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## **HECHO RELEVANTE**

Como continuación al Hecho Relevante publicado con fecha 31 de octubre de 2019 con número de registro 283199, Colonial remite documentación de soporte a la presentación a analistas e inversores relativa a los resultados correspondientes al tercer trimestre de 2019, que se celebrará hoy martes día 5 de noviembre de 2019 a las 18:30 horas (CET) a través de un webcast.

Los datos de conexión a la conferencia se detallan a continuación:

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Adicionalmente, la presentación de resultados estará disponible en la página web de la Sociedad.

En Madrid, a 5 de noviembre de 2019.

MSCI 

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IBEX<sub>35</sub>



3/19

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- 01 Highlights
- 02 Market
- 03 Operational performance
- 04 Financial performance
- 05 Growth drivers
- 06 Conclusion

PRESENTING MANAGEMENT TEAM

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**Pere Viñolas**  
Chief Executive Officer



**Carmina Ganyet**  
Corporate Managing Director



**Carlos Krohmer**  
Chief Corporate Development Officer





## OUTSTANDING FINANCIAL RESULTS

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- > **Recurring EPS of 20.5€Cts, +33% YoY**
- > **Disposal of logistics portfolio**
- > Gross Rental Income of €263m, +4% like-for-like
- > Recurring earnings of €104m, +53% YoY

## STRONG OPERATIONAL PERFORMANCE

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- > 197,027 sq m let with top tier clients
- > Very healthy vacancy levels at 3.5%
- > Successful pre-let of projects
- > Strong growth in rental prices
  - ✓ Capturing market rental growth
  - ✓ Double Digit Release Spread
  - ✓ Solid base for Capital Value Growth

## CONFIDENT OUTLOOK CONFIRMED

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- > Delivery of Business Plan on track
- > CBD outperforming Secondary
- > Best-positioned portfolio for growth

## Solid top line growth driving results

- > High double digit growth in recurring EPS
- > Outstanding GRI Like for Like growth of +4%
- > Double digit Release Spread & Superior Rental Growth

Profit & Loss - €m	09/19	YoY Var
Gross Rental Income	€263m	+2%
Recurring Net Profit	€104m	+53%
<b>Recurring EPS</b>	<b>20.5 €Cts/share</b>	<b>+33%</b>

Outstanding GRI like for like	09/19	YoY Var
<b>Group like-for-like<sup>3</sup></b>	<b>€263m</b>	<b>+4%</b>
Madrid like-for-like <sup>3</sup>		+5%
Barcelona like-for-like <sup>3</sup>		+3%
Paris like-for-like <sup>3</sup>		+3%

Solid Fundamentals	09/19
<b>EPRA Vacancy</b>	<b>3.5%</b>
Volume of sq m signed	197,027
# transactions signed	97

Capturing Rental Price Increases	
<b>Double-digit release Spread<sup>1</sup></b>	<b>+14%</b>
Barcelona	+34%
Madrid	+8%
Paris	+7%
<b>Strong rental growth<sup>2</sup></b>	<b>+8%</b>
Barcelona	+10%
Madrid	+4%
Paris	+12%

(1) Rental prices signed vs previous rents

(2) Rental prices signed vs ERV 12/18

(3) EPRA like-for-like variance base on EPRA BPR methodology





## GUIDANCE

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### 1 Profit & Loss

- > Top Line GRI 2019E €350m
- > EPS 2019E: €27cts
- > DPS 2019E: +10% YoY growth

### 2 Capital Recycling

- > 2019E Disposals > €475m
- > 2020 Selective disposals of mature assets

### 3 Acquisition program ongoing

- > Selective acquisitions
- > Prioritize value add opportunities

### 4 Solid Financial Policy

- > Investment Grade Rating
- > LTV Range 36 - 40%

### 5 Strong commitment to ESG

- > Solid momentum in 2019
- > Enhanced Execution going forward

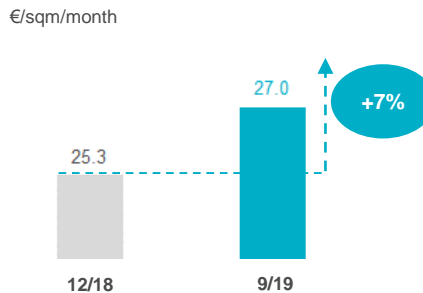
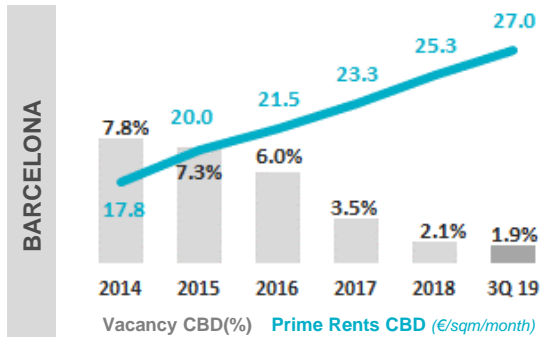


# CBD outperforming in the rental market

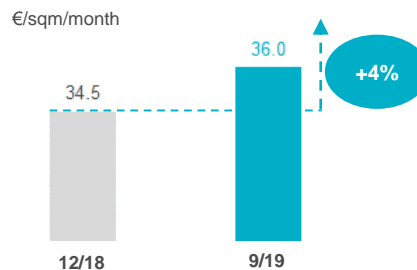
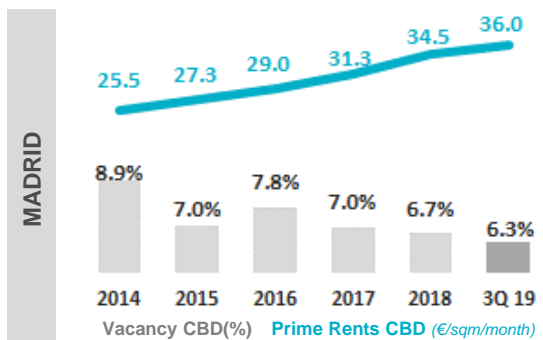
## VACANCY %

## PRIME ERV

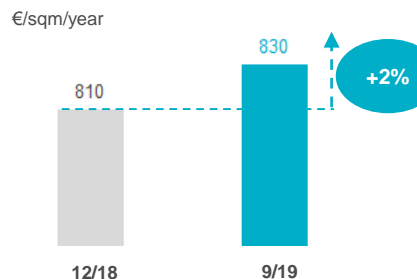
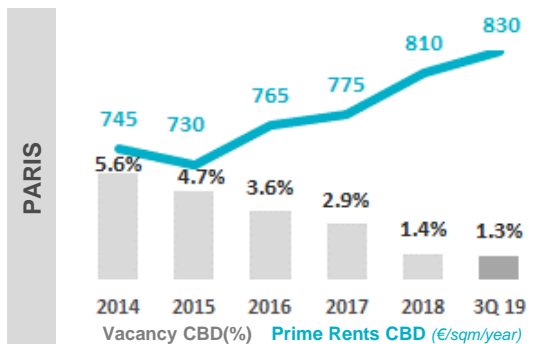
## HIGHLIGHTS



- > Record take-up of 307,600 sq m in 2019
- > CBD vacancy at historical lows -> 1.9%
- > Prime rents at €27/sq m /month, +7% 2019 YTD



- > Strong take-up: 474,420 sq m in 2019
- > CBD vacancy decreased to 6.3%
- > Prime rents up to €36/sq m /month, +4% 2019 YTD

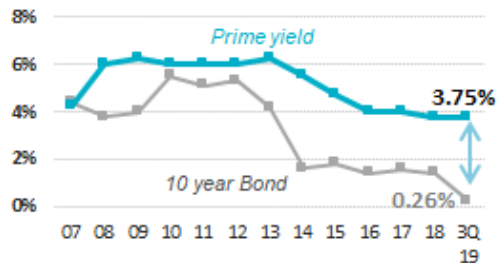


- > Strong take-up of 1,655,150 sq m
- > CBD vacancy at historical lows -> 1.3%
- > Prime rents at €830/sq m /year

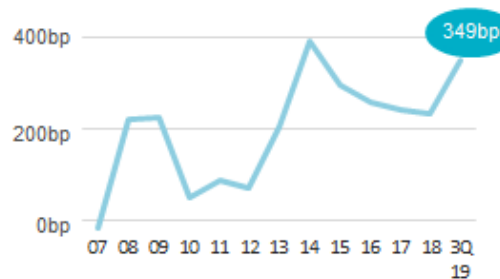
# Investment Markets with strong fundamentals

