

In compliance with Section 228 of the *texto refundido de la Ley del Mercado de Valores aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre*, Inmobiliaria Colonial, SOCIMI, S.A. (“**Colonial**” or the “**Company**”) hereby discloses the following

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

The Board of Directors of Colonial, at its meeting held on November 12, 2017, agreed to draw up a takeover bid (the “**Bid**”) for all the shares of Axiare Patrimonio SOCIMI, S.A. (“**Axiare**” or the “**Target Company**”), offering a cash consideration subject to condition, pursuant to the provisions of Section 13 of the *Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de valores* (the “**Royal Decree on Takeover Bids**”).

Pursuant to the provisions of Section 16 of the Royal Decree on Takeover Bids and of Circular 8/2008 of 10 December by the Spanish Securities and Exchange Commission (CNMV), the announcement prior to the application for authorisation of the Bid agreed by the Board of Directors of Colonial is attached hereto.

Additionally, we attach the corresponding analyst presentation to the regulatory announcement (*hecho relevante*).

In Madrid, on November 13, 2017.

**ANNOUNCEMENT PRIOR TO THE APPLICATION FOR AUTHORISATION OF THE TAKEOVER BID FOR THE SHARES OF AXIARE PATRIMONIO SOCIMI, S.A. TO BE DRAWN UP BY INMOBILIARIA COLONIAL, SOCIMI, S.A.**

This prior announcement is publicly disclosed by virtue of the provisions of the *Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de valores* (the “**Royal Decree on Takeover Bids**”) and contains the main characteristics of the takeover bid for the shares (the “**Bid**”) of Axiare Patrimonio SOCIMI, S.A. (“**Axiare**” or the “**Target Company**”) which shall be drawn up by Inmobiliaria Colonial, SOCIMI, S.A. (“**Colonial**” or the “**Bidder**”), and which is subject to mandatory authorisation by the Spanish Securities and Exchange Commission (the “**CNMV**”).

The detailed terms and characteristics of the Bid shall be set out in the explanatory prospectus which shall be published after the aforesaid authorisation has been obtained.

**1. IDENTIFICATION OF THE BIDDER**

The bidding company is Inmobiliaria Colonial, SOCIMI, S.A., a Spanish corporation (*sociedad anónima*), with registered address in Madrid, Paseo de la Castellana, number 52, post code 28046, and tax number (N.I.F.) A-28.027.399. Colonial is currently having its new registered address entered at the Madrid Commercial Registry (*Registro Mercantil de Madrid*) after the decision taken by the Board of Directors of Colonial on October 9, 2017 to transfer its registered address.

The current share capital of Colonial stands at 981,175,140.00 euros, divided into 392,470,056 shares with a par value of 2.5 euros each, fully subscribed and paid up. The shares of Colonial are represented by book entries, listed in the corresponding accounting registers by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (“**Iberclear**”) and its authorised participating entities, they are listed on the Madrid and Barcelona stock exchanges and quoted on the automated quotation system of the Spanish stock exchanges (*Sistema de Interconexión Bursátil Español*).

At the present time, Colonial also has ordinary notes admitted for trading on the Main Securities Market of the Irish Stock Exchange in the total nominal amount of 1,525 million euros: (i) 375 million euros due June 2019; (ii) 500 million euros due June 2023; (iii) 600 million euros due October 2024; and (iv) 50 million euros due November 2026.

For the purposes of the provisions of Section 5 of the *texto refundido de la Ley del Mercado de Valores aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre* (the “**Securities Market Law**”), it is stipulated that Colonial is not controlled by any person or organisation.

**2. DECISION TO DRAW UP THE BID**

The decision to draw up the Bid was adopted following an agreement of the Board of Directors of Colonial at a meeting on November 12, 2017.

**3. SUBMISSION OF THE BID**

Colonial shall submit the application for authorisation of the Bid to the CNMV, along with the explanatory prospectus and any other document that must be submitted, in the terms of Section 17 of the Royal Decree on Takeover Bids, as soon as possible and in any event within the maximum period of 1 month from the date of this announcement, i.e. no later than December 13, 2017.

**4. TYPE OF BID**

The Bid is considered a voluntary bid for the purposes of the provisions of Section 137 of the Securities Market Law and Section 13 of the Royal Decree on Takeover Bids.

## 5. STAKE OF THE BIDDER IN THE TARGET COMPANY

Colonial currently holds a direct stake of 22,762,064 shares in Axiare, representing 28.79% of its share capital. Regarding the aforementioned shares, Colonial has acquired 10,511,523 shares immediately before the publication of the announcement, representing 13.30% of Axiare's share capital, at a price per share between 18.25 euros and 18.50 euros.

In accordance with the computation rules of Section 5 of the Royal Decree on Takeover Bids, discounting the treasury shares of the Target Company in accordance with the public available information, the Bidder holds 29.11% of the voting rights of the Target Company.

In the 12 months prior to the date of this announcement, Colonial has acquired 11,915,523 shares in the Target Company which it owns, representing 15.07% of its share capital, and 15.24% of its voting rights, in accordance with the computation rules of Section 5 of the Royal Decree on Takeover Bids. The highest price paid by Colonial for shares in the Target Company in the 12 months prior to the date of this announcement is 18.50 euros per share, which matches the price of the Bid.

Moreover, up to the date of this announcement, Colonial has not appointed any members of the administrative or management bodies of the Target Company.

Finally, it is stipulated with regard to the Bid and the Target Company that the Bidder is not acting in concerted fashion with any other person or organisation.

## 6. INFORMATION CONCERNING THE TARGET COMPANY

Axiare Patrimonio SOCIMI, S.A. is the Target Company. Axiare is a Spanish corporation (*sociedad anónima*), with registered address in Madrid, Calle Ortega y Gasset, number 29, 5<sup>th</sup>, post code 28006, and tax number (N.I.F.) A-86.971.249. Axiare is registered in the Madrid Commercial Registry (*Registro Mercantil de Madrid*).

Pursuant to the public available information concerning the Target Company, the current share capital of Axiare stands at 790,624,860.00 euros, divided into 79,062,486 shares with a par value of 10 euros each, fully subscribed and paid up. The shares of Axiare are represented by book entries, listed in the corresponding accounting registers of Iberclear and its authorised participating entities, they are listed on the Madrid, Barcelona, Bilbao and Valencia stock exchanges and quoted on the automated quotation system of the Spanish stock exchanges (*Sistema de Interconexión Bursátil Español*).

Moreover, pursuant to the public available information, at the present time Axiare has not issued any bonds that may be converted into or swapped for shares or any other similar securities or instruments outstanding which could directly or indirectly grant entitlement to subscription or purchase of the shares of Axiare. Consequently, there are no securities in Axiare other than the shares stipulated in the Bid that could be targeted by said Bid.

## 7. SECURITIES AND MARKETS TARGETED BY THE BID

The Bid targets 100% of the current share capital of the Target Company, although the Bid excludes the shares owned by Colonial (22,762,064 shares, representing 28.79% of share capital), which shall be locked up. Therefore, taking into account the current number of outstanding shares of Axiare, the Bid targets a total of 56,300,422 shares in Axiare, representing 71.21% of its share capital. The terms of the Bid are identical for all the shares of the Target Company covered by it.

The Bid is drawn up exclusively in the Spanish market, as this is the only market in which the shares of Axiare are listed, and targets all shareholders in Axiare regardless of their nationality or residence.

