

Total Shareholder return of +21%

Record Net Profit of €683m, +149%

- Net Asset Value of €8.60€ per share, +19% vs previous year
- Colonial's portfolio EPRA vacancy of +4% (+1% in Barcelona)
- Gross rental income of €283m, +4% like for like driven by rental price increases
- Recurring net profit of €83m, +14% on EPS
- Asset Value of €9,282m, +15% vs previous year
- Clear support of capital markets: +26% annual growth in share price

Madrid, 26 de febrero de 2018

2017 Annual results

2017 was an excellent year for Colonial. The company managed by Juan José Brugera and Pere Viñolas achieved a record results, with a Total Shareholder Return of +21% due to an increase in the EPRA Net Asset Value per share of +19%. Pere Viñolas, Colonial CEO, says "This return is a consequence of a strategy of specialization on prime offices in the markets of Barcelona, Madrid and Paris, with an approach of real estate value creation – "Prime Factory" -, that priorities quality of return maintaining highest financial discipline".

The Group's successful strategy is reflected in all aspects of the financial and operating results for 2017:

1. An increase of +22% in **recurring income**, up to €83m, +14% on EPS
2. A +4% like-for-like increase in **rental income** driven by rental price increases
3. An increase in **asset value** of +15% (+12% like-for-like), reaching €9,282m
4. Solid **operative parameters**:
 - > 99 signed contracts corresponding to more than 134,000 sq m and €48m in annual rental income
 - > EPRA vacancy at minimum levels of 4%.
5. An increase in the **net attributable result** of +149%, reaching €683m
6. A robust **capital structure** with an LTV of 31%, €2,427m of liquidity and a solid investment grade rating by Standard & Poor's and Moody's

Increase in the recurring results

The recurring earnings amounted to €83m, an increase of 22%, compared to the previous year, mainly due to three factors:

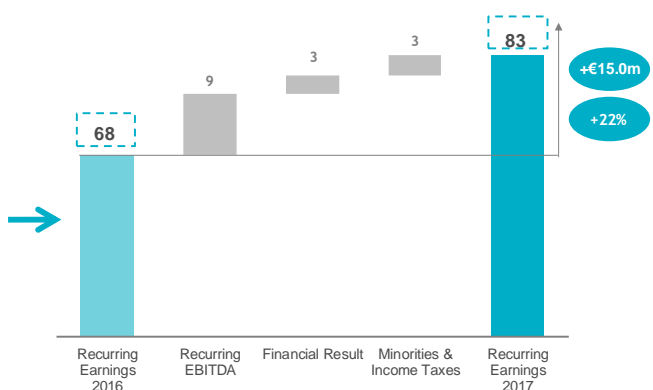
1. A solid 4% year-on-year increase in rental income
2. An improvement in financial results
3. A lower corporate tax expense due to the conversion to SOCIMI

Profit & Loss Accounts

Results analysis - €m	2017	2016
Gross Rents	283	271
Net operating expenses ^(*)	(16)	(15)
Overheads	(37)	(36)
Recurring EBITDA	229	220
Recurring financial result	(77)	(80)
Income tax expense & others - recurring	(10)	(12)
Minority interests - recurring	(59)	(61)
Recurring Earnings	83	68
Variance asset values & provisions	921	554
Non-recurring financial result & MTM	(2)	(25)
Income tax & others - non-recurring	20	(98)
Minority interests - non-recurring	(338)	(225)
Profit attributable to the Group	683	274

(*) Includes other income

Recurring Income - €m - Variance Analysis

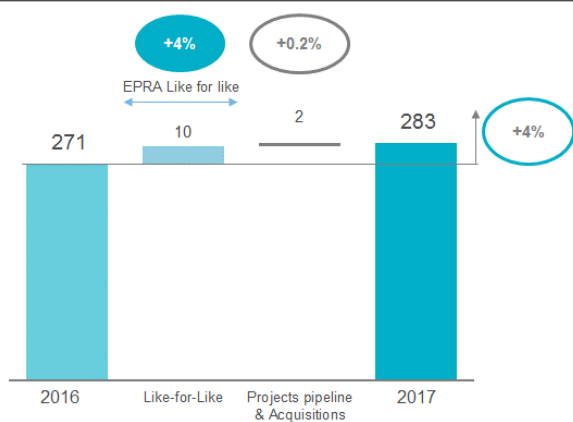


Growth in rental income

The Colonial Group achieved a +4% like-for-like growth in rental income compared to the close of the previous year. This increase is among the highest in the sector. Rental revenues amounts to €283m

In Spain, the rental revenues like-for-like increased by 5%, due to the significant positive growth of the Barcelona portfolio, which increased by 10% like-for-like. The Paris portfolio has increased by 4% like-for-like, mainly due to the contracts signed on the Edouard VII, #Cloud and Percier.