BARCELONA

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



SPREAD VS 10Y BOND

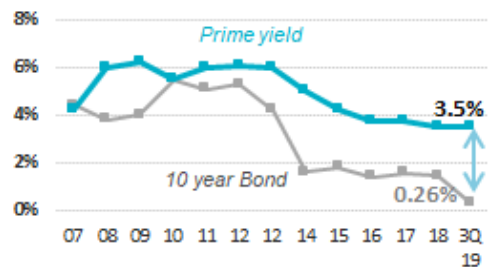


HIGHLIGHTS

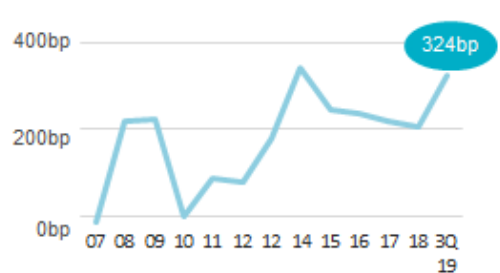
- > Scarcity of supply faces strong investor interest
- > Prime yields at 3.75%
- > Healthy spread of 349 bp

MADRID

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



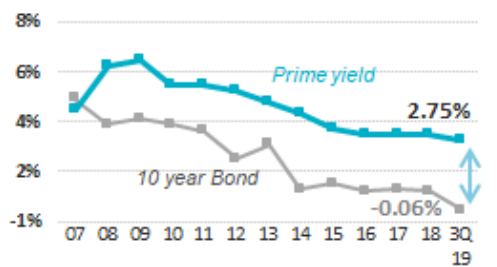
SPREAD VS 10Y BOND



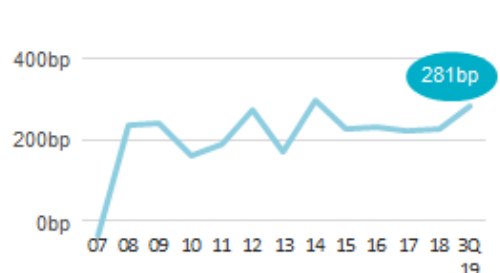
- > Dominance of international investors
- > Prime yields at 3.50%
- > Healthy spread of 324 bp

PARIS

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



SPREAD VS 10Y BOND



- > More than €16bn investment volume YTD, **+25% vs 2018 that was a record year**
- > 58% of deals > 100 €m
- > Prime yields at 2.75%, increasing number of deals below 3%

(1) Market consultants in Spain report gross yields and in France they report net yields 10 year Bond as of 22 October 2019



*Unparalleled exposure to CBD*

### 03 Operational performance

High letting volume with 200,000 sqm signed in very good terms

		<u># CONTRACTS</u>	<u>SQM SIGNED</u>	<u>GRI SECURED<sup>1</sup></u>	<u>EPRA VACANCY<sup>2</sup></u>	<u>INCENTIVES<sup>3</sup></u>	<u>MAX. RENT SIGNED</u>
<b>BARCELONA</b>		30	54,871	€14m	1.4%	6%	28.5 €/sqm/month
<b>MADRID</b>		37	111,075	€25m	7.4%	6%	35.5 €/sqm/month
<b>PARIS</b>		30	31,081	€24m	1.4%	13%	>800 €/sqm/year
<b>TOTAL</b>		97	197,027	€63m	3.5%	10%	

(1) Annualized figures of signed contracts

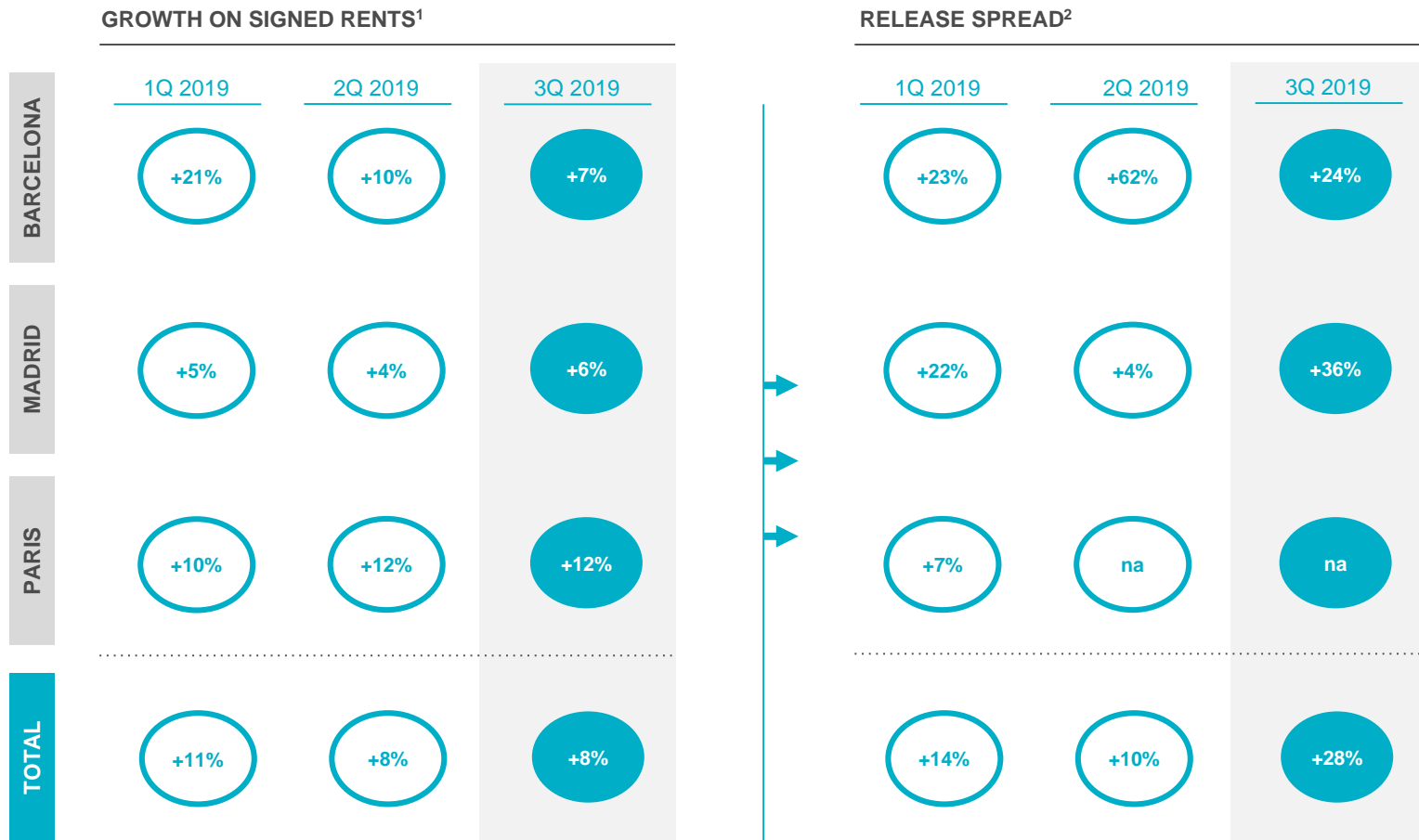
(2) Financial vacancy calculated according to EPRA vacancy methodology

(3) Incentive ratio = economic rents/ facial rents -1

Strong delivery on rental price increases

- > Significant rental growth in every segment
- > High release spreads in the double-digit arena
- > Paris portfolio with double digit rental growth three quarters in a row

SOLID INCREASE IN RENTAL PRICES

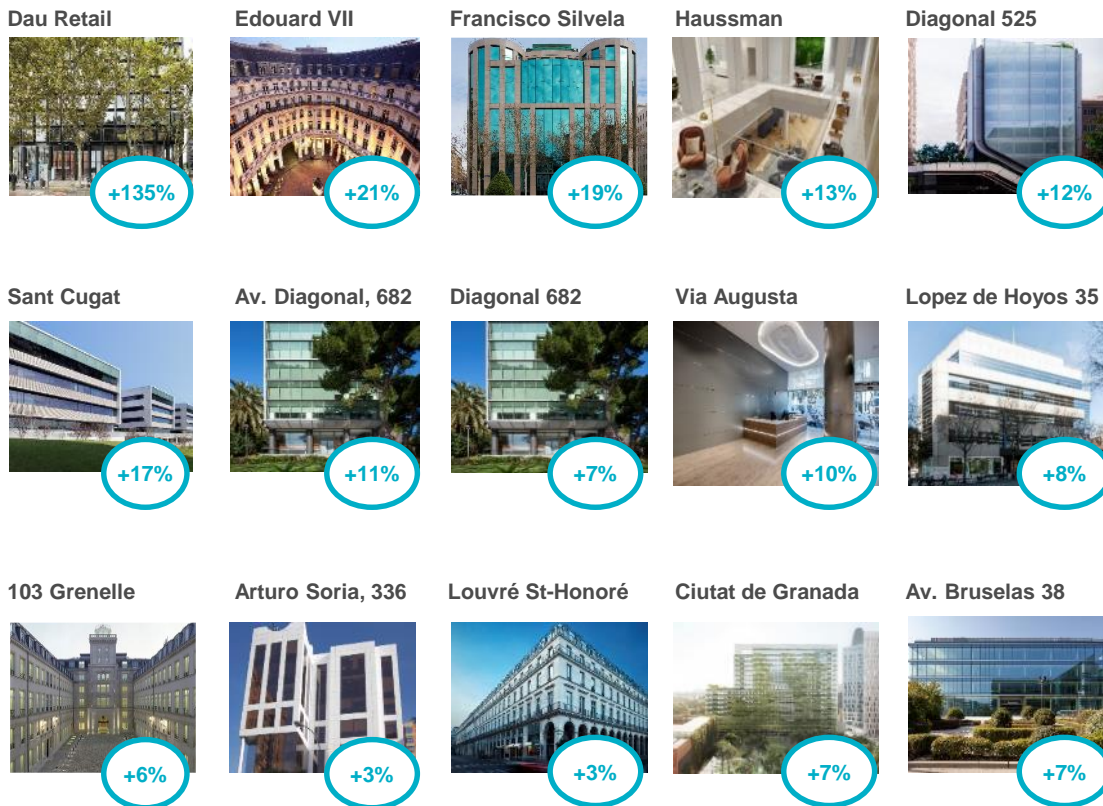


(1) Signed rents vs 12/18 ERV (new lettings & renewals)  
 (2) Signed rents vs previous contracts (renewals)