In this regard, this announcement and the contents thereof do not constitute formulation or dissemination of the Bid in jurisdictions or territories other than the jurisdiction specifically envisaged. Therefore this announcement shall not be published or in any other way distributed or sent to jurisdictions or territories in

which the Bid may be illegal or in which additional documentation may be required, and those receiving this announcement may not distribute it or send it to the aforesaid jurisdictions or territories. In particular, this announcement shall not be distributed via the postal system of the United States of America, or in any other way sent or distributed in or to the United States of America. This announcement does not constitute an offer to sell, nor a solicitation of an offer to buy, securities in the United States of America.

## **8. CONSIDERATION**

The Bid is drawn up as an offer of purchase. The consideration offered by the Bidder is a cash consideration and consists of 18.50 euros for each share in Axiare. Colonial has the necessary funds to cover the consideration established. The entire consideration shall be made effective in cash, and shall be endorsed by a guarantee by a credit institution pursuant to the provisions of Section 15 of the Royal Decree on Takeover Bids.

The consideration for the Bid has been calculated on the basis that Axiare does not carry out a distribution of dividends or any other distribution to its shareholders prior to settlement of the Bid ("**Shareholder Remuneration**"). Consequently, should Axiare carry out a Shareholder Remuneration prior to settlement of the Bid, the consideration established (18.50 euros for each share of the Target Company) shall be reduced by an amount equal to the gross amount per share of said Shareholder Remuneration, in the terms of Section 33 of the Royal Decree on Takeover Bids, with the prior approval of the CNMV.

Despite the Bid being a voluntary bid, Colonial considers that the price of the Bid has the consideration of fair in the terms of Section 9 of the Royal Decree on Takeover Bids. The consideration has been established taking into account the NAV per share of the Target Company as of June 30, 2017 (15.32 euros per share) and the average share price listing of Axiare over the 3 months prior to November 10, 2017 (16.38 euros per share), the last listing date prior to the date of this announcement, which represents a per-share premium of 20.8% and 12.9% respectively, on the aforesaid amounts. Notwithstanding the foregoing, the appraisal of the price of the consideration as "fair price" is subject to the criterion of the CNMV.

## **9. CONDITIONS TO MAKE THE BID EFFECTIVE**

The Bid shall be subject to the acceptance of the Bid by shareholders of the Target Company together holding the number of shares required to make the Bidder owner of 50% plus 1 of shares in the Target Company.

## **10. NOTIFICATIONS WITH REGARD TO ANTI-TRUST AND AUTHORISATIONS BY OTHER SUPERVISORY BODIES**

Following analyses in this regard and pursuant to the public available information, the Bidder considers that acquisition of the shares of Axiare as intended by the Bid does not constitute a European or a Spanish economic concentration or any other kind of concentration, and therefore the acquisition of the shares involved in the Bid does not require notification to, authorisation to be obtained from, or non-opposition or administrative verification by the anti-trust authorities. The Bidder considers that this acquisition does not require the authorisation of, or notification to, any Spanish or foreign supervisory body or authority other than the CNMV.

## **11. AGREEMENTS CONCERNING THE BID**

In relation to the Bid, Colonial has not drawn up any agreement with shareholders of the Target Company, with its Board of Directors or with any members of same.

## **12. STOCK MARKET INITIATIVES**

Colonial intends, following settlement of the Bid, to implement an integration transaction, still to be defined, which would determine the exclusion of the shares of Axiare from trading.

Consequently, pursuant to the provisions of Section 136 of the Securities Market Law and Section 47 of the Royal Decree on Takeover Bids, if the conditions stipulated in the aforesaid articles are met, the Bidder intends to demand a forced sale of all the shares of the other parties holding shares in the Target Company, with the same

consideration as for the Bid, whereby Colonial would meet all the costs arising from the forced sale and the costs of settlement of said operation.

**13. OTHER INFORMATION**

In the opinion of Colonial, at the date of this announcement there is no additional information other than that stipulated above which could be necessary for a proper understanding of the Bid announced.

Notwithstanding the above, we attach the corresponding analyst presentation to this announcement.

In Madrid, on November 13, 2017.

Signed on behalf of Inmobiliaria Colonial, SOCIMI, S.A.

p.p.

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Pedro Viñolas Serra  
Chief Executive Officer

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*In accordance with the provisions of Section 30.6 of Royal Decree 1362/2007 of 19 October, as of the date of this announcement, any shareholders of Axiare who acquire shares granting voting rights must notify such acquisitions to the CNMV when the proportion of voting rights held by them is equal to or more than 1%.*

*Moreover, any shareholders already holding 3% of the voting rights shall notify any operations entailing any subsequent changes to this percentage.*

*Pursuant to the provisions of Section 2.b) of Rule Five of CNMV Circular 1/2017 of 26 April, as of the date of this announcement, operations on the Target Company's liquidity contract, if any, must be suspended.*

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This announcement is published pursuant to the provisions of Section 16 of the *Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de valores*. The effectiveness of the bid described in this document is in any case subject to mandatory authorisation by the Spanish Securities and Exchange Commission (*Comisión Nacional del Mercado de Valores*). The detailed terms and characteristics of the bid shall be set out in the explanatory prospectus, which shall be published in the terms stipulated in the regulations applicable when the aforesaid authorisation has been obtained.

Colonial



Tender Offer on Axiare



MSCI 

European Property  
Investment Awards  
WINNER 2017

IBEX<sub>35</sub>



Barcelona 13/11/17



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PRESENTING MANAGEMENT TEAM

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**Pere Viñolas**  
Chief Executive Officer



**Carmina Ganyet**  
Corporate Managing Director



**Carlos Krohmer**  
Chief Corporate Development Officer



- 01 Executive summary
- 02 A strong office platform at optimal market timing
- 03 An attractive transaction
- 04 A solid transaction structure
- 05 Conclusions
- 06 Appendix

## 01 Executive summary



### Colonial has acquired a stake of c.13% in Axiare

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- > Sellers: several shareholders of Axiare including shareholder number 2
- > Price: 18.25<sup>1</sup> – 18.50 €/share (13% premium on share price pre announcement)
- > As a result, Colonial owns a 29%<sup>2</sup> stake in the capital of Axiare

### The Board of Directors of Colonial has approved launching a voluntary tender offer for the remaining 71% share capital

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- > Price: 18.50 €/share (13% premium on share price pre announcement)
- > Condition subject to 50% + 1 ownership (including the 29% stake owned pre tender offer)

### Fully funded transaction with low execution risk

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- > Transaction fully financed through a combination of equity, bonds and disposal of non-core assets
  - Equity for €450m which includes a €250m firm interest from core shareholders at a minimum price of 7.89 €/share (1 month VWAP)
  - Bond financing of €800m to be reduced through disposal of non-core assets of c.€300m
- > Credit profile remains strong with solid LTV

<sup>1</sup> Including price equalization

<sup>2</sup> Including 15.5% of Axiare owned by Colonial pre transaction

## Transaction Rationale

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1. Consolidation of leadership in CBD offices in Spain and Europe
2. Unique consolidation transaction with focus on Spain
3. Enhancement of Madrid exposure at optimal market timing
4. Consistent transaction with Colonial Strategy and Business Plan reinforcing the pipeline of growth opportunities
5. Perfect match to Colonial's value creation track record
6. Significant operating and financial synergies to be crystalized
7. Accretive transaction in terms of NAV and FFO

Consolidation of leadership in CBD offices in Spain and Europe

KPI	Colonial pre-deal	Axiare	Colonial post-deal
Total GLA above ground (sqm)	852,019 <sup>1</sup>	295,889 <sup>6</sup>	1,147,908 <sup>6</sup>
Project pipeline (sqm)	139,072 <sup>1</sup>	58,410 <sup>6</sup>	197,482 <sup>6</sup>
GAV (€m) – 6/17	8,253 <sup>2</sup>	1,710	9,794
Topped-Up GRI (€m)	285 <sup>3</sup>	65	350
Potential Topped-Up GRI (€m)	369 <sup>3</sup>	102	470
EPRA Vacancy – Office Portfolio 6/17	3.9%	14.3%	5.6%
FFO 6/17 annualized (€m)	74	27	101
LTV	33% <sup>4</sup>	29%	~ 40% <sup>5</sup>
Rating	BBB/Baa2	No rating	BBB/Baa2

