,357	14,775	0	0	243,132	125,360	368,493	3,228
MADRID		246,888	15,809	0	8,073	270,770	134,035	404,804	3,927
OTROS		0	866	0	11,519	12,385	350	12,735	0

Note: In order to facilitate the analysis of the portfolio, part of the office buildings have been specified to be dedicated to retail/commercial use (generally on the ground floors).

The assets in the Barcelona rental portfolio are 100% owned by Colonial, with the exception of Torre Marenostrom of which Colonial has a 55% stake and the plot of land at Plaza Europa 34 which is held through a joint venture with Inmo, S.L at 50%.

The assets in the Madrid rental portfolio and the rest of Spain are 100% owned by Colonial.

## 6.4 Appendix – Asset portfolio (cont.)

### France

RENTAL PORTFOLIO FRANCE		Floor space above ground				Floor space above ground	Floor space below ground	Total surface	Parking units
Acquisition year	Offices	Retail	Resid.	Hotel & others					
LOUVRE SAINT-HONORE	1995	24,897	159		2,134	27,190	5,730	32,920	236
EDOUARD VII	1999	28,412	15,350	4,509	4,202	52,473	10,145	62,618	523
6 HANOVRE	1958	3,325				3,325	1,246	4,571	0
#CLOUD.PARIS	2004	28,192			1,860	30,051	3,164	33,216	99
CONDORCET	2014	20,376		1,562	1,301	23,239	2,457	25,696	50
GALERIE CHAMPS-ELYSEES	2002	0	4,187			4,187	3,849	8,036	125
90 CHAMPS-ELYSEES	2002 / 2009	7,912	932			8,844	0	8,844	
92 CHAMPS-ELYSEES	2000	729	3,089			3,818	0	3,818	
CEZANNE SAINT-HONORE	2001 / 2007	22,651	1,849	0		24,501	3,337	27,837	128
131 WAGRAM	1999	6,289			449	6,738	3,119	9,858	124
96 IENA	2001 / 2007	7,379				7,379	4,711	12,091	264
112 WAGRAM	2008	4,470	892			5,362	546	5,908	29
WASHINGTON PLAZA	2000	38,839	416		2,214	41,469	13,279	54,749	662
HAUSSMANN SAINT-AUGUSTIN	2002 / 2004	11,683	791			12,474	2,650	15,124	104
9 PERCIER	2015	5,945				5,945	419	6,364	14
176 CHARLES DE GAULLE	1997	5,749	389			6,138	2,739	8,876	145
LE VASSEAU	2006	6,026				6,026	2,321	8,347	124
RIVES DE SEINE	2004	20,270			1,760	22,030	6,589	28,619	366
103 GRENELLE	2006	15,585	258		1,052	16,895	1,891	18,786	100
SAINT DENIS		0		60		60	16	76	1
<b>PORTFOLIO IN OPERATION FRANCE</b>		<b>258,728</b>	<b>28,312</b>	<b>6,132</b>	<b>14,972</b>	<b>308,143</b>	<b>68,209</b>	<b>376,353</b>	<b>3,094</b>
LOUVRE SAINT-HONORE	1995	1,081	9,047			10,128	8,462	18,590	
92 CHAMPS-ELYSEES	2000	3,381				3,381	493	3,874	
CEZANNE SAINT-HONORE	2001 / 2007	1,787				1,787	1,504	3,290	
WASHINGTON PLAZA	2000	825				825	2,177	3,002	
	1999	811				811	532	1,342	
103 GRENELLE	2006	0				0	1,704	1,704	
#CLOUD.PARIS	2004	0				0	3,397	3,397	
REST OF ASSETS		126	531			657	5,083	5,740	
<b>PROJECTS UNDERWAY FRANCE</b>		<b>8,010</b>	<b>9,578</b>			<b>17,589</b>	<b>23,351</b>	<b>40,939</b>	<b>0</b>
<b>TOTAL FRANCE</b>		<b>266,738</b>	<b>37,890</b>	<b>6,132</b>	<b>14,972</b>	<b>325,732</b>	<b>91,560</b>	<b>417,292</b>	<b>3,094</b>
<b>TOTAL PROPERTY COLONIAL</b>		<b>741,984</b>	<b>69,340</b>	<b>6,132</b>	<b>34,563</b>	<b>852,019</b>	<b>351,305</b>	<b>1,203,324</b>	<b>10,249</b>

