Group net profit of €230m, a 13% increase in a year

The EPRA Net Asset Value per share increases 25% in 12 months

- Gross rental income of €137m, +23%
- Group Recurring EBITDA of €109m, +36%
- EPRA financial occupancy of 97%, +829 basis points
- Gross Asset Value of €7,556m, +20%
- EPRA NAV of 6,80 euros per share, +25%

Barcelona, 27th of July, 2016. The first half results of 2016 reflect the successful execution of Colonial Group's growth strategy based on an approach of industrial value creation combined with an asset class specialization in prime offices in Barcelona, Madrid and Paris markets.

At the close of the first half 2016, the company has increased its rental revenues 23% vs. previous year, 10% in like for like terms, up to a total amount of €137m, with an 97% occupancy of its portfolio. The net profit attributable to the Group amounted to €230m, an increase of 13% compared to the previous year.

These outstanding results have generated an important total shareholder return, reflected by a 25% year on year growth of Colonial's Net Asset Value up to 6,80 €/share. "*The success of our strategy of asset class specialization in the prime office segment with a balanced diversification approach across the Barcelona, Madrid and Paris markets enables us to deliver above average returns for our shareholders."* says Pere Viñolas, Chief Executive Officer of the Colonial Group.

Letting performance

During the first half of 2016, the Group signed a total of 64,800 sq m of contracts. It's also important to point out that, to date, the company has already achieved 75% of its entire 2016 annual letting target.

In Spain, during these six months, more than 45,000 sq m were signed, corresponding to 34 contracts. In particular, almost 37,000 sq m were signed in Barcelona, particularly the renewal of more than 22,000 sq m for Gas Natural on the Torre Marenostrum building, as well as the signing of more than 4,000 sq m on the Avinguda Diagonal, 609-615 building (DAU), among others

In Madrid, of particular mention is the renewal of 2,700 sq m on the Recoletos, 37-41 building for a pharmaceutical company.

In Paris, it's particularly important to highlight the signing of almost 3,000 sq m on the #Cloud property with a cosmetics and fragrances company, reaching 100% occupancy. Additionally, 5,200 sq m were renewed in Washington Plaza with Lagardère Ressources.

Occupancy of 97%

The high volume of new lettings at the close of the first half of 2016, has enabled to improve the Colonial Group's EPRA financial occupancy for the total portfolio up to 97%, +829 basis points vs. the previous year (+91 basis points in one quarter).

In Barcelona, the EPRA financial occupancy of the office portfolio increased 932 bp compared to the same period of the previous year, reaching a ratio of 94%. In Madrid, the financial occupancy of the office portfolio was 97%, which is 458 bp above the same period of the previous year. In Paris, the financial occupancy of the office portfolio increased by 1,110 bp in twelve months, reaching a ratio of 97%.

Increase of rental prices

The Colonial Group achieved a 23% growth in gross rental income. This increase is mainly due to the following aspects:

1. A 10% revenue increase in like-for-like terms, based on the prime portfolio's capacity to attract tenants, which has improved occupancy by more than 829 bp in 12 months.
2. In addition, a 13% increase in gross rental income has been achieved through the successful delivery of Prime Factory projects and new acquisitions.

The growth in gross rental income has enabled the Group to achieve an increase of 36% in the recurring EBITDA which, together with an improvement in financial costs, resulted in an increase in the net recurring earnings of 183%, up to €31m at the close of the first half of 2016.

This increase in gross rental income was obtained in all three markets in which Colonial operates, highlighting the significant growth in the Barcelona portfolio. At the same time, the Madrid and especially the Paris portfolio have also achieved very solid like-for-like growth. This increase is not only due to improvements in occupancy rates, but also based on a strategy of prime assets that have enabled the group to achieve increases in rental prices in the contracts signed during the first months of 2016.

Acquisitions 2016. Project Alpha

In the first half of 2016, the Colonial Group has successfully executed Project Alpha which involved the acquisition of 4 buildings in Spain (3 in Madrid and 1 in Barcelona) and a 4.4% in SFL stake. The total volume of the acquisitions amounts to more than €400m.

These acquisitions have accelerated the growth plan of the Colonial Group in accretive terms and in particular have led to:

1. A substantial increase in the portfolio in Spain, increasing the GAV in this market by more than 20%
2. A greater exposure to the Paris CBD
3. The issue of new shares, increasing the value of the equity by more than €265m
4. The incorporation of the Grupo Finaccess, prestigious international investor, as a long-term reference shareholder
5. The execution of an accretive transaction in EPS and NAV/share from day one
6. The improvement of the credit profile of the Colonial Group

Project Alpha has enabled the Group to acquire maximum quality products with a unique positioning in its markets. All of the acquisitions have been sourced through "off-market" transactions at very attractive acquisition prices.

The Project Alpha acquisitions represent an interesting mix of core investments (assets that generate cash from day one) and Prime Factory projects with high real estate value creation potential.

Revaluation of the portfolio up to €7.556m

At the close of the first half of 2016, the assets of the Colonial Group were valued at €7,556m, they rose by +5% like-for-like in 6 months (+13% like-for-like in 12 months).

In Spain, the Gross Asset Value increased by 5% like-for-like in the last six months, (10.8% in 12 months) due to a combination of property repositioning and increases in occupancy that have led to improved yields and rental income. By city, the portfolios in Madrid and Barcelona increased by 5% like-for-like in six months, respectively (Barcelona +11.1%, in 12 months and Madrid +10.9% in 12 months).

In France, the Gross Asset Value of the portfolio increased 5.3% like-for-like in 6 months (14.2% in 12 months). This increase in value is a consequence of the progressive repositioning of the property portfolio with positive impacts on rents and yields, in the context of an investment market with high interest in prime offices in Paris.

Total Shareholder Return and Capital Structure

At the close of the first half of 2016, the EPRA NAV of the Colonial Group amounted to €6.80 per share, an increase of 10% in 6 months and a 25% increase in a year.

The annual total shareholder return of 25%, is among the highest in the sector in Europe and Spain, was obtained thanks to:

1. An approach of asset class specialization in offices that permits superior real estate value creation through repositioning and "Prime Factory" initiatives.
2. A unique positioning of the asset portfolio with prime products in the most central areas of the cities.
3. An investment market that prioritizes prime assets, especially at times of increased market volatility.
4. The successful execution of Project Alpha in accretive terms.

It is important to highlight that this return has been obtained maintaining a solid capital structure with an LTV under 40% and an investment grade credit rating. Following the close of the first half of 2016, Colonial paid a dividend of €47.8m. This is the first dividend paid by Colonial since the beginning of the crisis.

Share price performance

The year 2016 is characterized by increased volatility in the capital markets, especially since the Brexit vote.
In this environment, Colonial shares have clearly outperformed those of its peers as well as reference indices like the IBEX and the EPRA index.

In addition, during the year the analyst coverage has significantly increased, with 63% of the analysts giving a "buy" recommendation. The target price of the analysts' consensus is €7.4/share, with maximum prices above €8.5/share.

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