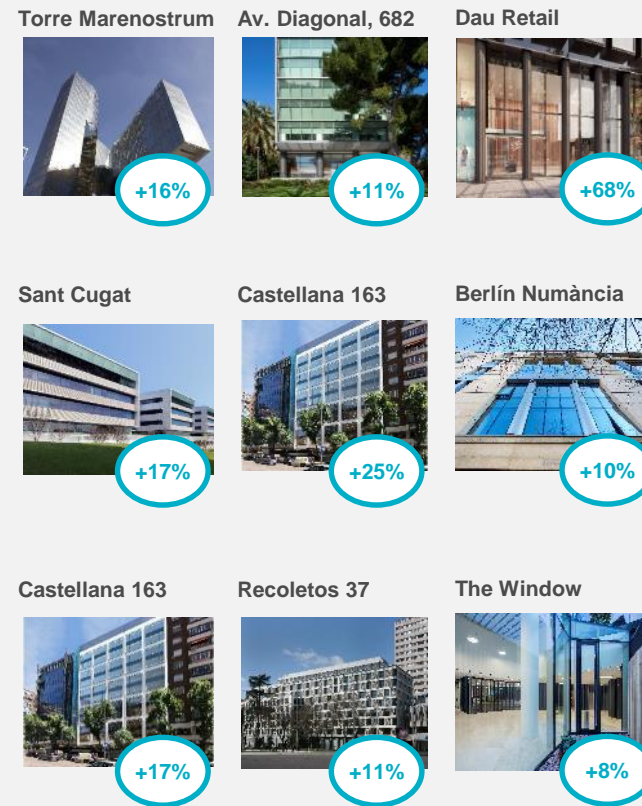
Strong delivery on rental price increases across the entire portfolio

GROWTH ON SIGNED RENTS<sup>1</sup>

1H 2019



3Q 2019



(1) Signed rents vs 12/18 ERV (new lettings)

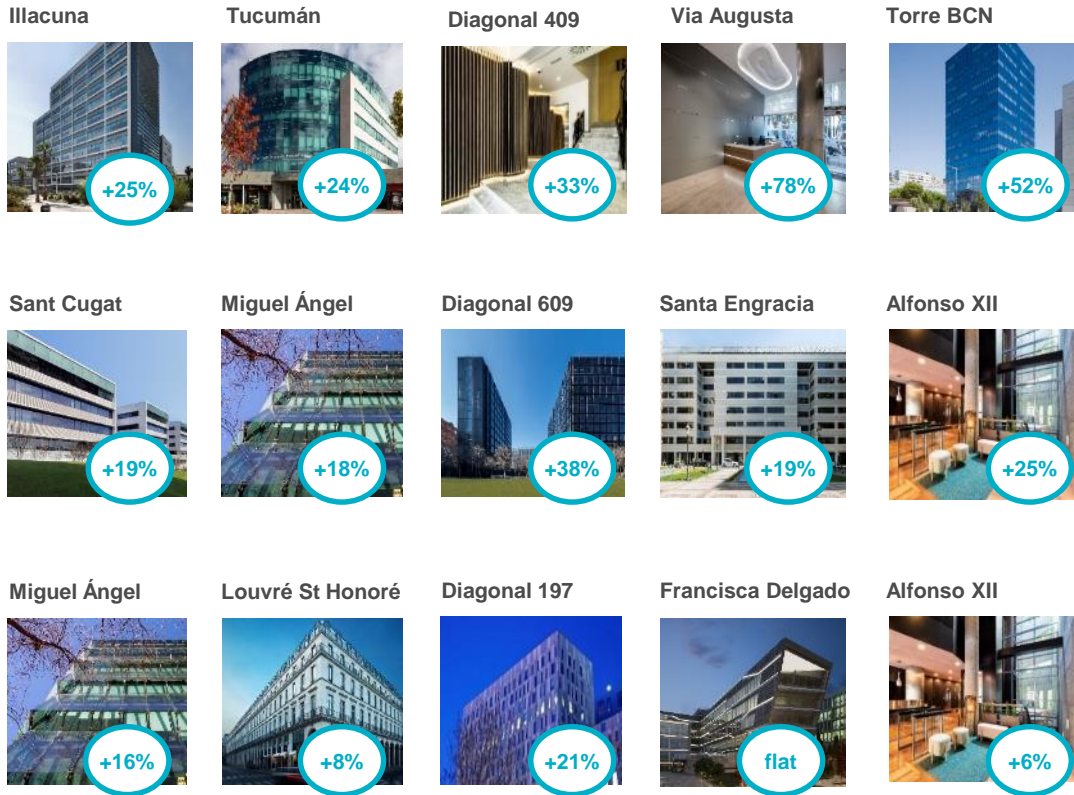


### 03 Operational performance

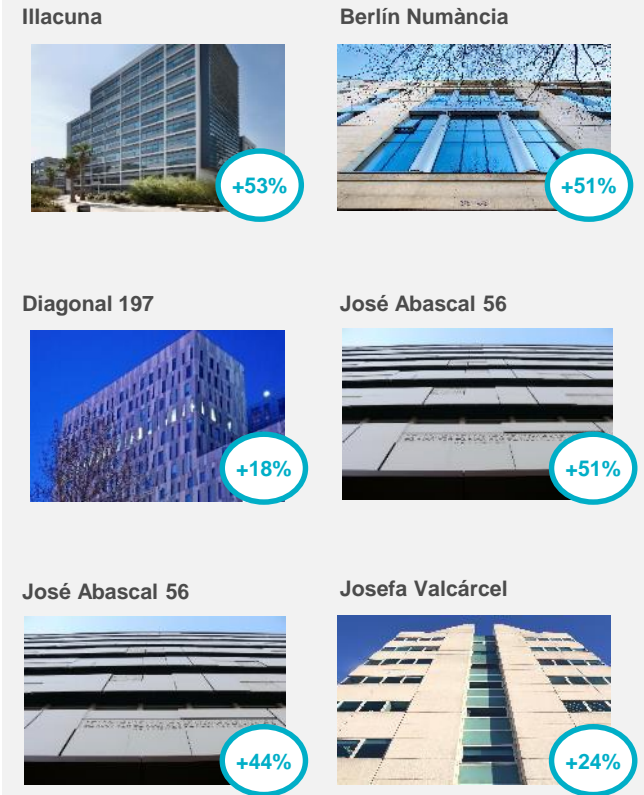
Strong delivery on rental price increases across the entire portfolio

#### RELEASE SPREAD<sup>1</sup>

##### 1H 2019



##### 3Q 2019



(1) Signed rents vs previous contracts (renewals)

### 03 Operational performance

## Colonial portfolio outperforming the market on occupancy

- > Rapid letting up of Axiare Portfolio
- > Improving the portfolio mix offloading non-core
- > Providing new high-quality supply to the market

### EPRA VACANCY



#### LETTING UP PRODUCT & OFFLOADING NON CORE

Av. De Bruselas, 38

Luca de Tena, 6

Luca de Tena, 14

De La Vega B. Park

Cristalia, 2-3

Cristalia, 5-6

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#### PROVIDING NEW PRIME PRODUCT TO THE MARKET