Colonial has 58.6% of the share capital of SFL. SFL has 100% ownership of the totality of its rental portfolio with the exception of Washington Plaza of which it owns 66%, as well as the assets of Champs Élysées 90, Galeries Champs Élysées 82-88 and Haussmann 104-110 of which it owns 50%.

## 6.5 Appendix – Project portfolio & new acquisitions

### Projects underway, future projects and new acquisitions

#### BARCELONA

##### Parc Glòries – Barcelona 22@ (Project underway)



A new project of an emblematic office building in the most prime area of 22@ with extremely high quality finishes, technical specifications and sustainability with delivery expected in 2018. Parc Glòries is a project destined to become an imminent symbol of the city. The project will have more than 24,000 sq m designed by Batlle & Roig, distributed over 17 floors, each with a surface area of approximately 1,800 sq m. The building is located in the heart of the newest and most modern business district in Barcelona, next to Plaça de les Glòries and adjacent to

Avenida Diagonal. The building will be one of the first properties to obtain the LEED Platinum certificate in the Barcelona office market. Currently, more than 9,000 sq m have been pre-let to Schibsted Ibérica.

##### Plaza Europa, 34 (Project underway)



At the beginning of 2017, Colonial strengthened its position in Plaza Europa, one of the business areas with the most development in recent years in Barcelona, with a new project to build a 21-storey office building with 14,000 sq m above ground and 150 parking spaces. The total investment amounted to €32m. This project is being developed in a joint venture with the Inmo Company, a subsidiary of the Puig family, the land owner, whose current corporate headquarters is located in the adjacent plot. The building will obtain the LEED Gold energy certificate.

##### Travessera de Gràcia, 47-49



This is an acquisition in the framework of the Alpha II project for an office building located in the Barcelona CBD with a surface area above ground of almost 9,000 sq m, distributed between a ground floor, a mezzanine floor, and 8 additional floors, as well as 1,700 sq m of surface area below ground. The asset is the Spanish headquarters of the Bertelsmann Group and its subsidiaries with a 5-year contract.

## 6.5 Appendix – Project portfolio & new acquisitions (cont.)

### Projects underway, future projects and new acquisitions

#### MADRID

##### Discovery Building (Estébanez Calderón) (Project underway)



Property acquired in May 2015, located at Estébanez Calderón 3-5, just a few metres from Paseo de la Castellana. The transaction involves demolishing the current building to build a new unique property, which will incorporate the latest technologies and innovation in materials. The property will obtain the most prestigious environmental and sustainability certificates. The new office building will provide a total of 10,200 sq m of rentable surface area, with optimal space efficiency on all floors, enabling it to obtain the LEED Gold energy certificate. The project, led by Lamela studio, is expected to be finished during the second half of 2017.

##### Príncipe de Vergara (Project underway)



Property acquired in July 2015, located at Príncipe de Vergara, 112, Madrid. The transaction involves demolishing the current property to build a unique new building, which will incorporate the latest technologies and innovation in materials. The property will receive the most prestigious environmental and sustainability certificates. The new office building will provide a total of 11,400 sq m of rentable surface area, with optimal space efficiency on all floors, enabling it to obtain the LEED Gold energy certificate.