<sup>1</sup> Colonial GLA as of 9/2017

<sup>2</sup> Colonial based on 6/17 appraisal adjusted by IN/OUT disposal and acquisition of Arturo Soria (includes value of 15.5% Axiare stake)

<sup>3</sup> Colonial data based on 6/17 data adjusted by IN/OUT disposal and acquisition of Arturo Soria

<sup>4</sup> LTV as of 9/17 based on 6/17 appraisal values

<sup>5</sup> Pro-forma LTV considering €450m of equity and asset disposals, without considering potential value growth on year end appraisals

<sup>6</sup> For Axiare only including office GLA above ground



02 A strong office platform at optimal market timing



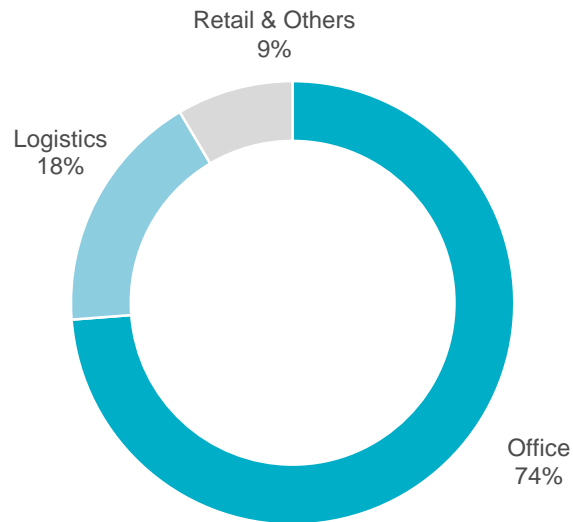
*A strong office footprint in Spain with high quality assets*

**02 A strong office platform at optimal market timing**  
A complementary Grade A portfolio

**A complementary portfolio with focus on offices in Madrid**

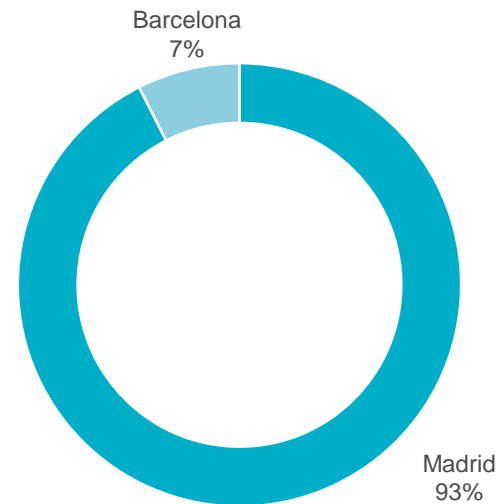
- > More than €1.2bn of offices with focus on Madrid
- > High quality Grade A assets
- > Highly liquid logistic and retail assets

**AXIARE'S PORTFOLIO BREAKDOWN**



Total GAV 6/2017: €1,710m

**AXIARE'S OFFICE ASSETS BREAKDOWN**



GAV Office Portfolio 6/2017: €1,262m

**02 A strong office platform at optimal market timing**  
**A complementary Grade A portfolio**

**A complementary portfolio with focus on offices in Madrid**

- > High quality assets in prime locations
- > Repositioning activity leaves room for further value creation
- > Top Tier tenants