Castellana, 163

José Abascal, 56

Alfonso XII

Sagasta 31-33

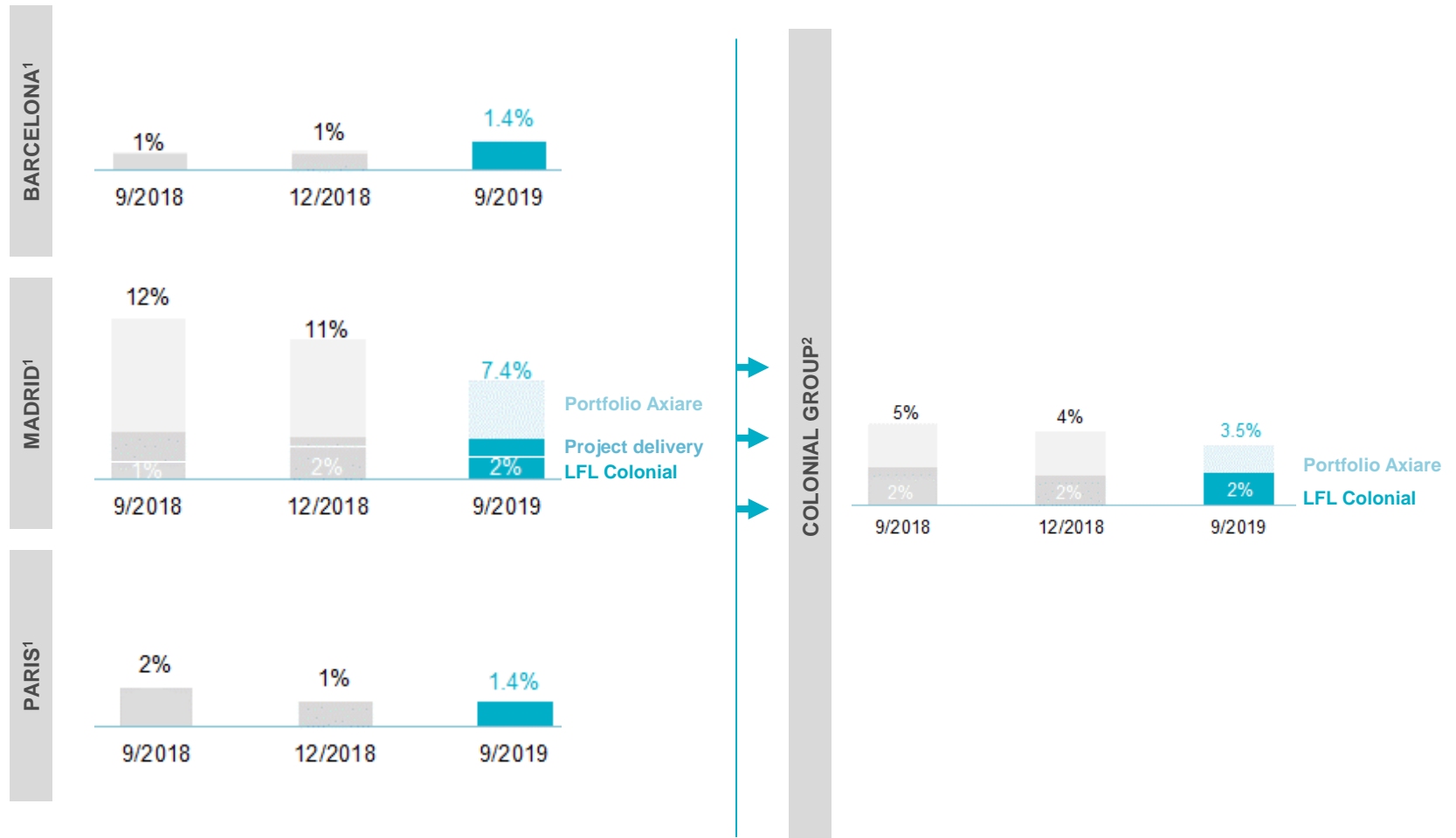
(1) EPRA Vacancy office portfolio  
 (2) EPRA Vacancy including all uses

### 03 Operational performance

## Vacancy remains at healthy levels

- > Colonial Group vacancy at a healthy 3.5%
- > Barcelona and Paris at 1.4%
- > Madrid core portfolio at 2%

### EPRA VACANCY



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



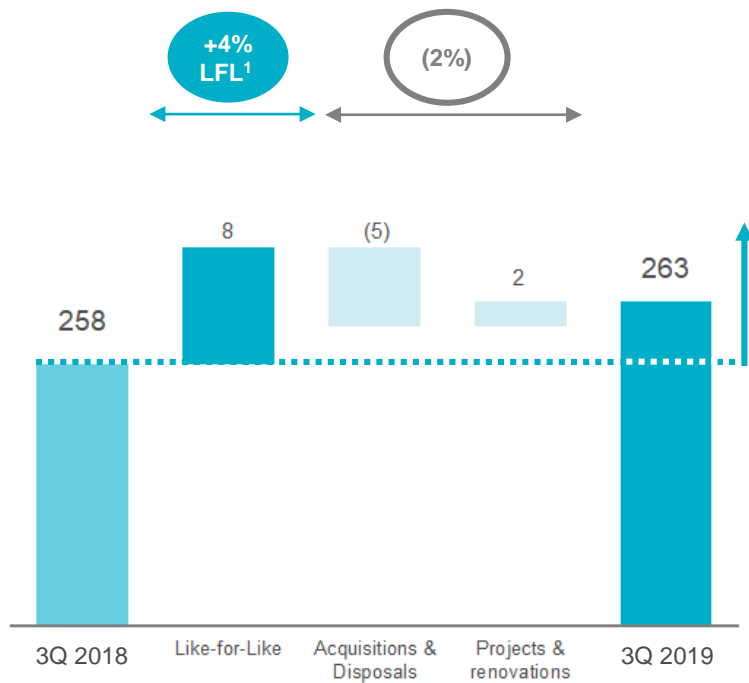
*Profitable Growth improving the quality of returns*

## 04 Financial performance

### Strong top line growth

- > Outstanding +4% like for like
- > Madrid with highest LFL of +5%
- > Paris & Barcelona remain strong with 3% each

#### GROSS RENTAL INCOME - €M



	TOTAL	EPRA like-for-like <sup>1</sup>	Acquisitions & disposals	Projects & renovations
GROUP	+2%	+4%	(2%)	+0.2%
BCN	+16%	+3%	+4%	+9%
MADRID	(8%)	+5%	(9%)	(4%)
PARIS	+4%	+3%	0%	+0.2%
OTHERS	(0.4%)	(1%)	+0.4%	+0.3%

(1) Like-for-like calculated following EPRA BPR recommendations

Like-for-like rental growth price driven

- > Like-for-like growth largely driven by rental price increases
- > Barcelona and Paris fully price driven
- > Madrid growth driven by a combination of price and volume

GROSS RENTAL INCOME - €M

STRONG EPRA LIKE-FOR-LIKE GROWTH

GRI LIKE-FOR-LIKE OF +4%

- > Barcelona with +3% like-for-like  
*Fully rental price driven*
- > Madrid with +5% like-for-like  
*Important rental price increases combined with solid letting up of vacant spaces*
- > Paris with +3% like-for-like  
*Strong rental price increases the main driver*

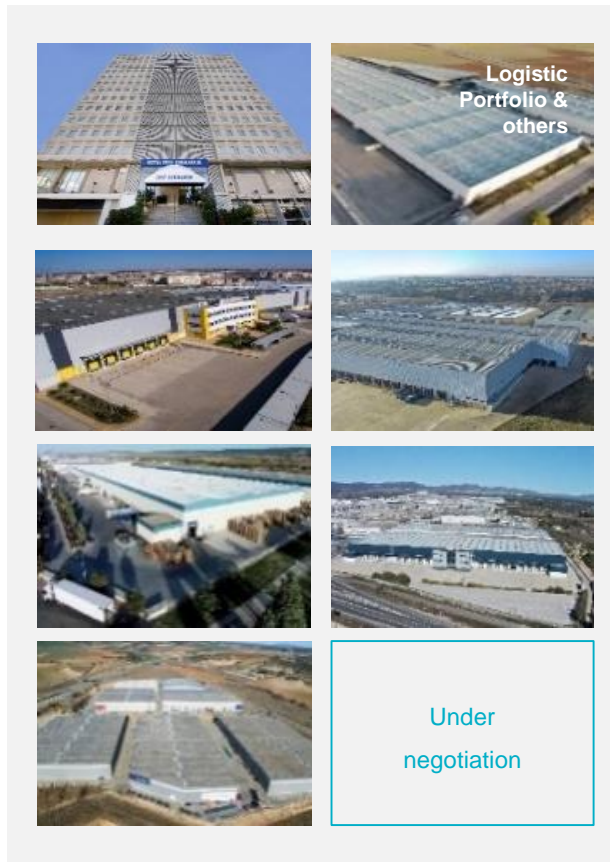
	EPRA like-for-like <sup>1</sup>	Price	Volume
GROUP	+4%	2.5%	1.1%
BCN	+3%	2.7%	0.3%
MADRID	+5%	3.2%	1.8%
PARIS	+3%	2.2%	1.2%

(1) like-for-like calculated following EPRA BPR recommendation

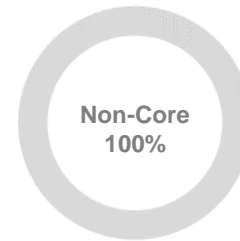
**04 Operational performance**  
**Disposals of logistics portfolio**

- > Integration of Axiare successfully completed after disposal of logistics portfolio
- > Significant value creation through premium on GAV
- > Ongoing flight to quality through disciplined capital allocation

