

### *Acceleration of Business Plan*

## **Colonial increases the attributable Net Profit in +40%, up to 22€m**

- Strong delivery on rental growth, release spreads signed at +28%
- Colonial's portfolio EPRA vacancy at healthy 5%
- Gross rental income increases +19%, up to €82m
- The Recurring Net Profit increases +29%, up to €20m
- +15% increase of EPS up to 5.1 €Cts/ share
- +22% increase of the Share price 2018 YTD

**Madrid, 14<sup>th</sup> may 2018**

### **2018 First Quarter Results**

The Colonial Group started 2018 with an increase of +40% in the net profit attributable to the Group, based on the inclusion of 87% of the Axiare business since February 2018 and a solid like-for-like increase in rental income as well as Axiare business integration since February 2018. Pere Viñolas, CEO of Colonial, says "these excellent results show the successful strategy of specialization in the prime office markets of Barcelona, Madrid and Paris".

The successful strategy of the Group is reflected in all KPI's of the first quarter results:

1. Rental income +19% reaching €82m
2. A +6% like-for-like increase in rental income, Madrid portfolio outstanding with +8%
3. Solid operating performance
  - > 33 signed contracts corresponding to more than 73,000 sq m and €12m in annual rental income
  - > EPRA vacancy at levels of 5%
  - > Capturing rental price increases: +6% vs. ERV December 2017 and +28% in release spreads
4. An increase in recurring results of +29%, amounting to €20m
5. An increase of +40% in Attributable Net Profit reaching €22m

## Increase in recurring results

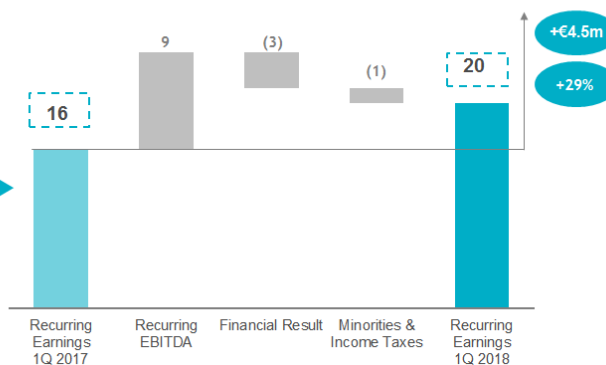
The recurring earnings in the first quarter of 2018 amounted to €20m, an increase of 29%, compared to the previous year, due to a solid like-for-like growth in gross rental income and the inclusion of Axiare.

### Profit & Loss Accounts

Results analysis - €m	1Q 2018	1Q 2017
Gross Rents	82	70
Net operating expenses <sup>(*)</sup>	(10)	(8)
Overheads	(11)	(9)
<b>Recurring EBITDA</b>	<b>62</b>	<b>52</b>
Recurring financial result	(23)	(20)
Income tax expense & others - recurring	(3)	(3)
Minority interests - recurring	(16)	(14)
<b>Recurring Earnings</b>	<b>20</b>	<b>16</b>
Variance asset values & provisions	6	1
Non-recurring financial result & MTM	(1)	(0)
Income tax & others - non-recurring	(3)	(0)
Minority interests - non-recurring	0	0
<b>Profit attributable to the Group</b>	<b>22</b>	<b>16</b>