**SELECTED ASSETS**

*Sagasta 33*



*Manuel De Falla*



*Velazquez*



*D. Ramon De La Cruz*



*Almagro*



*Fernando El Santo*



*Miguel Angel*



*Sagasta 27*



*Diagonal*



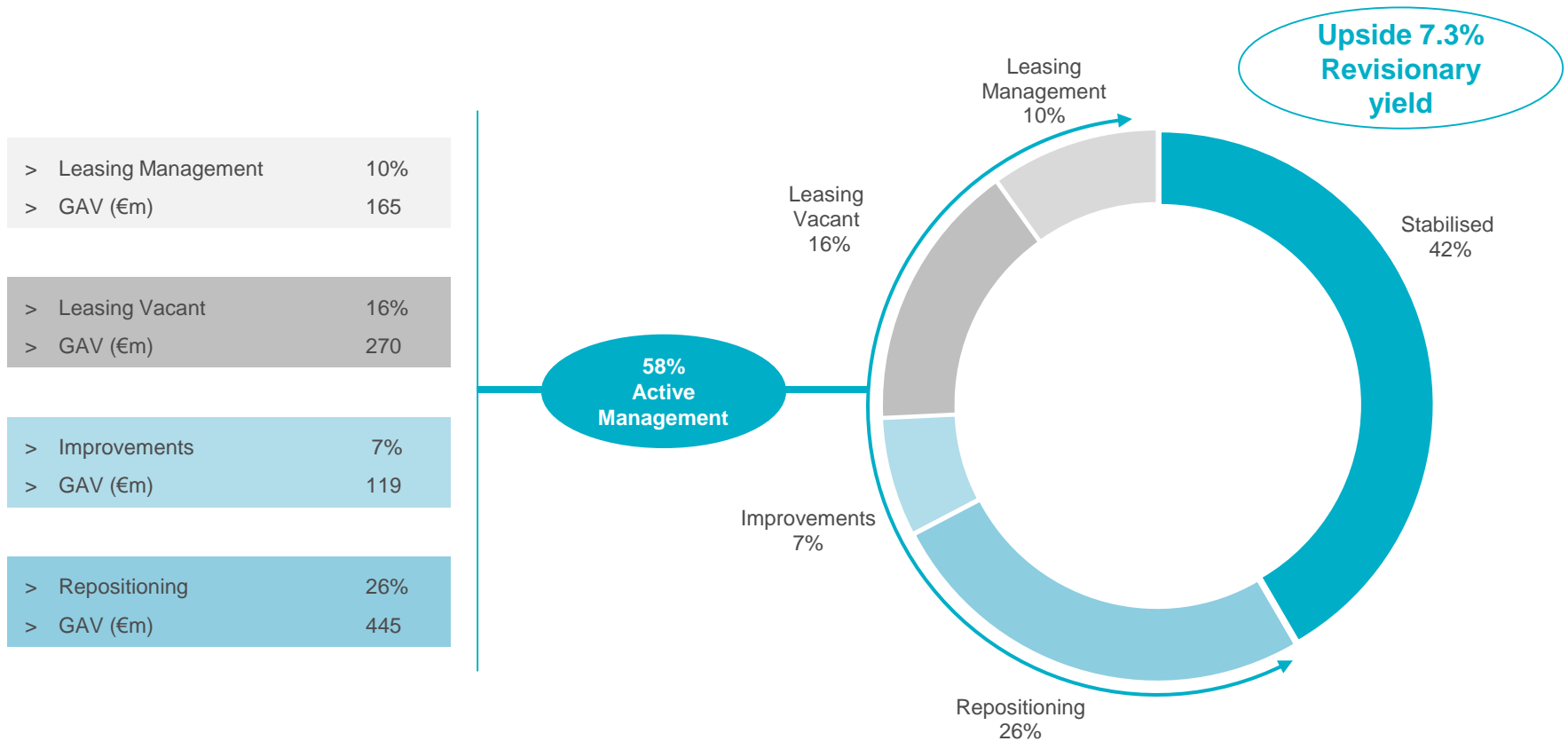
**SELECTED TENANTS**



**02 A strong office platform at optimal market timing**  
**Strong value creation through asset management**

**58% of the portfolio with additional value creation to be captured**

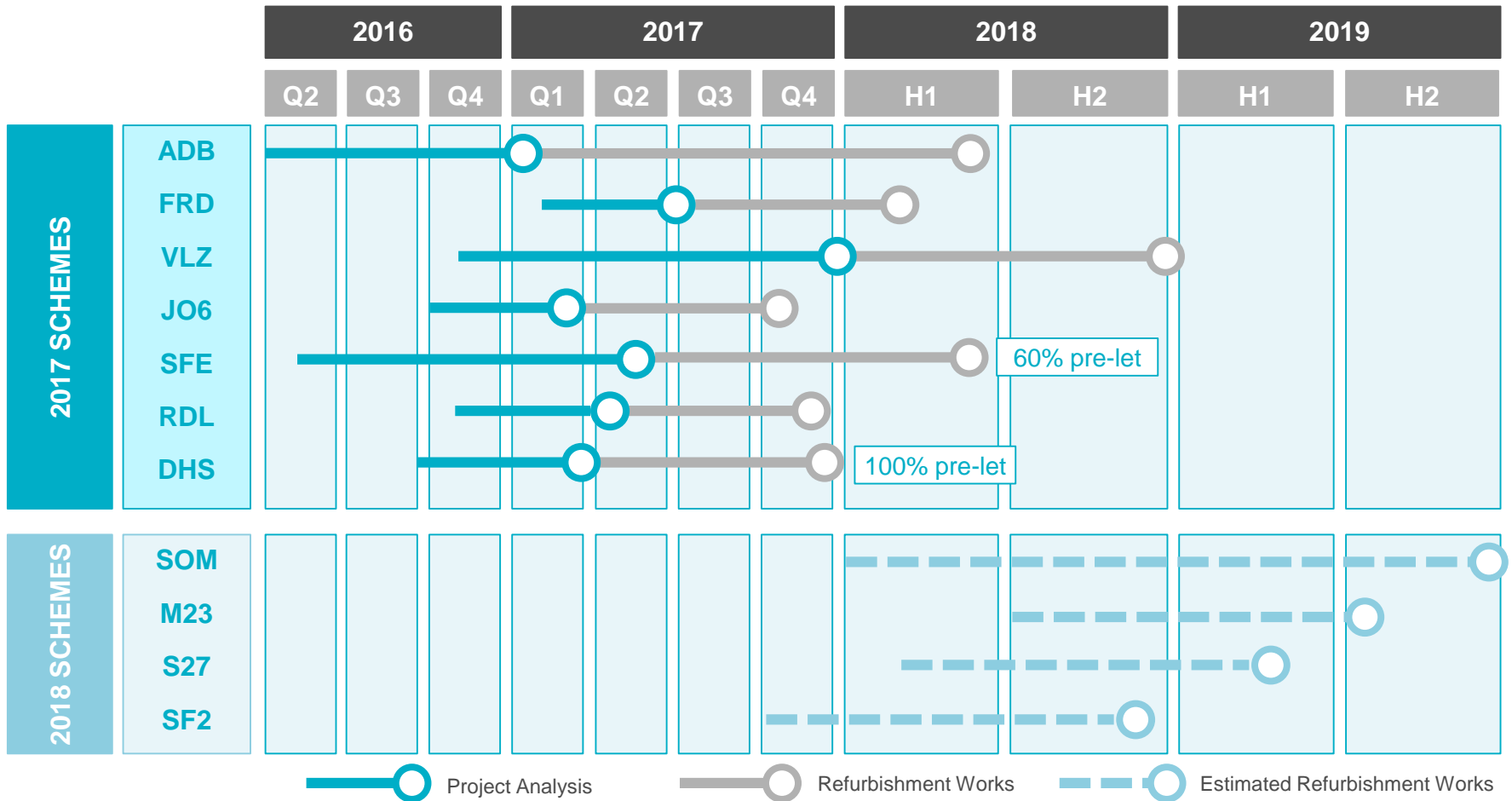
- > €564m of assets selected to be repositioned and improved to create additional value
- > Revaluation of the assets still to be captured by managing leases and letting-up vacant spaces
- > Passing GRI of €65m providing a very attractive yield on cost



**02 A strong office platform at optimal market timing**  
**Producing Grade A offices in solid markets**

**Solid redevelopment pipeline to be released in 18-24 months**

- > Repositioning asset allows further growth both in value and GRI
- > Grade A assets are a key driver to attract top tier tenants



**02 A strong office platform at optimal market timing**  
**Significant growth potential in GRI**

**Portfolio with significant growth potential in GRI**

- > €15m growth through occupancy increase and potential rent revaluation
- > €22m increase in GRI due to project pipeline
- > Additional market rental growth to be captured



<sup>1</sup> Based on passing and acquisition total cost

<sup>2</sup> Acquisition total cost adjusted for improvement capex

<sup>3</sup> Acquisition total cost adjusted for improvement and repositioning capex

<sup>4</sup> Includes certain ERV increases due to improvement capex

<sup>5</sup> Includes certain ERV increases due to repositioning capex. Repositioning projects includes certain ERV increases due to repositioning capex. Repositioning projects includes Puerto Somport, Avenida Bruselas, Velazquez, Juan Ignacio Luca de Tena 6, Sagasta 27 and San Fernando (phases I and II)

03 An attractive transaction



*Creation of the only pure office play on Spain*

### 03 An attractive transaction

Transaction fully in line with Colonial's strategic and financial objectives

#### Office leadership - creating the only pure office play on Spain

- > More than 1.1 million of office GLA with an attractive project pipeline
- > Group GAV of c.€10bn with close to €500m of potential GRI
- > Comfortable credit profile post transaction

KPI	Colonial pre-deal	Axiare	Colonial post-deal
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<sup>3</sup> Colonial data based on 6/17 data adjusted by IN/OUT disposal and acquisition of Arturo Soria

<sup>4</sup> LTV as of 9/17 based on 6/17 appraisal values

<sup>5</sup> Pro-forma LTV considering €450m of equity and asset disposals, without considering potential value growth on year end appraisals