##### Paseo de la Castellana, 163 (Future project)



An office building acquired in the Alpha II project, located in the CBD in Madrid. The asset has a surface area above ground of 10,900 sq m, divided among 11 floors of office space and a ground floor allocated for commercial premises. The flexible floors are approximately 900 sq m with an efficient design and high luminosity. The building has two entrances: one in Paseo de la Castellana and the other in Capitán Haya 50. Over the coming two years, the property will be refurbished to obtain the BREEAM Very Good certificate.

## 6.5 Appendix – Project portfolio & new acquisitions (cont.)

### Projects underway, future projects and new acquisitions

#### MADRID – cont.

##### Serrano, 73 – Madrid Prime CBD



A building located in calle Serrano, 73 in Madrid, a unique location in the super-prime market in Madrid. The property has a surface area of 4,200 sq m, and is one of the office buildings in Madrid with the highest recognition due to its extraordinary location and quality.

##### José Abascal, 45 – Madrid Prime CBD



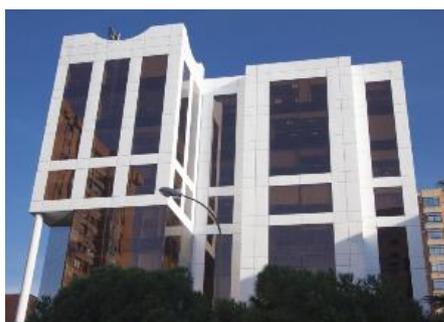
Colonial has acquired a building located in calle José Abascal, 45 in Madrid. It is an architecturally unique building with a surface area of over 5,300 sq m, located in the prime CBD and rented to top tier companies. Colonial has carried out refurbishment works on the building. The amount of the investment stands at €35m, and confirms the positioning of Colonial as one of the leaders in prime assets in the Madrid market.

##### Santa Hortensia, 26-28 – Madrid BD



This building, located in calle Santa Hortensia, 26-28 in Madrid, is also included in the agreement with Grupo Finaccess. The property has a surface area of 47,000 sq m and is one of the 7 largest office buildings in Madrid. Located on a strategically-located land plot of 12,500 sq m, it is a unique building in its characteristics, and fits perfectly into Colonial's strategy to develop the best portfolio of prime assets in Spain.

##### Arturo Soria, 336 – Madrid BD



Purchase of an office building at 336 Arturo Soria in Madrid, which has a surface area of 8,663 sq m above ground and almost 200 parking spaces. The asset is currently almost 100% occupied. Highlighted is the potential the building has due to its location, quality and size, as well as the flexibility of the space.

## 6.5 Appendix – Project portfolio & new acquisitions (cont.)

### Projects underway, future projects and new acquisitions

#### PARIS

##### 112-122 Avenue Emile Zola (Future project)



At the beginning of 2017, The Colonial Group completed a transaction for €165m, through its French subsidiary, to acquire the historical headquarters of the SMA Group. This building stands at a prime location at 112-122 Avenue Emile Zola, in the centre of district 15 in Paris. The building has a surface area of approximately 21,000 sq m<sup>2</sup>. SMA will move to a new headquarters in the fourth quarter of 2017, at which time the Colonial Group will restructure the building to transform it into one of the largest office complexes in the South of the French capital. The project will have 1,400 sq m of office space with great luminosity and efficient functionality. There will be a double entrance, optimizing the divisibility and with a wooded garden surrounding the building.

##### Louvre Saint Honoré (Future project)



New retail development project in the Louvre Saint Honoré building which will count on approximately 15,000 sq m. It is the development of a retail space on the underground floors, ground floor and the first floor of the building. This Prime Factory project will be carried out with top quality finishes and technical specifications and is expected to be completed by 2021, with the capacity to attract top tier tenants.

##### 96 léna (Future project)



A future project for the creation of a prime office complex located in the heart of the CBD in Paris, close to “l’Arc de Triomphe”. The project will be designed by a famous French architect Dominique Perrault, creating an iconic building with high quality finishings and technical specifications. Common spaces will be optimized on the offices floors and green spaces will be created in the interior patio, as well as an internal atrium that will allow for natural light to reach the underground basement up to two floors down. The property will have the best energy certificates and construction is expected to begin in 2018 and be completed by 2020.