(\*) Includes other income

### Recurring Income - €m - Variance Analysis

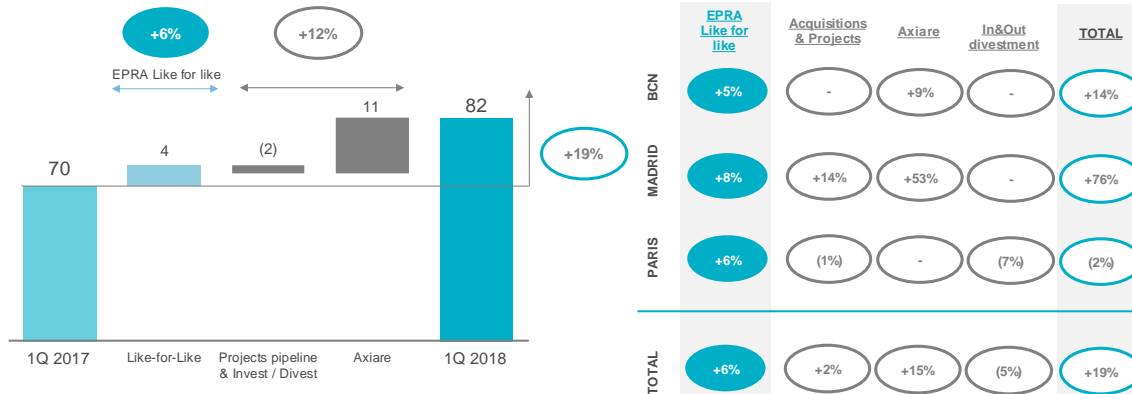


## Growth in rental income

Significant increase in rental income of +19% due to three growth drivers:

1. An increase of +6% like-for-like
2. Additional rents coming from acquisitions and project deliveries
3. Inclusion of 87% of the Axiare business since February

### Gross Rental Income - €m



Solid like-for-like growth in income in all the markets in which the Group operates:

- > Barcelona +5% due to an increase in rental prices in the entire portfolio
- > Madrid +8% mainly boosted by contracts on the José Abascal 45, Alfonso XII, Génova 17 & Castellana 52 assets
- > Paris +6% due to an increase in Washington Plaza, 103 Grenelle & Percier buildings

## Solid fundamentals in all sectors

### Lettings with significant rental growth

In the first quarter of 2018, the Colonial Group signed 30 office rental contracts, corresponding to more than 28,000 sq m and an annual rental income of €10m.

# transactions	Surface sqm	GRI €m	Strong prices increase	
			% Var. vs ERV 12/16	Release Spread <sup>1</sup>
Barcelona	4,695	€1m	+3%	+16%
Madrid	18,262	€5m	+7%	+30%
Paris	5,506	€4m	+5%	na
<b>Total</b>	<b>28,463</b>	<b>€10m</b>	<b>+6%</b>	<b>+28%</b>

(1) Signed rents in renewals versus previous rents

In addition, three rental contracts were signed in the logistics market, corresponding to more than 45,000 sq m.

### The Colonial Group portfolio captured significant increases in rental prices:

In comparison with the market rent at December 2017 (ERV), signed rental prices increased by +6%. In Barcelona rents were signed at a +3% higher than the market rents, in the Madrid portfolio they were up +7%, and in the Paris portfolio they were up +5%.

Likewise, the release spreads in renewals were in the double digits in Spain: Barcelona +16% and Madrid +30% (in France there were no renewals).