<sup>6</sup> For Axiare only including office GLA above ground



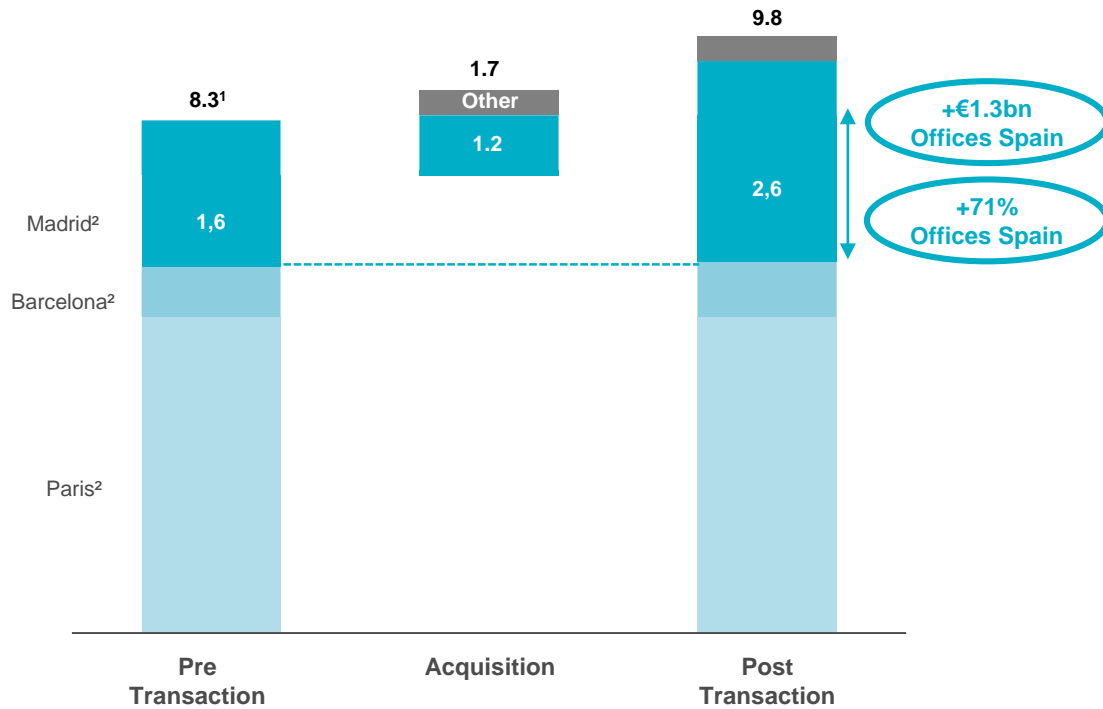
### 03 An attractive transaction

## Office leadership - creating the only pure office play on Spain

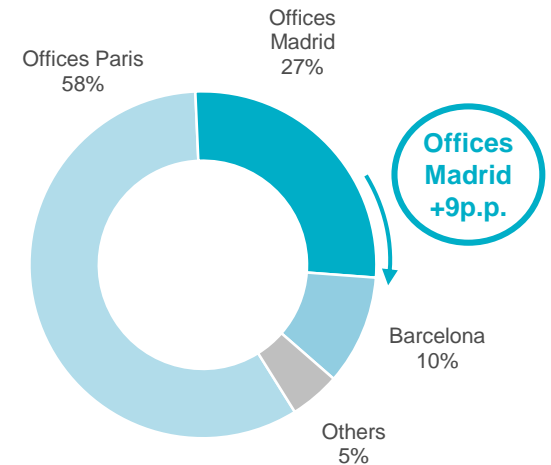
### Rebalancing of asset allocation enhancing Madrid exposure

- > Combined portfolio close to €10bn in GAV
- > Increase of Spain office exposure by €1.3bn
- > Increase of Spain portfolio exposure up to 26% (+ 7 p.p.)

GAV (€bn)



GAV (POST-TRANSACTION)



<sup>1</sup> GAV 6/17 adjusted by the IN/OUT disposal & Arturo Soria acquisition at purchase price (includes 15.5% Axiare Stake)

<sup>2</sup> Office Value

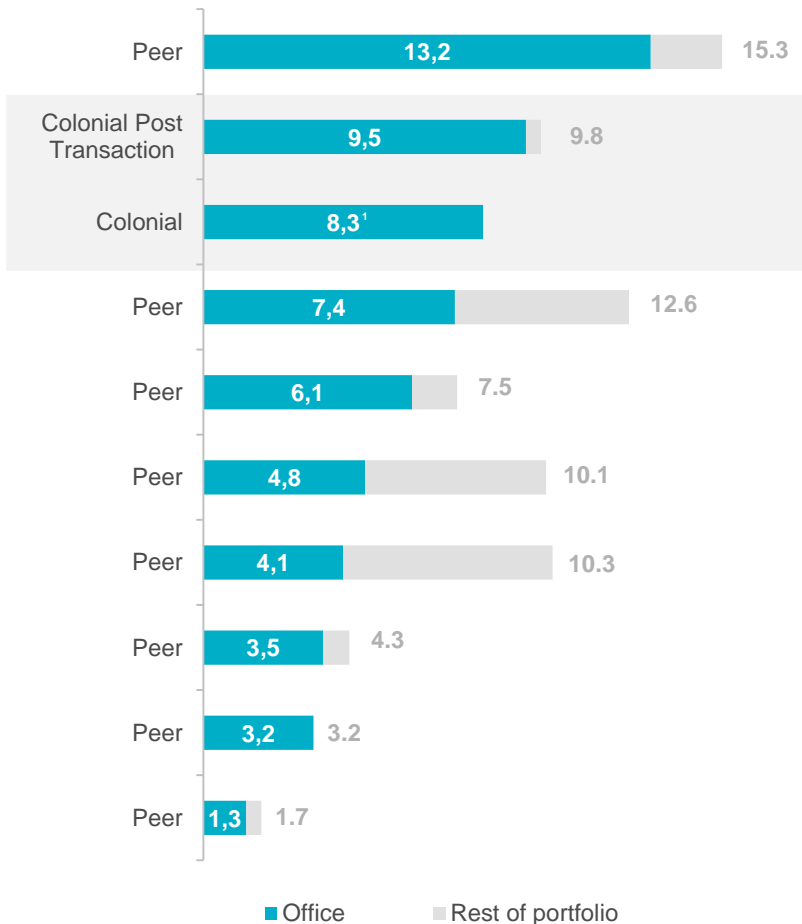
### 03 An attractive transaction

Office leadership - creating the only pure office play on Spain

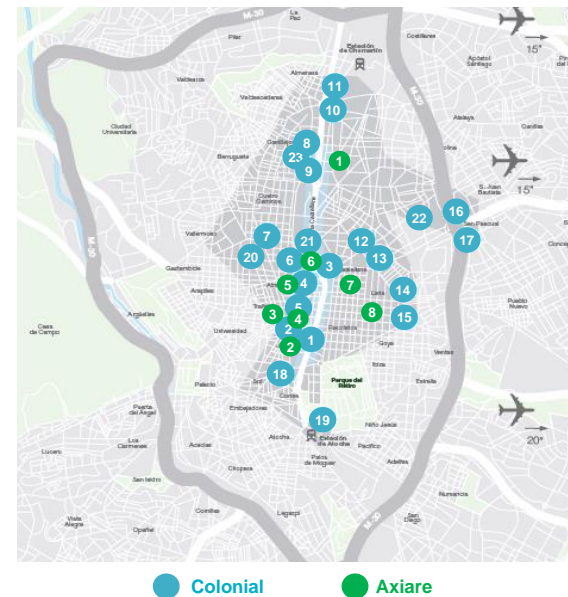
#### Strong leadership position in European Office Sector

- > Close to €10bn of GAV
- > Consolidating leadership enhancing Madrid exposure
- > Undisputed dominance in Madrid CBD

#### CONSOLIDATION OF OFFICE LEADERSHIP



#### CONSOLIDATING LEADERSHIP IN MADRID CITY CENTER (INSIDE M30)



#### Top Property owners inside M30

	Assets	GLA (sqm)
<b>Colonial + Axiare</b>	<b>31</b>	<b>327,951</b>
<b>Colonial</b>	<b>23</b>	<b>257,625</b>
Peer 1	13	269,737
Peer 2	11	252,743
Peer 3	18	245,251
Peer 4	15	185,434
Peer 5	16	136,346