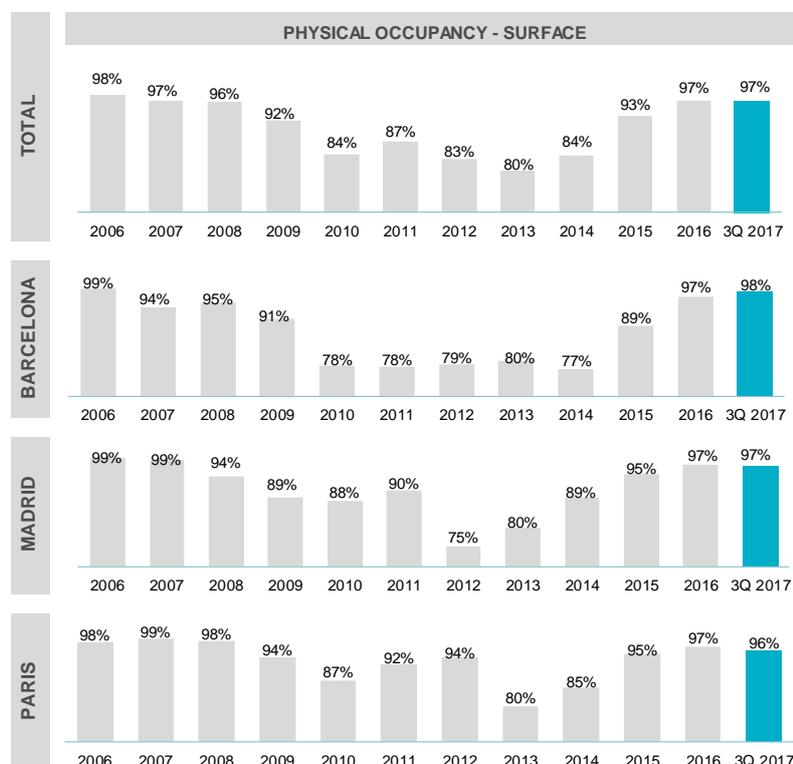
## 6.6 Appendix – Historical series

### Historical series breakdown

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	3Q 17
<b>Barcelona</b>														
Physical Offices Occupancy (%)	97%	100%	99%	94%	95%	91%	78%	78%	79%	80%	77%	89%	97%	98%
Rental revenues (€m)	55	53	56	60	51	49	39	32	31	28	28	27	30	26
Net Rental Income (€m)	53	51	55	58	49	47	37	28	27	25	23	23	28	25
NRI / Rental revenues (%)	95%	96%	97%	97%	96%	97%	93%	88%	89%	89%	85%	85%	92%	95%
<b>Madrid</b>														
Physical Offices Occupancy (%)	93%	98%	99%	99%	94%	89%	88%	90%	75%	80%	89%	95%	97%	97%
Rental revenues (€m)	37	44	68	70	56	50	47	45	44	35	32	35	43	38
Net Rental Income (€m)	34	42	66	66	52	46	42	41	40	30	28	31	38	32
NRI / Rental revenues (%)	93%	94%	96%	95%	92%	92%	90%	90%	90%	86%	85%	88%	88%	84%
<b>Paris</b>														
Physical Offices Occupancy (%)	97%	96%	98%	99%	98%	94%	87%	92%	94%	80%	85%	95%	97%	96%
Rental revenues (€m)	157	153	162	170	182	183	175	152	150	149	152	169	198	148
Net Rental Income (€m)	147	145	153	162	171	173	162	141	138	137	139	155	188	139
NRI / Rental revenues (%)	94%	95%	95%	95%	94%	94%	93%	93%	92%	92%	92%	92%	95%	94%