Gross Rental Income - €m

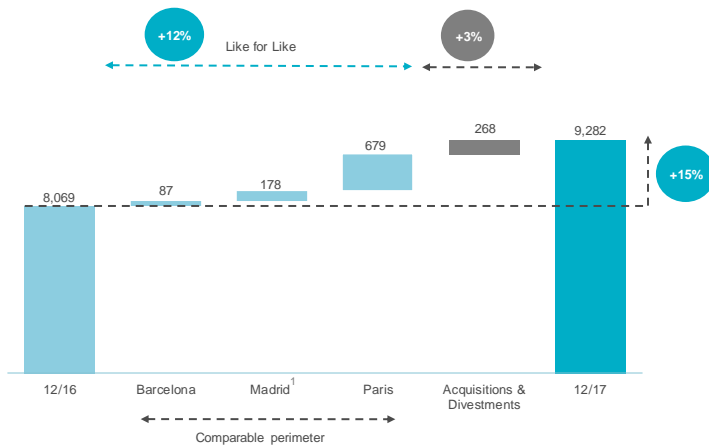


	EPRA Like for like	Projects & Acquisitions	TOTAL
BCN	+10%	+5%	+15%
MADRID	+2%	+20%	+22%
PARIS	+4%	(5%)	(1%)
TOTAL	+4%	0.2%	+4%

Real estate value creation

At the close of 2017, the asset value of the Colonial Group amounted to €9,282m (€9,741m including transfer costs), an increase of 12% like-for-like. Including the impact of the new acquisitions and the net sale of IN/OUT, the increase was 15% year-on-year.

Variance Analysis - Value 12 months - €m



GAV VARIANCE

	Total Variance	Price & others	Yield
BARCELONA	+11%	+8%	+3%
MADRID ²	+11%	+7%	+4%
PARIS	+13%	+2%	+10%
TOTAL LFL	+12%	+4%	+8%

The value of the assets in Spain increased by +11% like-for-like in the last 12 months. The portfolios in Madrid as well as Barcelona had +11% year-on-year growth each.

The asset value of the Paris portfolio has increased +13% like-for-like in the last 12 months.

In general terms, the increase in asset values is a consequence of three factors:

1. A growing interest by investors in prime assets, driving down yields, especially in the Paris CBD market, which is one of the core markets that attracts the most investors on a global level
2. Rental price increases captured in recent quarters by the Colonial Group's portfolio in the three markets
3. The Group's industrial approach that enables superior value creation through portfolio repositioning and Prime Factory projects

Highlights of the rental portfolio

Lettings with significant growth in rental prices

In a rental market with more selective tenants, the Colonial Group has signed, in 2017, 99 rental contracts, corresponding to 134,831 sq m and an annual rental income of €48m. More than 59,000 sq m correspond to new contracts, and more than 75,000 sq m to renewals. The Colonial Group's portfolio has captured significant increases in rental prices: +9% versus the ERV at December 2016 (Barcelona +10%, Madrid +8% & Paris +8%). In addition, the increase in renewals (Release Spread) was in the double digits in Spain (Barcelona +19% Madrid +11%).

# transactions	Surface sqm	GRI €m	Strong prices increase	
			% Var. vs ERV 12/16	Release Spread ¹
Barcelona	51,614	€11m	10%	19%
Madrid	62,175	€18m	8%	11%
Paris	21,042	€18m	8%	flat
Total	134,831	€48m	9%	13%

(1) Rents signed for renewals vs. previous rents

In the **Barcelona portfolio**, close to 51,000 sq m were let. It is worth highlighting the 10,000 sq m signed in the fourth quarter corresponding to pre-let transactions by international technology companies. The maximum rental price signed was €23.5/sq m/month, establishing the prime benchmark rate.