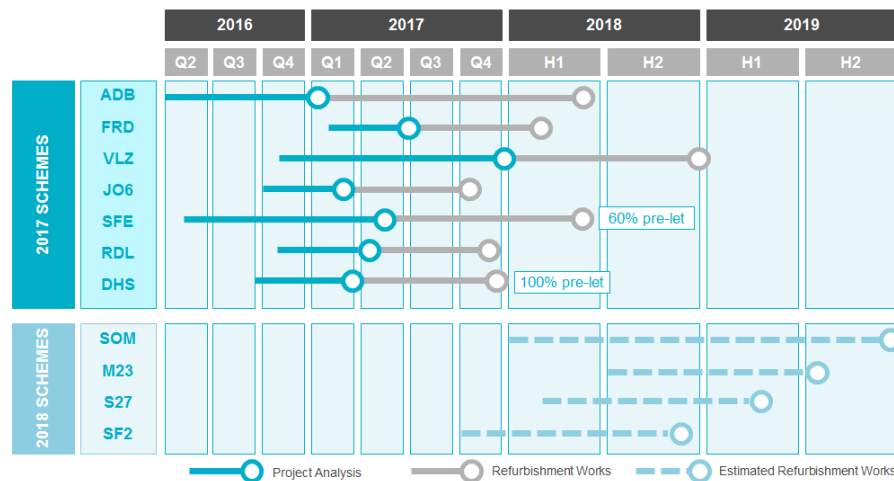
<sup>1</sup> GAV 6/17 adjusted by the IN/OUT disposal & Arturo Soria acquisition at purchase price (includes 15.5% Axiare Stake)

03 An attractive transaction  
Reshaping the portfolio & Completing Project Delivery

**Attractive project pipeline significantly increasing Colonial's project exposure**

- > Solid pipeline of projects allowing to capture value growth and rental revision
- > Target similar approach to Colonial's renowned repositioning program
- > Project deliveries at optimal market timing

**ATTRACTIVE PIPELINE**



RIBERA DEL LOIRA



SAGASTA 27



AVENIDA DE BRUSELAS



P. DE SOMPORT 10-18



JILT6



SAN FERNANDO I & II



**ENHANCING COLONIAL'S PROJECT PIPELINE**

In sqm	Madrid	Barcelona	Paris	Total
	191,716	-	-	191,796
	33,540	54,352	51,180	139,072
+	225,256	54,352	51,180	330,788
Additional GRI	€32m	€8m	€34m	€74m

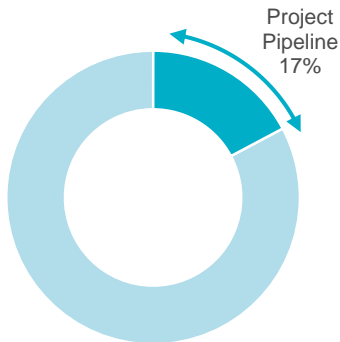
## Reshaping the portfolio enhancing value add exposure

### Enhancing significantly Colonial’s value add pipeline

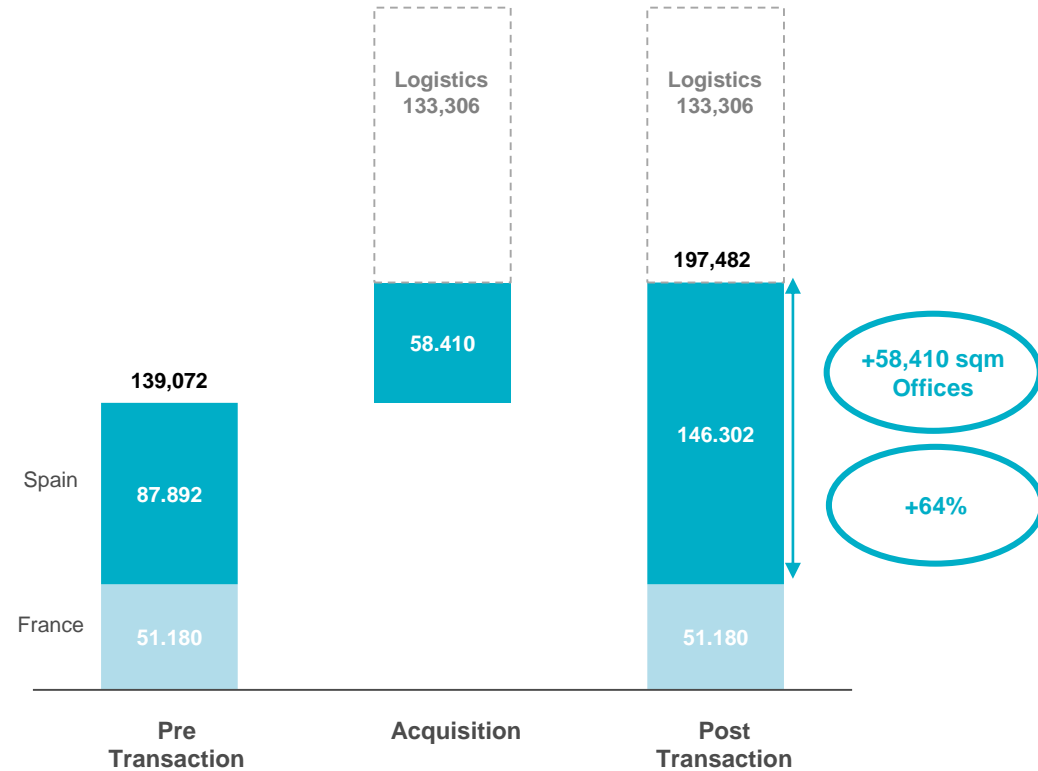
- > Combined platform with more than 197,000 sqm of project pipeline in offices
- > Opportunity to implement “Prime Factory” strategies

#### ATTRACTIVE VALUE ADD EXPOSURE

GLA Offices (sqm)