### Evolution of physical office occupancy

Office Occupancy<sup>(1)</sup> – Evolution of Colonial's Portfolio



(1) Occupied surfaces/Surfaces in operation

## 6.7 Appendix – Financial structure – Details

The main characteristics of the Colonial Group's debt are as follows:

1. Bonds issued in two tranches in June 2015 for a total amount of €875m according to the following breakdown:
  - a) Initial issuance of €750m, with a pending amount of €375 after the buybacks carried out in October 2016, and maturing in June 2019 with an annual fixed coupon of 1.863%.
  - b) Issuance of €500m, maturing in June 2023 with an annual fixed coupon of 2.728%.
2. Two bond issuances for €650m, carried out under the EMTN program:
  - a) Issuance of €600m, maturing in October 2024, with a fixed annual coupon of 1.45%.
  - b) Private bond issuance for €50m, maturing in November 2026, with an annual fixed coupon of 1.875%.

These bonds are unsubordinated and non-preferential between them, and have been accepted for listing on the Main Securities Market of the Irish Stock Exchange.

3. Three SFL bond issuances for €1,301m according to the following breakdown:
  - a) Issuance in November 2012 of the initial amount of €500m, with a pending amount after the buybacks carried out in November 2014 and November 2015 of €301m, maturing in November 2017, with an annual fixed coupon of 3.5%.
  - b) Issuance in November 2014 for €500m, with an annual fixed coupon of 1.875%, maturing in November 2021.
  - c) Issuance in November 2015 for €500m with an annual fixed coupon of 2.250%, maturing in November 2022.

These bonds are unsubordinated and non-preferential between them and have been accepted for listing on the regulated market of Euronext Paris.

4. Colonial's two syndicate loans:
  - a) Syndicate loan for a nominal value of €350m, of which the agent bank is Natixis S.A. Sucursal en España, maturing in November 2021. The objective of this syndicate loan is to finance possible acquisitions, as well as refurbishments and other investment needs (CAPEX). The interest rate of the loan has been fixed at Euribor plus 160 bps and the only guarantees provided have been corporate.
  - b) Syndicate loan for a nominal value of €375m, of which the agent bank is "Credit Agricole Corporate and Investment Bank Sucursal en España, S.A." maturing in March 2022. The objective of this syndicate loan is to cover general corporate needs. The interest rate of the loan has been fixed at Euribor plus the market spread. The only guarantees provided have been corporate.

Both loans are subject to the fulfilment of certain financial ratios. At 30 September 2017 these loans were totally undrawn.

## 6.7 Appendix – Financial structure – Details (cont.)

5. SFL's two syndicate loans:
  - a) A syndicate loan for a nominal amount of €400m, the agent bank of which is "BNP PARIBAS", maturing in July 2020 with an applicable spread, subject to the LTV level. At 30 September 2017 this loan was €10m undrawn.
  - b) A syndicate loan, the agent bank of which is "Natixis Banques Populaires" for a nominal amount of €150m, maturing in October 2019. The applicable spread varies depending on the LTV. At 30 September 2017 this loan was totally undrawn.
6. Bilateral loans with mortgage securities:
  - a) Colonial, through one of its subsidiaries, holds €36m in bilateral loans, with mortgage securities on various property assets. The average maturity of this loan is 7.8 years and the average financing spread is 150 bps.
  - b) SFL, through various subsidiaries, holds a total of €204m in bilateral loans with various financial institutions, with mortgage securities on property assets. The average maturity of these loans is 4.6 years.
7. Bilateral loans without mortgage securities:
 

SFL holds various loans for the amount of €300m, at a variable interest rate, with an average maturity of 4 years.