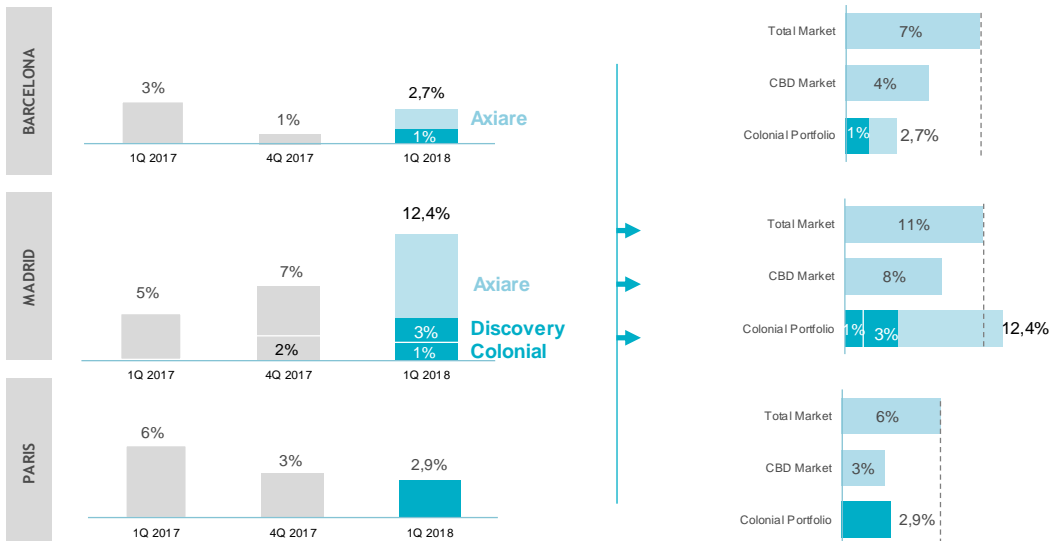
### Solid occupancy levels

The total vacancy<sup>(2)</sup> of the Colonial Group at the close of the first quarter 2018 stood at 5%<sup>(2)</sup>.

The Barcelona and Paris offices portfolios stand out with ratios below 3%, respectively.

The office portfolio in Madrid has a vacancy rate of 12.4%: 8% corresponds to the Axiare portfolio, 3% to the recent delivery of the Discovery Building project in the CBD, which is generating strong interest in the rental market. The rest of the Madrid portfolio has a vacancy rate of 1%.

The total available surface area in the Axiare portfolio, as well as Discovery, represents top quality offer for the Madrid market where there is a clear scarcity of Grade A products. Consequently, there is significant potential for additional rental income to be captured in the coming quarters.



(1) EPRA vacancy: financial vacancy according to the calculation recommended by EPRA (1-[vacancy surfaces multiplied by the market prices/surfaces in operation at market prices])

(2) Total portfolio including all uses: offices, retail and logistics

The logistics portfolio is at full occupancy (EPRA vacancy at 0%).

## Growth drivers

The Colonial Group has an attractive growth profile for the medium-term which is mainly based on the following drivers:

- 1. A contract portfolio to capture the cycle:** an attractive maturity profile of contracts to continue capturing significant rental price increases, as shown in this quarterly results.
- 2. An attractive project pipeline;** Colonial has a pre-Axiare project portfolio of more than 240,000 sq m to create top quality products that offer attractive returns and therefore high future value creation underpinned by solid fundamentals



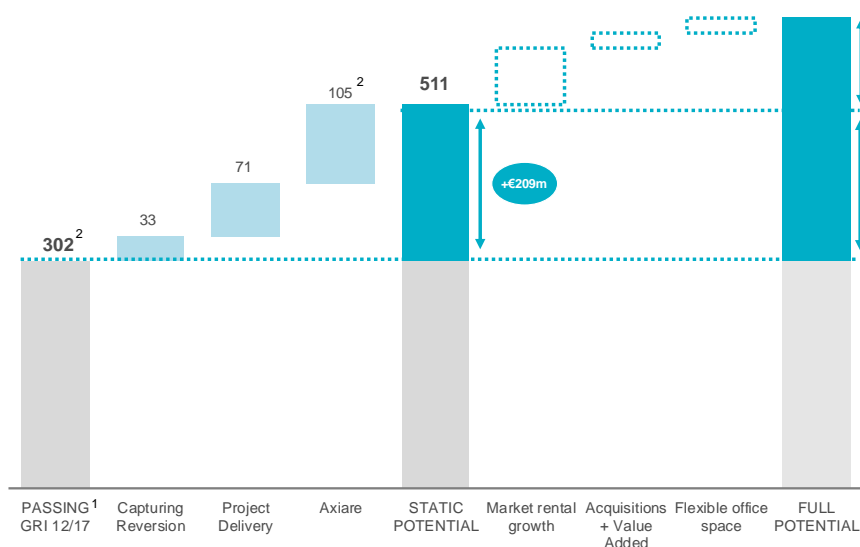
3. **Successful takeover bid of Axiare and merger project:** After the successful takeover bid that was launched on Axiare, the Colonial and Axiare Boards of Directors approved the common drafts of the merger subject to AGM approval at the respective Shareholder Meetings at the end of May 2018. The integration of both companies will allow to capture growth opportunities through the complementary portfolios combined with synergies of the combined platform.
4. **Acquisition Program – Alpha projects:** Colonial has implemented in the last years the targets of organic investments announced to the capital markets: acquisitions of assets, prioritizing off-market transactions, and identifying assets with value-added potential in market segments with solid fundamentals.