#### INCREASE PROJECT PIPELINE (GLA SQM)



COLONIAL POST DEAL <sup>1</sup>

<sup>1</sup> Do not include projects in logistic & other non-core assets

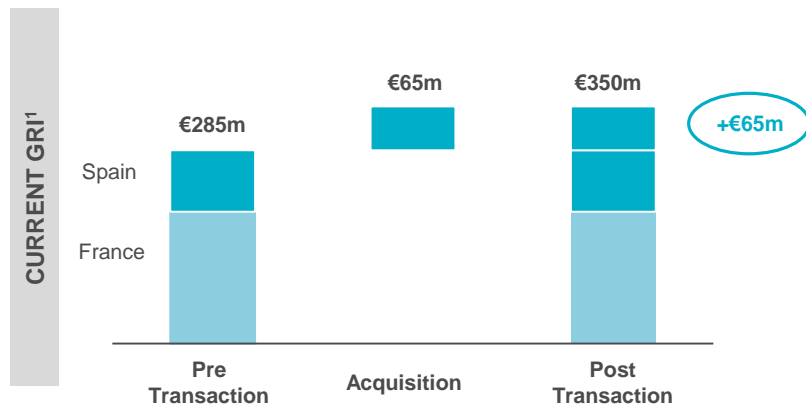
### 03 An attractive transaction

#### Short term and long term enhancement of topline growth

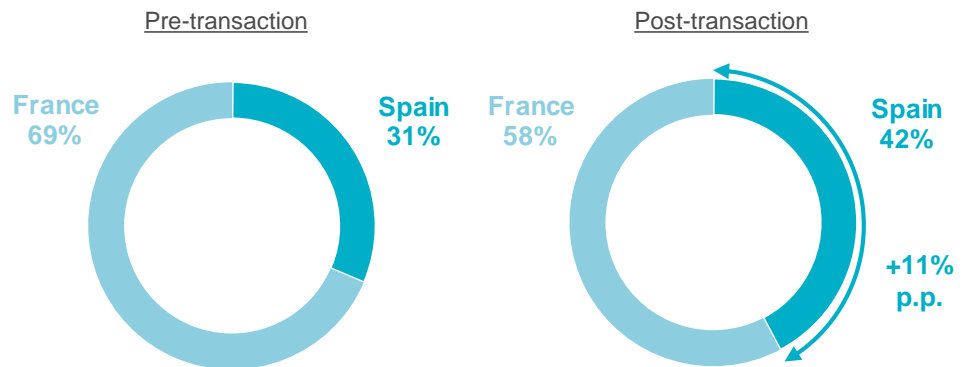
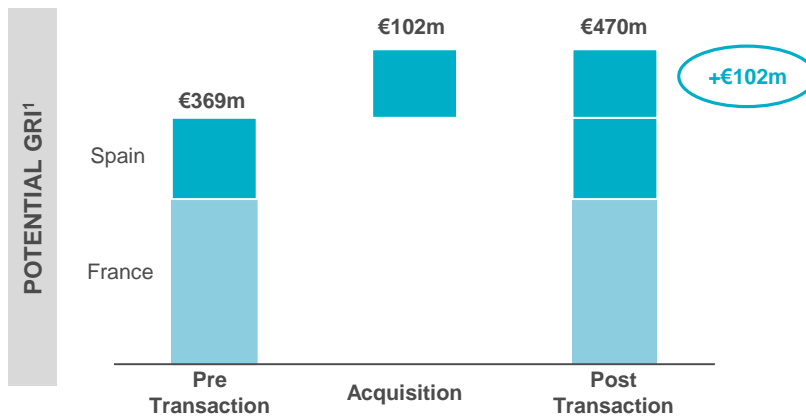
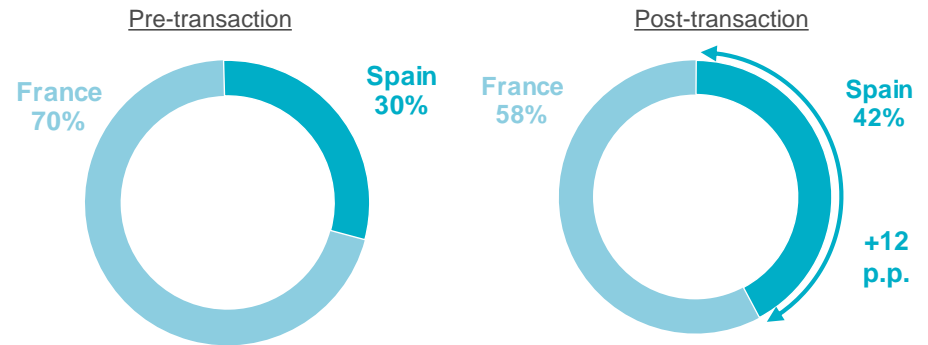
#### Solid base for sustained top line growth

- > Attractive rebalancing geographic exposure towards Madrid
- > Enhanced bet on Spanish rental price recovery
- > Paris exposure remains at very attractive levels

#### TOTAL GROWTH AT CURRENT ERV



#### OPTIMIZED GEOGRAPHICAL MIX



<sup>1</sup> According to Axiare public information June 2017

### 03 An attractive transaction

## An attractive pricing level for everybody

### Attractive transaction for Axiare and Colonial shareholders

- > Offer price of €18.5 per share representing 13% premium on share price
- > Attractive entry point for Colonial shareholders at 17.59 €/share<sup>1</sup>
- > Entry price level offers interesting growth potential

#### PRICING

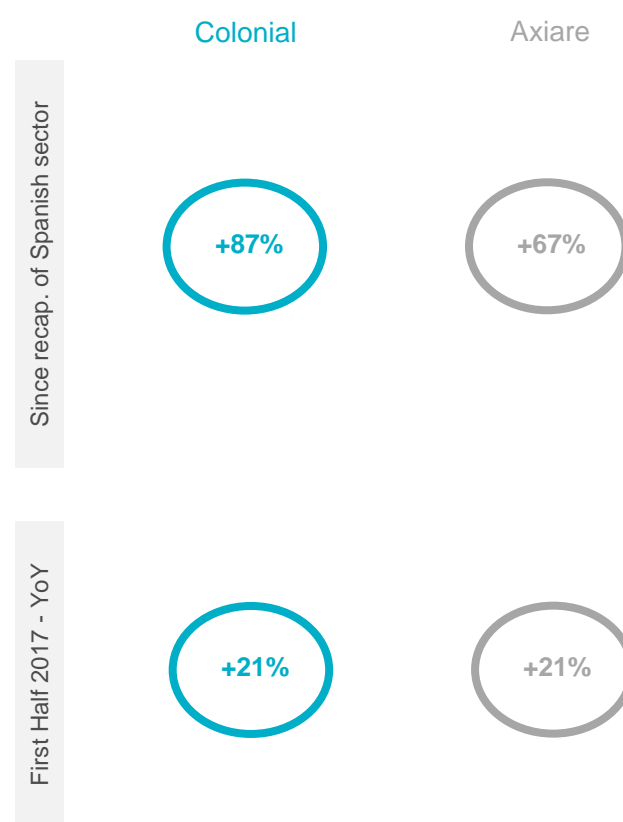
##### Offer price for Axiare shareholders - 18.50 €/share

- > +13% premium on share price pre announcement
- > +16% premium on 6M average share price
- > +21% premium on last reported NAV

##### Blended price for Colonial: 17.59 €/share<sup>1</sup>

- > Price in line with expected forward looking 2018 NAV
- > Implicit Topped-Up Potential Yield at 5.5% (without rental growth)<sup>2</sup>
- > Implicit office capital value below 5,000 €/sqm

#### TOTAL SHAREHOLDER RETURN<sup>3</sup> – PERFORMANCE YTD



<sup>1</sup> Considers 15.5% stake acquired at a blended price of 12.6 €/share

<sup>2</sup> Based on Potential topped-up GRI post redevelopment at 6/2017 market rents

<sup>3</sup> NAV per share growth + dividend yield

### 03 An attractive transaction

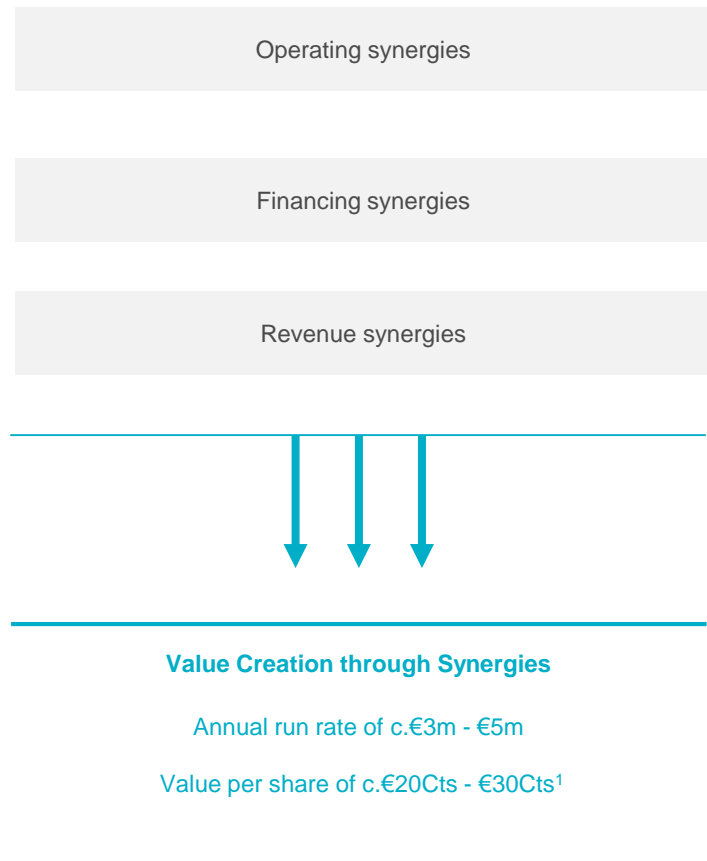
## Complementary platforms with synergy potential

#### Additional value creation through crystallization of synergies

- > Annual run-rate synergies of c.€3m-€5m per year, with direct impact on FFO
- > Estimated value creation potential of c.€0.20 to €0.30 per share
- > Replicating best practices of fully integrated platform