**DISPOSALS 2019E OF > €475m**



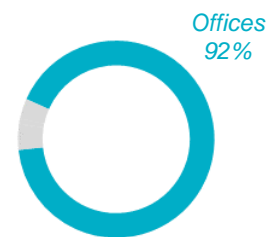
**VALUE CREATION THROUGH NON-CORE DISPOSALS**



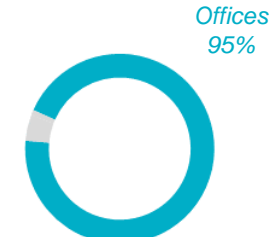
**High Double Digit  
Premium**

**ENHANCED FOCUS ON OFFICES**

Pre Disposals



Post Disposals



**Enhanced  
Office  
exposure**

**+308bp**

(1) Estimated disposal volume including the 2019 sale of logistics, the Centro Norte Hotel, as well as the potential exercise of option by the buyer on the rest of the logistics portfolio in 2020 and another non-strategic asset currently under advanced negotiation

## 04 Financial performance

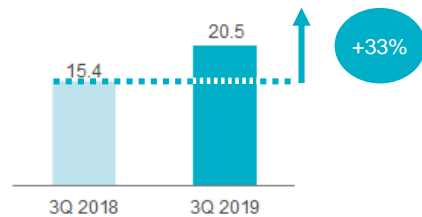
### Profitable growth with enhanced quality

- > High double digit EPS growth
- > High double digit recurring earnings growth
- > Non-Core Disposals enhancing the quality of returns

#### STRONG EPS GROWTH

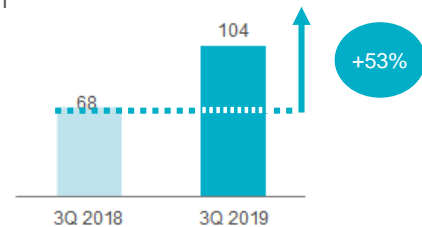
##### RECURRING EPS

Cts€/share



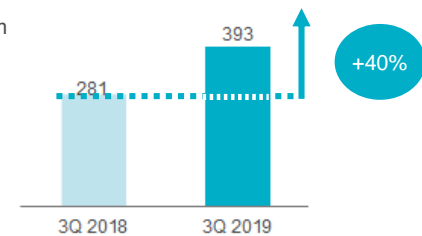
##### RECURRING RESULT

€m



##### GROUP NET RESULT

€m



#### RECURRING EARNINGS – VARIANCE ANALYSIS



(1) Recurring EPS



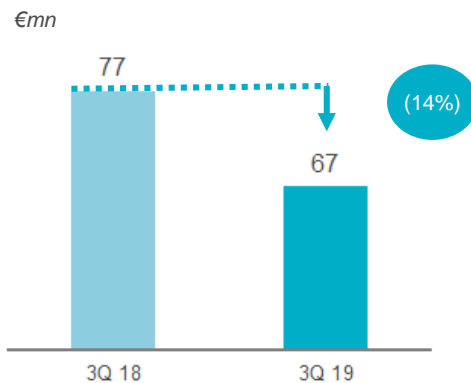
## 04 Financial performance

### A strong credit profile

- > Highest Corporate Rating in Spanish Real Estate
- > LTV reduction to 37% in line with financial policy
- > Attractive cost of debt of 1.5% and more than €2bn of liquidity<sup>2</sup>

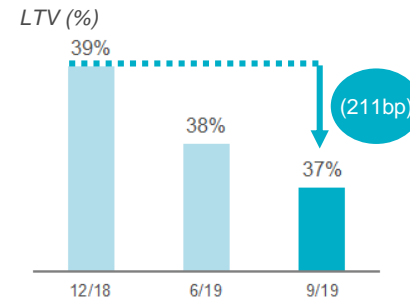
#### ACTIVE LIABILITY MANAGEMENT ...

- 1 Refinancing of €151m of Axiare bilaterals
- 2 First sustainable loan granted to a real estate company in Spain
- 3 Tactical ECP program launched - €500m in Spain and France
- 4 Savings on financial cost in P/L of 14% YoY

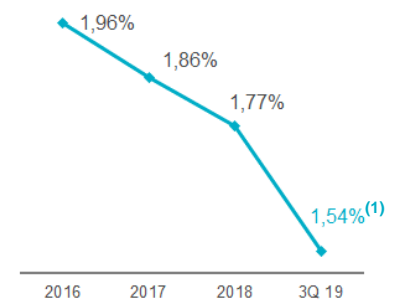


#### ... ENHANCING THE BALANCE SHEET

##### Prime Collateral



##### Spot cost of debt



##### Financial Policy

Investment Grade Rating	
LTV range	36-40%
ICR	> 2.5x

##### Liquidity <sup>2</sup>

Cash	€564m
Undrawn balances	€1,865m
<b>Total</b>	<b>€2,429m</b>

#### Rating improvements



(1) Cost of debt considering ECP Program (1.81% excluding ECP Program) without considering commissions

(2) Cash and undraw balances



*A strong platform for future value creation*



## FUTURE VALUE CREATION

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- 1 Leadership in Prime Offices
- 2 €1.3bn of project pipeline
- 3 Capturing reversion in rents
- 4 Strong investment market
- 5 Disciplined capital allocation

## €1.3bn of CBD Project Pipeline with strong visibility

- > Castellana, 163 Project delivery ahead of plan
- > 70% of the asset pre-let with AAA tenants
- > Signed rents doubling initial rent in place

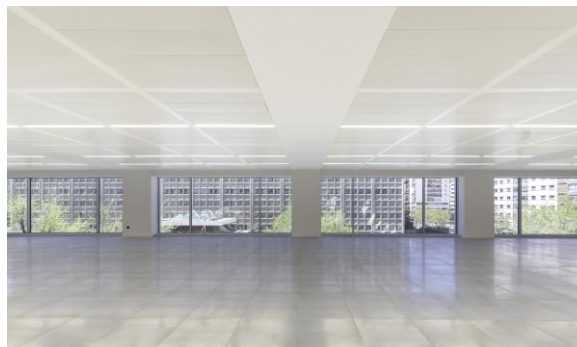


### PROJECT DELIVERY AHEAD OF PLAN

- > Façade refurbishment completed with occupants in the building
- > Acceleration of tenant rotation
- > Project delivery ahead of initial timing
- > Total cost €4,800 per sq m

### STRONG PRE-LETTING

- > Successful hybrid product approach
- > 7,654 sq m pre-let, 70% of total asset
- > Signed rents doubling initial passing rent
- > AAA tenants from different sectors



## 05 Growth drivers

€1.3bn of CBD Project Pipeline with strong visibility

- > 5 out of 12 projects pre-let YTD
- > Enhanced visibility on cash flow and value creation
- > Important value creation to be captured



Louvre Saint Honoré



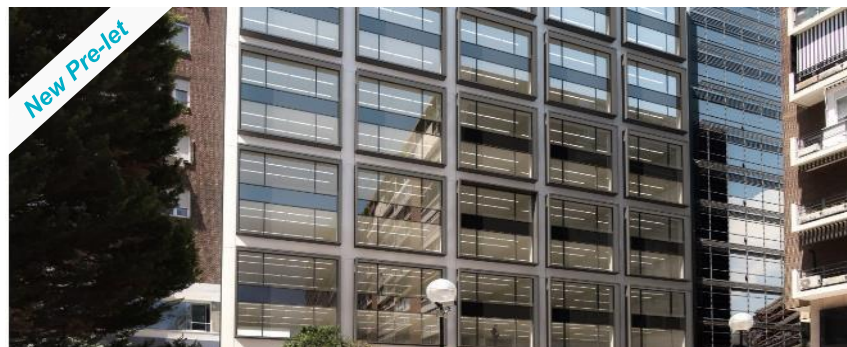
Pedralbes Center



Avenida Diagonal 525



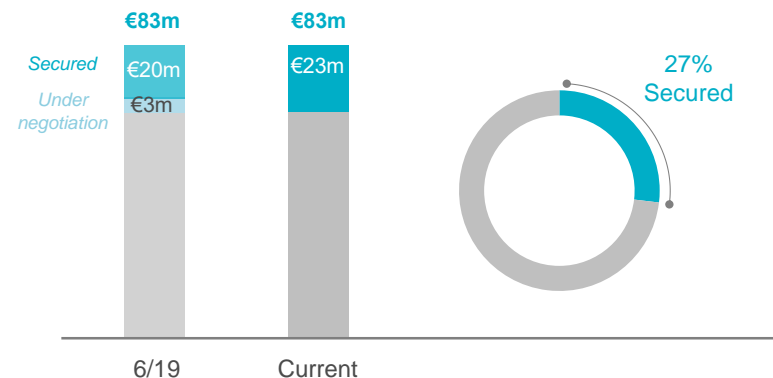
Gala Placidia



Castellana 163

### STRONG VISIBILITY ON RENTAL CASH FLOW

Stabilized GRI



- 1) Total Final Cost per share: Acquisition Cost + Total Capex attributable to Colonial Shareholders/ total Nosh
- 2) Acquisition Cost + Total Capex