With the execution of the Alpha III project at the beginning of 2018, includes the acquisition of five assets, four in Madrid and one in Barcelona, with a total committed investment volume of €480m, the 2018 target has been delivered in advance at the start of the year.



### Reversionary potential of the current portfolio

The portfolio of the Colonial Group has a reversionary potential to reach up to €511m of gross rental income. This represents a 69% increase compared to the current passing rents (“topped-up” GRI passing rents as of 12/17) <sup>(1)</sup>.



(1) *Topped-up passing rental income: annualized cash GRI adjusted for the expiration of rent free periods as per EPRA BPR*  
(2) *Net of investments / divestments of 1Q 2018*

## Active management of the capital structure

### Active management of the balance sheet

On 12 April 2018, subsequent to the close of the first quarter of 2018, Colonial successfully executed a bond issue for €650m. The bond issue was structured at 8 years and will accrue an annual coupon of 2%, maturing on 17 April 2026. The issuance was 3.2x oversubscribed with more than 150 top international institutional investors.

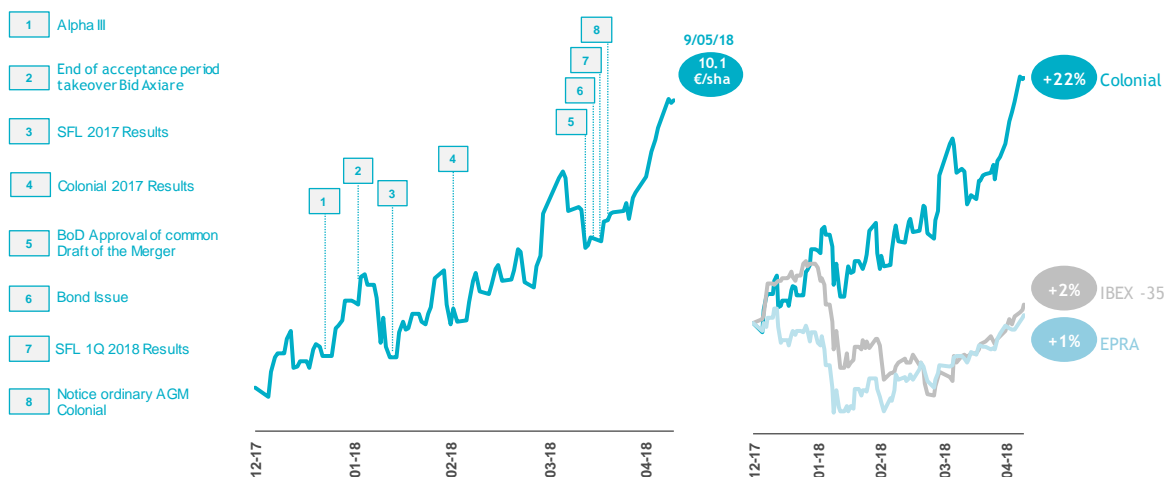
At the end of the first quarter of 2018, the Colonial Group had a robust capital structure with a solid Investment Grade rating. The LTV of the company stood at 39.6% at the end of March 2018 with a liquidity<sup>2</sup> above €1,687m (€2,331m including the bond issuance in April 2018).

### Solid share price performance

Colonial's shares closed the first quarter of 2018 with a revaluation of 22%<sup>(1)</sup>, outperforming its peers in Spain and France as well as the benchmark indices EPRA and IBEX 35. The share price performance is strongly correlated with the delivery of milestones on Colonial's Business Plan, reflecting Capital Markets support for Colonial strategy.

In this respect, it is worth mentioning that over the last few months, several institutional investors have increased their positions in Colonial, consolidating a high quality shareholder base and improving the liquidity of the stock.

SHARE PRICE PERFORMANCE 2018 YTD



(1) Revaluation from 01/01/2018 to 09/05/2018

(2) Cash and undrawn lines



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## 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 €10bn.



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## Colonial

“The information included in this document should be read together with all of the public information available, particularly the Company’s website [www.inmocolonial.com](http://www.inmocolonial.com).”

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