#### SYNERGIES

1. Operating costs savings of c.€3m per annum
2. Financing cost optimization on Axiare's debt
3. Revenue synergies through integration in a leading office platform & replicating best practices across all segments



<sup>1</sup> Annualized run rate of synergies capitalized at 3.5%

Transaction is value enhancing for Colonial’s shareholders

**Attractive Total Shareholder Return**

- > Transaction is highly accretive on FFO from the first year
- > Neutral on 2018 NAV with very attractive mid term accretion
- > Interesting “Alpha” drivers of value creation underpinned by strong rental cycle

**ATTRACTIVE TOTAL SHAREHOLDER RETURN**

**Transaction is cash flow accretive in first year**

- > FFO per share clearly above 10% in 2018
- > High double digit accretion from 2019 onwards
- > Synergies adding additional cash flow accretion

**Solid mid term NAV growth**

- > Transaction neutral on 2018 forward looking NAV
- > Attractive mid term NAV accretion
- > Additional value creation through
  - I. Fully capturing rental cycle
  - II. Colonial’s real estate transformation capabilities
  - III. Crystalizing premiums on non-core disposals
  - IV. Capturing full value of operational & financial synergies

**IMPACT PER SHARE**

Return metric	Short term	Mid term
EPRA NAV	-	↑ ↑
FFO	↑	↑ ↑
Dividends	↑	↑ ↑
Total Shareholder Return	↑	↑ ↑



## 04 A solid transaction structure



*Fully funded transaction with low execution risk*

## Key terms of the voluntary tender offer

### Offer with standard conditions with strong starting point

- > Close to 29% stake secured pre takeover bid from former Axiare core shareholders
- > Takeover bid to obtain control of the company
- > Completion expected for end of first half 2018

#### 1. Transaction characteristics & Pricing

---

- > Colonial has acquired a stake of c.13% in Axiare from several shareholders for a price between 18.25 and 18.50 € per share
- > As a result, Colonial owns a 29% stake in the capital of Axiare
- > The Board of Directors of Colonial has approved launching a voluntary tender offer for the remaining 71% share capital
- > Price of €18.50 per Axiare share
- > Implied acquisition price of €17.59 per Axiare share<sup>1</sup>
- > The offer will include standard conditions, in particular 50%+1 ownership acceptance (including the 29% stake owned pre tender offer)
- > Take-over bid fully funded with a mix of debt & equity

#### 2. Timeline

---

- |   |                   |
|---|-------------------|
| > Announcement of intention to launch public offer: | November 13, 2017 |
| > Publication of prospectus:                        | Q1 2018           |
| > Offer acceptance period:                          | Q1 2018 (30 days) |
| > Expected closing:                                 | Q2 2018           |

<sup>1</sup> Weighted average acquisition price considering the initial 15.5% stake acquired at a blended price of 12.6 €/share.

Colonial’s current credit rating remains strong

**A fully financed transaction with low execution risk**

- > Firm interest from Colonial core shareholders for equity underwriting
- > Highly attractive momentum in bond markets
- > Further deleverage through disposal of non-core

**SOURCES & USES**

Sources		Uses	
Cash & undrawn facilities <sup>1</sup>	€193m	13% stake pre launch <sup>1</sup>	€193m
New bond issuance <sup>2</sup>	€731m	Takeover bid for 71%	€1,071m
Equity raise	€350m <sup>3</sup>	Illustrative transaction costs	€10m
<b>Sources</b>	<b>€1,274m</b>	<b>Uses</b>	<b>€1,274m</b>

<sup>1</sup> Acquisition of 13% of Axiare pre launch of tender offer funded by cash and undrawn facilities pre deal

<sup>2</sup> New unsecured bond issuance of €800m (€731m transaction funding & €69m additional liquidity)

<sup>3</sup> €450m including disposal of treasury shares

**A FULLY FUNDED TRANSACTION**

**Funding**

Transaction fully financed

1. Bridge financing in place
2. Equity Raise with firm interest from Colonial core shareholders and backstopped by standby volume equity underwritten
3. Treasury shares of c.€100m backstopped by an standby volume underwritten
4. Issuance of €800m unsecured bond to repay drawn part of bridge facility
5. Liquid non-core assets for c.€300m identified to be disposed of in 12 months

**Credit Profile remains strong**

~ 40%  
Group LTV



Rating Standard & Poor's **BBB**



Rating Moody's **Baa2**

## 05 Conclusions



*Accelerating Colonial's Business Plan at optimal market timing*



### A STRONG OFFICE PLATFORM IN MADRID

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- > Complementary Grade A office portfolio of €1.3bn
- > Consolidating dominance in CBD
- > Additional project portfolio
- > Optimal market timing in rental cycle

### SOLID STRATEGIC RATIONALE

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- > Office leadership - consolidating the only pure office play on Spain
- > Attractive rebalancing of geographic allocation
- > Significant enhancement of top line growth profile
- > Increase of growth opportunities
- > Acceleration of Colonial's Business Plan

### VALUE ENHANCING TRANSACTION FOR COLONIAL SHAREHOLDERS

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- > Attractive entry price
- > Highly accretive in FFO from year one
- > Interesting mid term NAV accretion
- > Value creation through Colonial's prime factory approach
- > Unique scarcity play on high quality offices in Spain
- > Credit profile remains strong



## Axiare 2017 portfolio acquisitions as of August 2017

**PUERTO DE SOMPORT 8**

Acquisition date	Jan-17
Price	€41.5m
Location	Madrid
GLA	9,280 sqm

**SANT CUGAT**

Acquisition date	Mar-17
Price	€19.5m
Location	Barcelona
GLA	12,000 sqm

**CEDRO**

Acquisition date	Jan-17
Price	€43.5m
Location	Madrid
GLA	17,032 sqm

**SAN FERNANDO (PHASE II)**

Acquisition date	Jun-17
Price	€38.0m
Location	Madrid 1 <sup>st</sup> ring
GLA	73,464 sqm

**MIGUEL ANGEL**

Acquisition date	Feb-17
Price	€53.4m
Location	Madrid CBD
GLA	8,036 sqm

**SAGASTA 27**

Acquisition date	Jun-17
Price	€18.6m
Location	Madrid CBD
GLA	4,481 sqm

# 06 Appendix Axiare portfolio overview



Offices

Logistics

Others



06 Appendix  
Axiare portfolio overview (cont'd)



Offices

Logistics

Others

06 Appendix  
Axiare portfolio overview (cont'd)

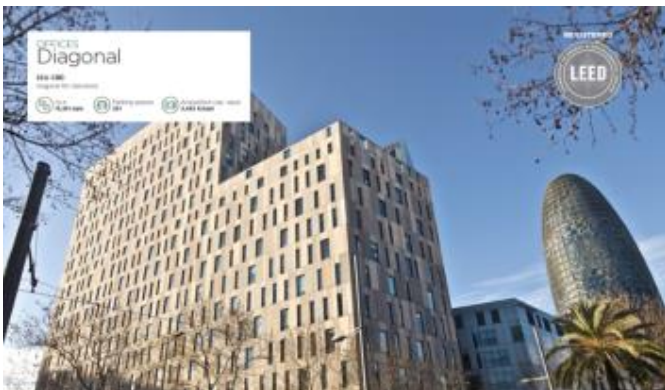


Offices

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Others

06 Appendix  
Axiare portfolio overview (cont'd)



Offices

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06 Appendix  
Axiare portfolio overview (cont'd)



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Others



06 Appendix  
Axiare portfolio overview (cont'd)



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Others

06 Appendix  
Axiare portfolio overview (cont'd)



Offices

Logistics

Others



Colonial



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