## Hedging portfolio

The breakdown of the hedging portfolio at 30 September 2017 is the following:

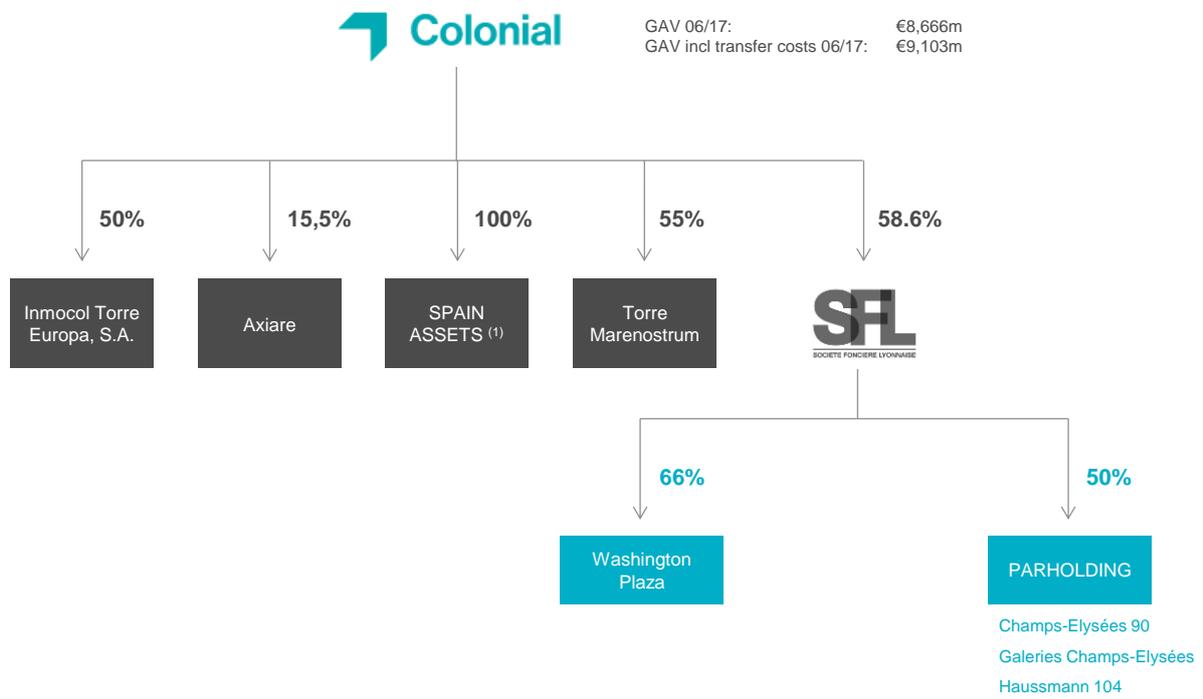
September 2017 Financial instrument - €m	Colonial	SFL	TOTAL	MTM (Ex-coupon)
Total hedging portfolio (Variable - Fixed)	28	100	128	0
Maturity (years)	15	5	7	
% Hedging portfolio / Gross debt	80%	32%	34%	
% Fixed rate or hedged debt vs/ Gross debt	100%	88%	94%	

94% of the Group's debt was contracted at a fixed rate at 30 September 2017. In addition, the Group uses derivative financial instruments that enable it to manage its exposure to interest rate fluctuations. The objective of the risk management policy is to reduce exposure to interest rate volatility in order to limit and control the impact of interest rate fluctuations on the cash flow and results, maintaining an appropriate global cost of debt. In addition, the policy of the Group is to contract instruments that comply with the requirements established under IFRS 39, allowing the variance in the market value (MTM) to be registered directly in net equity.

At 30 September 2017 the Group had interest rate derivatives contracted (IFRS) for €128m. In the case of Colonial, these related to a hedging associated with the loan by the company Torre Marenstrum. During the first half of the year, with the aim of renewing this loan, the previous hedging was cancelled, with a new one being formalized which was adapted to the new market situation and the new loan maturity.

SFL signed an interest rate derivative for €100m, the commencement of which will be in November 2017.