## 05 Growth drivers

### Capturing reversion - Attractive CBD contract portfolio

- > Delivery of high release spreads ongoing
- > Solid prime positioning in growing markets
- > Renovation programs as rental growth accelerator

#### STRONG DELIVERY ON REVERSION

*Static upside*  
as of 06/19<sup>2</sup>

*Release Spread*  
captured<sup>1</sup> Q3 2019

BARCELONA

+24%

+24%

MADRID

+10%

+36%

PARIS

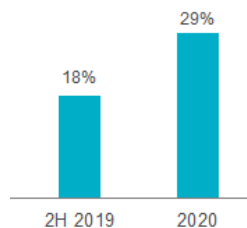
+6%

na

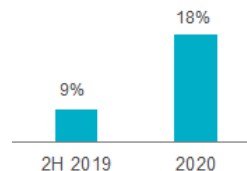
#### ATTRACTIVE RENT ROLL

COMMERCIAL LEASE EXPIRY DATES (12/18)  
First potential exit

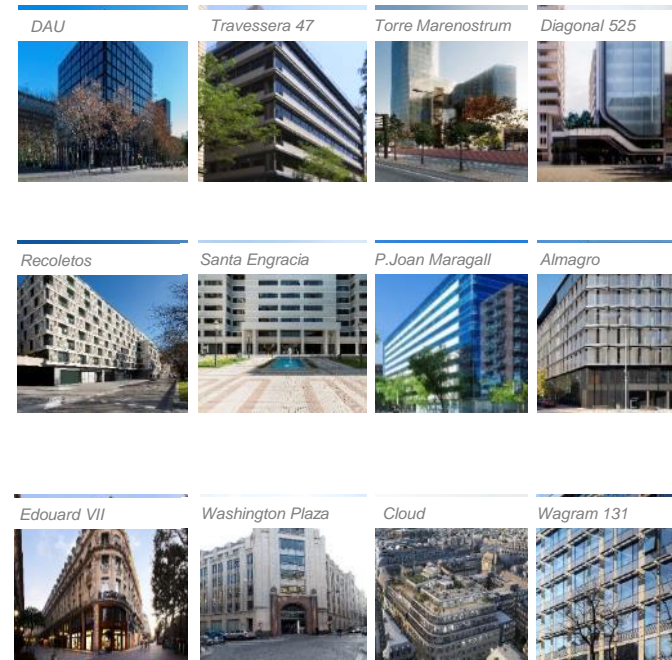
SPAIN



FRANCE



#### PRIME PORTFOLIO FOR STRONG REVERSION



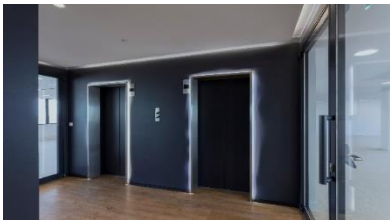
1) New rents signed vs previous

2) Market rents vs current passing rents as of 12/18 without including future rental growth

## Capturing reversion – Renovation program on track

- > Substantial levels of pre-let
- > Significant rental uplift

### CHARLES DE GAULLE – Paris Neuilly



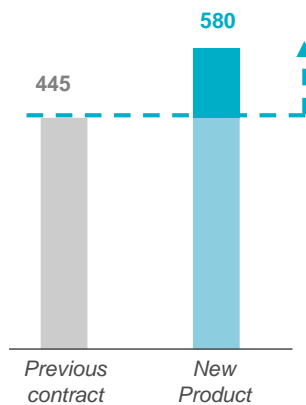
- > Renovation of common spaces and floorplates upgrade

- > 1,940 sq m prelet with strong rental uplift



- > Ongoing commercialization with good momentum

In €/sq m/year



+30% Release Spread <sup>1</sup>

+32% vs ERV <sup>2</sup>

### TORRE MARENOSTRUM – Barcelona CBD



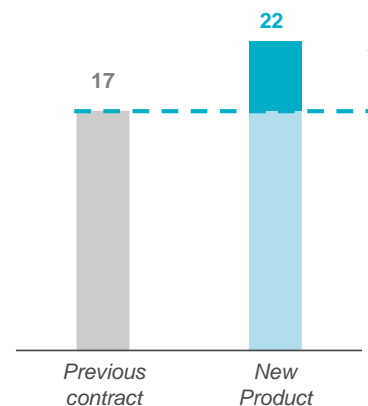
- > Acceleration of current tenant rotation

- > Pre-let of 6,736 sq m, 82% of the renovated area



- > Creation of a hybrid product increasing rental price levels

In €/sq m/month



+29% Release Spread

+16% vs ERV <sup>2</sup>

(1) Signed rents vs previous contracts  
 (2) Signed rents vs 12/18 ERV

## Capturing reversion – Renovation program

- > Renovation programs as rental growth accelerator
- > Tenant rotation to improve rental levels
- > Solid positioning in growing markets

### RENOVATION PROGRAM

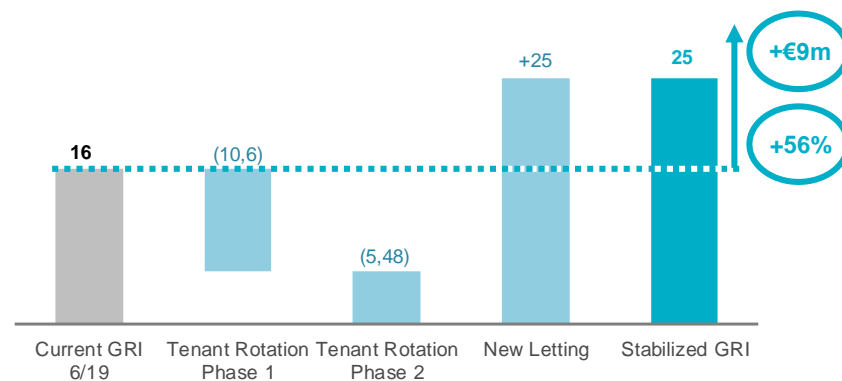


Asset	City	GLA (sq m)	Program executed
José Ortega y Gasset 100	Madrid	7.792	2H 2019
Hausmann	Paris	13.434	1H2021
Cedro	Madrid	17.203	1H2021
Torre Marenostrum	Barcelona	22.394	2H2021
Charles de Gaulle	Paris	6.520	2H2021
<b>Renovation Program</b>		<b>67.344</b>	

### ANNUALIZED GRI <sup>1</sup>

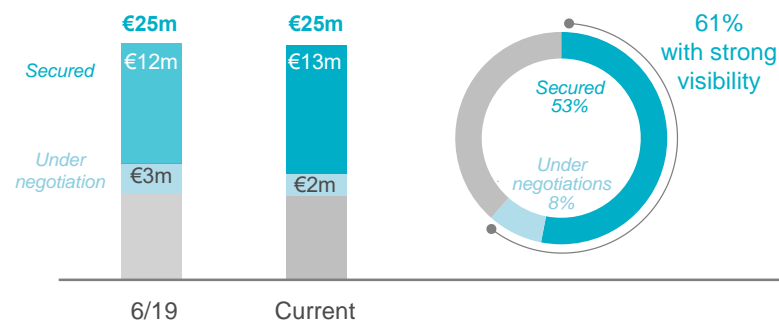
#### SIGNIFICANT REVERSION AHEAD

In €m



#### STRONG VISIBILITY ON GRI REVERSION

Stabilized GRI



1) New rents signed vs previous

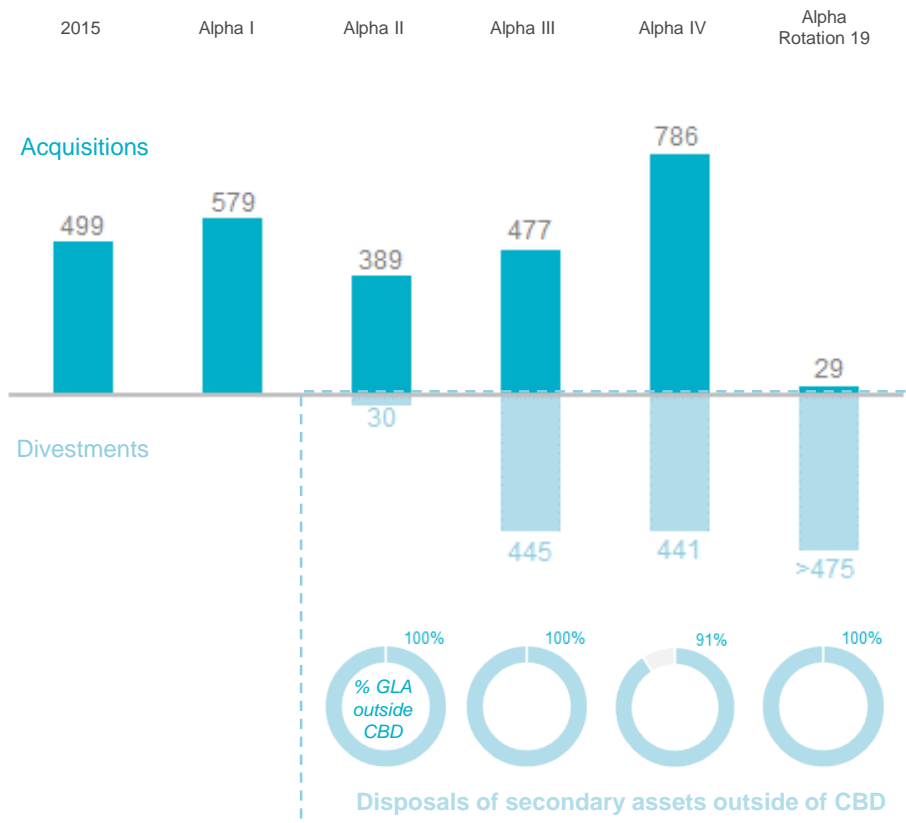
2) Market rents vs current passing rents as of 12/18 without including future rental growth