## 6.8 Appendix – Legal structure

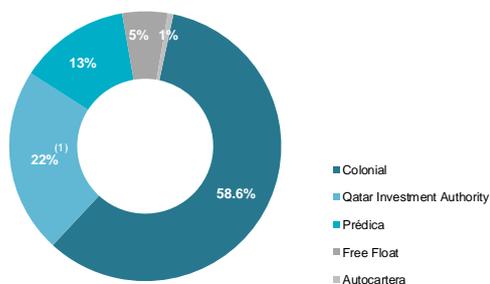


(1) Excluding Torre Marenostrum and Plaza Europa

## 6.9 Appendix – Subsidiaries - Details

### ▪ Shareholder structure and Board of Directors of SFL

#### SFL - Shareholder structure at 30/09/2017



(1) Stake held through Qatar Investment Authority (13.7%) and DIC Holding (8.6%)

#### Board of Directors SFL

Name of Director			Executive Committee	Nominations & Remunerations Committee	Audit & Control Committee	Independent Directors Committee
Juan José Brugera Clavero	Chairman	 Colonial	Chairman			
Pere Viñolas Serra	Vice-Chairman - Director	 Colonial	Member	Member		
Carlos Fernández-Lerga Garralda	Director	 Colonial			Chairman	
Carmina Ganayet Cirera	Director	 Colonial	Member		Member	
Angels Arderiu Ibars	Director	 Colonial				
Carlos Krohmer	Director	 Colonial				
Luis Maluquer Trepal	Director	 Colonial				
Nuria Oferill Coll	Director	 Colonial				
Ali Bin Jassim Al Thani	Director					
Adnane Moussanif	Director					
Jean-Jacques Duchamp	Director		Member		Member	
Chantal du Rivau	Director					
Sylvia Desazars de Montgailhard	Independent Director					Member
Anne-Marie de Chalambert	Independent Director			Member	Member	Member
Anthony Wyand	Independent Director			Chairman		Member

## 6.10 Appendix - Glossary

<b>Earnings per share (EPS)</b>	Profit from the year attributable to the shareholders divided by the basic number of shares
<b>BD</b>	Business District
<b>Market capitalisation</b>	The value of the company's capital obtained from its stock market value. It is obtained by multiplying the market value of its shares by the number of shares in circulation
<b>CBD</b>	Central Business District (prime business area)
<b>Property company</b>	Company with rental property assets
<b>Portfolio (surface area) in operation</b>	Property/surfaces with the capacity to generate rents at the closing date of the report
<b>EBIT</b>	Calculated as the operating profit plus variance in fair value of property assets as well as variance in fair value of other assets and provisions.
<b>EBITDA</b>	Operating result before net revaluations, amortizations, provisions, interests and taxes
<b>EPRA</b>	European Public Real Estate Association: Association of listed European property companies that sets best market practices for the sector
<b>Free float</b>	The part of share capital that is freely traded on the stock market and not controlled in any stable way by shareholders
<b>GAV excl. transfer costs</b>	Gross Asset Value of the portfolio according to external appraisers of the Group, after deducting transfer costs
<b>GAV incl. transfer costs</b>	Gross Asset Value of the portfolio according to external appraisers of the Group, before deducting transfer costs
<b>GAV Parent Company</b>	Gross Asset Value of directly-held assets + NAV of the 55% stake in the Torre Marenostum SPV + Value JV Plaza Europa + NAV of 58.5% stake in SFL. + NAV stake in Axiare value of the portfolio.