## Discipline on Capital Allocation

- > Ongoing flight to quality through disciplined capital allocation
- > Disposal of non-core asset for more than €1.4bn in the last 26 months
- > Acquisition program ongoing with relevant pipeline under analysis

### INVESTMENTS & DIPOSALS SINCE 2015 - €m



### CAPITAL ALLOCATION PRINCIPLES

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

*Close to €1bn of  
acquisition pipeline under analysis*

*Acquisitions of €150m in advanced stage*





## DELIVERY OF BUSINESS PLAN ON TRACK

---

### *Financials*

- > **Recurring EPS of 20.5€Cts. per share, +33% YoY**
- > **Disposal of logistics portfolio**
- > Gross Rental Income of €263m, +4% like-for-like
- > Recurring earnings of €104m, +53% YoY

### *Operations*

- > Very healthy vacancy levels at 3.5%
- > Strong letting up of Madrid portfolio
- > Successful pre-let of 5 out of 12 projects
- > Strong growth in rental prices
  - ✓ Capturing market rental growth
  - ✓ Double Digit Release Spreads
  - ✓ Solid base for Capital Value Growth

## COLONIAL BEST POSITIONED FOR FUTURE GROWTH

---

- > Prime office leadership in every market
- > CBD outperforming Secondary, supporting further rental growth
- > Enhanced visibility on project pipeline value path
- > Further Asset Value Growth underpinned by prime scarcity
- > Capital allocation program ongoing



## GUIDANCE

---

### 1 Profit & Loss

- > Top Line GRI 2019E €350m
- > EPS 2019E: €27cts
- > DPS 2019E: +10% YoY growth

### 2 Capital Recycling

- > 2019E Disposals > €475m
- > 2020 Selective disposals of mature assets

### 3 Acquisition program ongoing

- > Selective acquisitions
- > Prioritize value add opportunities

### 4 Solid Financial Policy

- > Investment Grade Rating
- > LTV Range 36 - 40%

### 5 Strong commitment to ESG

- > Solid momentum in 2019
- > Enhanced Execution going forward

# Q&A

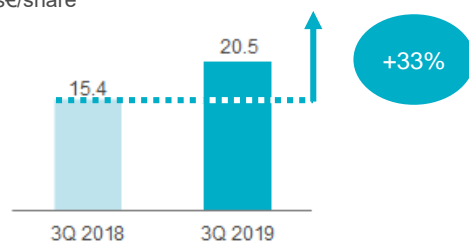


- > High double digit EPS growth delivered
- > High double digit recurring earnings growth
- > Business Plan delivery on track

### STRONG EPS GROWTH

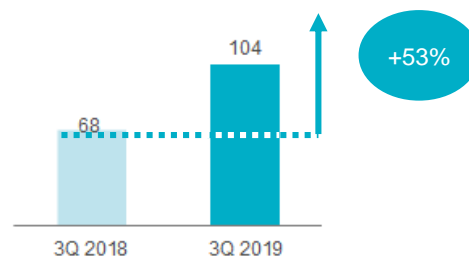
#### RECURRING EPS

Cts€/share



#### RECURRING RESULT

€m



### PROFIT & LOSS ACCOUNT

#### Results analysis - €m

	3Q 2019	3Q 2018	Var.
<b>Gross Rents</b>	<b>263</b>	<b>258</b>	<b>2%</b>
Recurring EBITDA <sup>(1)</sup>	210	202	
Recurring financial result	(67)	(77)	
Income tax expense & others - recurring	(9)	(10)	
Minority interests - recurring	(29)	(47)	
<b>Recurring Earnings</b>	<b>104</b>	<b>68</b>	<b>53%</b>
Asset revaluation & Capital Gains	362	304	
Non-recurring financial result & MTM	(7)	(19)	
Income tax & others - non-recurring	(7)	(2)	
Minority interests - non-recurring	(59)	(71)	
<b>Profit attributable to the Group</b>	<b>393</b>	<b>281</b>	<b>40%</b>

(1) Temporary adjustment Property Tax

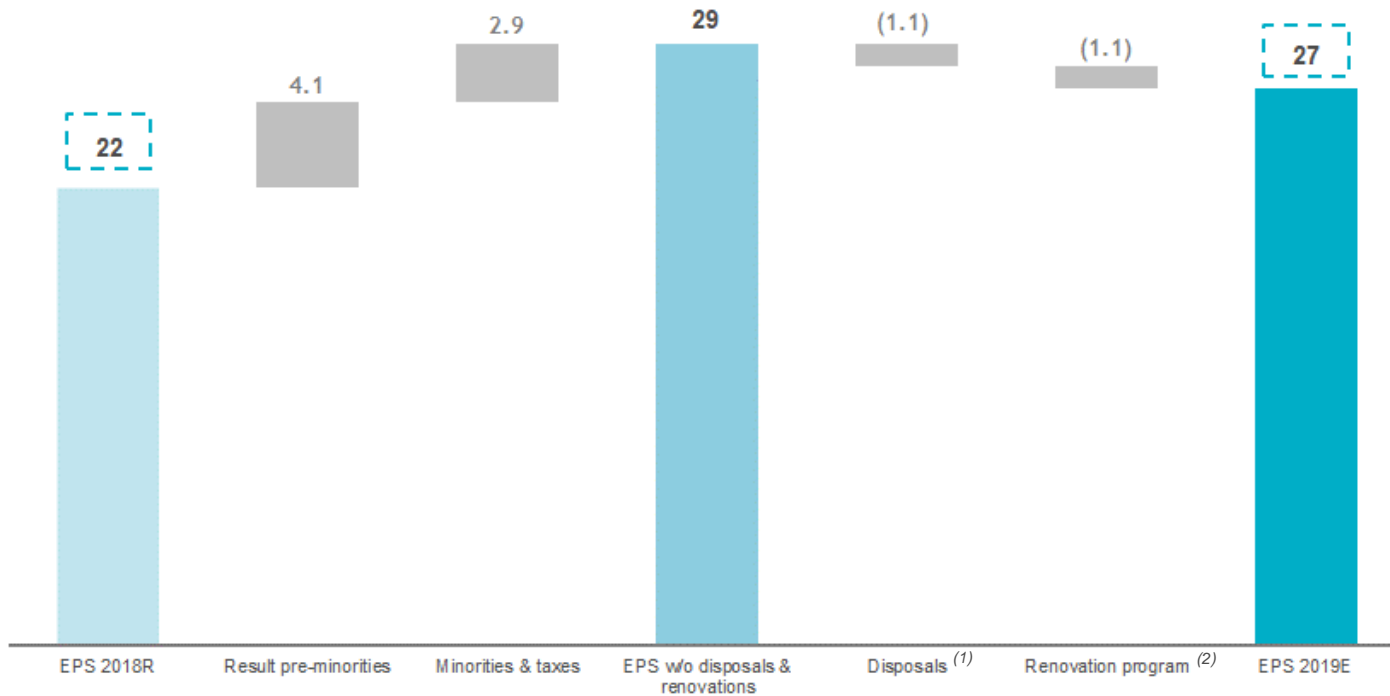
Recurring Earnings - €m	104	68	+53%
Nosh (mm)	508	442	+15%
<b>EPS recurring - Cts€/share</b>	<b>20.5</b>	<b>15.4</b>	<b>+33%</b>

Disposals

- > Offloading non-core product improving the balance sheet
- > Reduction of rents increasing focus and quality of the returns

RECURRING EARNINGS – VARIANCE ANALYSIS

€cts/ share



(1) Impact of 2019E disposals (annualized Topped GRI of €16m)

(2) 2019 impact of Renovation Program

BARCELONA – LETTING PERFORMANCE

Solid Performance

54,871 sq m let

> Max. rent signed

28.5  
€/sqm/month

> ERV growth

+10%<sup>(1)</sup>

> Release spread<sup>2</sup>

+34%

New Lettings  
28.310 sq m



Renewals  
26.561 sq m

Strong rental growth - Highlights

Dau Retail



+68%  
vs ERV<sup>1</sup>

Torre Marenstrum



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

Illacuna



+53%  
release  
spread

Berlín Numància



+51%  
release  
spread

(1) Signed rents vs 12/18 ERV (new lettings & renewals)  
(2) Signed rents vs previous contracts (renewals)