## 6.10 Appendix – Glossary (cont.)

<b>Holding</b>	A company whose portfolio contains shares from a certain number of corporate subsidiaries.
<b>IFRS</b>	International Financial Reporting Standards.
<b>JV</b>	Joint Venture (association between two or more companies).
<b>Like-for-like valuation</b>	Data that can be compared between one period and another (excluding investments and disposals).
<b>LTV</b>	Loan to Value (Net financial debt/GAV of the business).
<b>EPRA Like-for-like rents</b>	Data that can be compared between one period and another, excluding the following: 1) investments and disposals, 2) changes in the project and refurbishment portfolio, and 3) other extraordinary items, for example, indemnities from tenants in case of anticipated leave. Calculation based on EPRA Best Practices guidelines.
<b>EPRA NAV</b>	EPRA Net Asset Value (EPRA NAV) is calculated based on the consolidated equity of the company and adjusting some items following the EPRA recommendations.
<b>EPRA NNNAV</b>	The EPRA NNNAV is calculated adjusting the following items in the EPRA NAV: the fair market value of the financial instruments, the fair market value of the debt, the taxes that would be accrued with the sale of the assets at their market value applying tax benefits for reinvestments and the tax credit on balance, considering a going concern assumption.
<b>EPRA Cost Ratio</b>	Administrative & operating costs (including & excluding costs of direct vacancy) divided by gross rental income.
<b>Physical Occupancy</b>	Percentage: occupied square metres of the portfolio at the closing date of the report/surfaces in operation of the portfolio
<b>Financial Occupancy</b>	Financial occupancy according to the calculation recommended by the EPRA (occupied surface areas multiplied by the market rental prices/surfaces in operation at market rental prices).

## 6.10 Appendix – Glossary (cont.)

<b>EPRA Vacancy</b>	Vacant surface multiplied by the market rental prices/surfaces in operation at market rental prices. Calculation based on EPRA Best Practices guidelines.
<b>Reversionary potential</b>	This is the result of comparing the rental revenues from current contracts (contracts with current occupancy and current rents in place) with the rental revenues that would result from 100% occupancy at market prices, estimated by independent appraisers. Projects and refurbishments are excluded.
<b>Projects underway</b>	Property under development at the closing date of the report
<b>RICS</b>	Royal Institution of Chartered Surveyors
<b>SFL</b>	Société Foncière Lyonnaise
<b>Take-up</b>	Materialized demand in the rental market, defined as new contracts signed
<b>TMN</b>	SPV of Colonial (55%) and Gas Natural (45%) related to the Torre Marenostrum building
<b>Valuation Yield</b>	Capitalization rate applied by the independent appraisers in the valuation
<b>Yield on cost</b>	Market rent 100% occupied/Market value at the start of the project net of impairment of value + invested capital expenditure.
<b>Yield occupancy 100%</b>	Passing rents + vacant spaces rented at the market prices/market value
<b>EPRA net initial yield (NIY)</b>	Annualised rental income based on passing rents as at the balance sheet date, reduced by the non-recoverable expenses, divided by the market value, including transfer costs (estimated purchasing costs)
<b>EPRA Topped-Up Net Initial Yield</b>	EPRA Net Initial Yield adjusted in respect of the expiration of rent-free periods
<b>Gross Yield</b>	Gross rents/market value excluding transfer costs
<b>Net Yield</b>	Net rents/market value including transfer costs
<b>€m</b>	In millions of euros

## 6.11 Appendix – Contact details

### Investor Relations

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### Shareholders Office

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### Colonial Website

[www.inmocolonial.com](http://www.inmocolonial.com)

### Capital Market registry data – Stock market

Bloomberg: COL.SM  
ISIN Code: ES0139140042  
Indices: IPD, EPRA (FTSE EPRA/NAREIT Developed Europe and FTSE EPRA/NAREIT Developed Eurozone), IBEX 35, Global Property Index 250 (GPR 250 Index) & Index Ibex Medium Cap.

### About Colonial

Colonial is a Spanish listed REIT company (SOCIMI), leader in the European Prime office market with presence in the main business areas of Barcelona, Madrid and Paris with a prime office portfolio of more than one million of sq m of GLA and assets under management with a value of more than €8.6bn.

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