MADRID – LETTING PERFORMANCE

Solid Performance

111,075 sq m let

> Max. rent signed

35.5  
€/sqm/month

> ERV growth

+4%<sup>(1)</sup>

> Release spread<sup>2</sup>

+8%

New Lettings  
44.445 sq m



Renewals  
66.630 sq m

Strong rental growth - Highlights

Castellana 163



+17%  
vs ERV<sup>1</sup>

Castellana 163



+25%  
vs ERV<sup>1</sup>

José Abascal 56



+44%  
release  
spread

José Abascal 56



+51%  
release  
spread

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

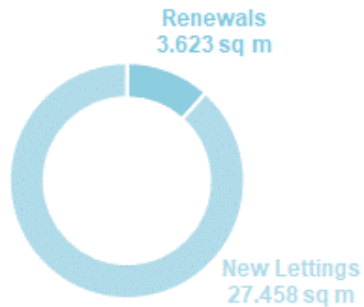
(2) Signed rents vs previous contracts (renewals)

PARIS – LETTING PERFORMANCE

Solid Performance

31,081 sq m let

- > Max. rent signed **> 800 €/sqm/year**
- > ERV growth **+12%<sup>(1)</sup>**
- > Release spread<sup>2</sup> **+7%**



Strong rental growth - Highlights

Edouard VII



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

Haussman



**+13%  
vs ERV<sup>1</sup>**

Louvre Saint-Honoré



**+8%  
release  
spread**

103 Grenelle



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

(1) Signed rents vs 12/18 ERV (new lettings & renewals)  
(2) Signed rents vs previous contracts (renewals)

## APPENDICES

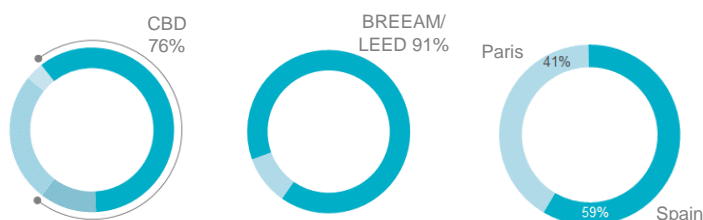
### A solid capital structure

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

#### FIRST CLASS COLATERAL

More than €11bn of high quality assets

1. Strong CBD exposure with prime product
2. Highest sustainability standards
3. Adequate diversification



Strong credit profile with solid investment grade rating



Rating Standard & Poor's  
**BBB+ Stable Outlook**

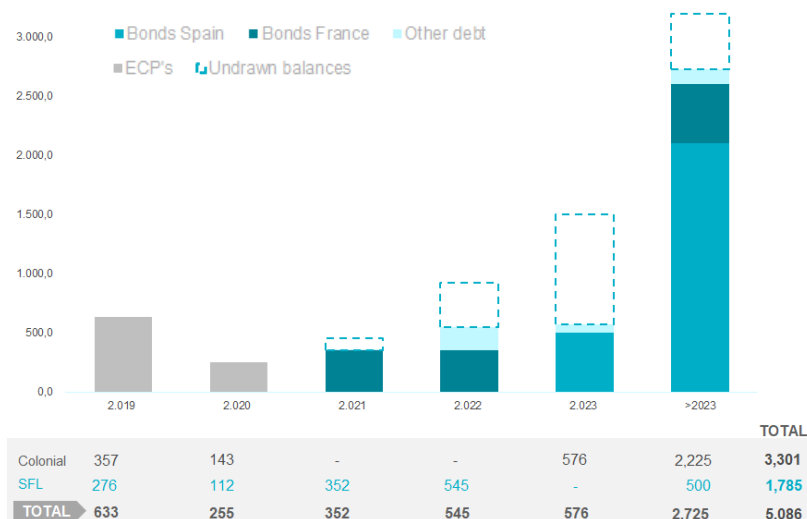


Rating Moody's  
**Baa2 Stable Outlook**

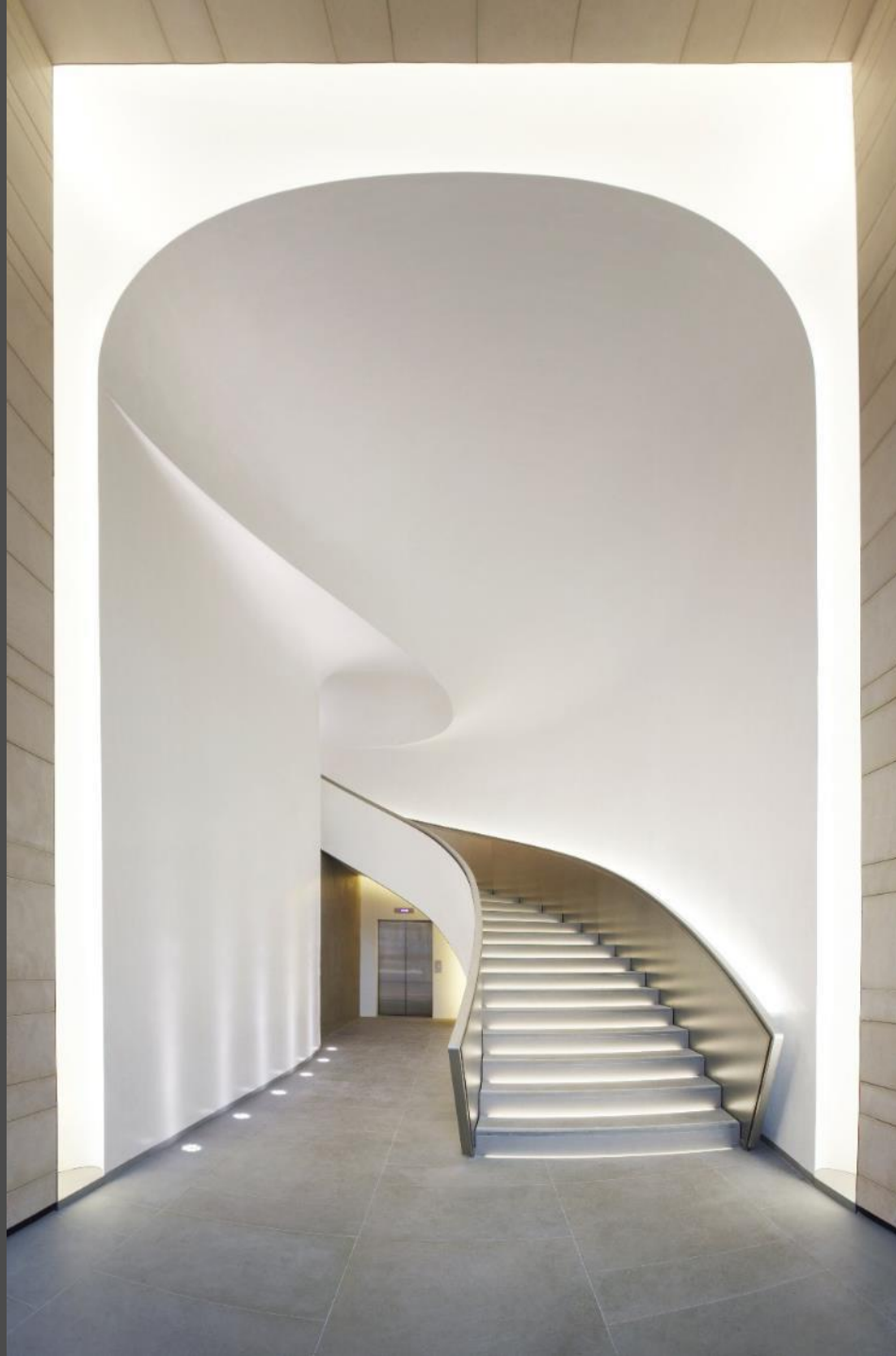
#### A SOLID FINANCIAL STRUCTURE

<u>Capital Structure</u>	<u>31/12/2018</u>	<u>30/09/2019</u>
<b>Net Debt</b>	<b>€4,680m</b>	<b>€4,522m</b>
<b>Group LTV</b>	<b>39%</b>	<b>37%</b>
<b>Liquidity <sup>(1)</sup></b>	<b>€1,793m</b>	<b>€2,429m</b>
<b>Maturity Spain</b>	<b>6.6 years</b>	<b>5.9 years</b>
<b>Maturity Group</b>	<b>5.9 years</b>	<b>5.2 years</b>
<b>Cost of Debt Spain</b>	<b>1.95%</b>	<b>1.64%</b>
<b>Cost of Debt Group</b>	<b>1.77%</b>	<b>1.54%</b>

<sup>(1)</sup> Includes Cash & Undrawn Credit Lines



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