In the **Madrid portfolio**, more than 62,000 sq m were let. The maximum rental price of €32/sq m/month was signed on a 5,000 sq m transaction for the Castellana 43 building.

In the **Paris portfolio**, more than 21,000 sq m were let in 28 transactions. The maximum office rental price in 2017 was €850/sq m/year.

High occupancy levels

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

At the close of 2017, the EPRA vacancy of the Colonial Group was 4%. It is worth highlighting the Barcelona portfolio with only 1% vacancy. The Paris property portfolio had a 3% vacancy.

Vacancy in the Madrid portfolio reached 7%, mainly due to the entry into operation of the recently delivered Discovery project. Excluding this new product, the rest of the Madrid portfolio had a vacancy rate of 2%.

Active portfolio management

The growth strategy of the Colonial Group involves annual organic investments of around €400m in acquisitions of new assets, prioritizing off-market transactions, and identifying assets with value-added potential in market segments with solid fundamentals.

Alpha II acquisitions – achieving the 2017 investment objective

During the first quarter of 2017, the Colonial Group executed the Alpha II acquisition program, corresponding to the purchase of four assets for a total investment volume of almost €400m (acquisition price + future capex). 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, as well as the Spanish headquarters for the Bertelsmann Group in Travessera de Gracia 47-49, located in the Barcelona CBD.

Alpha III acquisitions – acceleration of the 2018 investment objective

Colonial commenced 2018 with the execution of the Alpha III project, which includes the acquisition of five assets, four in Madrid and one in Barcelona, with a total expected investment of €480m. The investment in Madrid consists of the development of more than 110,000 sq m of offices in the south of the CBD and of the acquisition of two top quality assets in new business areas in the capital. Additionally, Colonial has acquired an asset located in the CBD in Barcelona, where a complete refurbishment will be carried out with the objective of strengthening coworking initiatives.

The main characteristics of the **Alpha III** acquisitions are as follows:

MADRID – City Center		1 Méndez Álvaro Campus Madrid - Inside M-30		Value Added – Prime factory GLA: 89,871 sq m	Total Investment ¹ : €272m - €287m Yield on Cost ² : 7%-8%
		2 Méndez Álvaro office Scheme Madrid - Inside M-30		Value Added – Prime factory GLA: 20,275 sq m	Total Investment ¹ : €68m Yield on Cost ² : 7%-8%
MADRID		3 EGEO Madrid - Campo de las Naciones		Core with value added potential GLA: 18,254 sq m	Total Investment ¹ : €79m Yield on Cost ² : 5%
		4 Arturo Soria Madrid - New Business Area		Core with value added potential GLA: 8,663 sq m	Total Investment ¹ : €33m Yield on Cost ² : 6%
BARCELONA		5 Gala Placidia Barcelona CBD		Value Added – Prime factory GLA: 4,312 sq m	Total Investment ¹ : €17m Yield on Cost ² : ≥7%

1 Acquisition price + total estimated project capex 2 Potential running yields on cost for the next years

The Arturo Soria building and the two Méndez Álvaro plots were purchased in 2017, while the EGEO and Gala Placidia assets were purchased in Barcelona in the first quarter of 2018.

Rotation of mature assets

The Colonial Group regularly reviews the potential of future value creation for each one of its assets in the portfolio. As a consequence of this analysis, 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% on the appraisal valuation prior to the disposal commitment.

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).

Project portfolio – important source of future value creation

To date, Colonial has a project portfolio of more than 240,000 sq m to create top quality products that offer high returns and therefore future value creation with solid fundamentals.

In Madrid, two projects are highlighted which will be carried out on the plots of land acquired at Méndez Álvaro south of the Madrid CBD, as well as two projects, Príncipe de Vergara 112 and Castellana 163, in the Madrid CBD. In Barcelona, the Parc Glories and Plaza Europa 34 projects are highlighted. All these projects will result in the creation of more than 171,000 sq m of office space with the highest market standards.

In December 2017, the Discovery project was delivered with more than 10,000 sq m. This asset, located in the CBD, is currently in the commercialization phase.

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 enormous value creation potential in the coming years.

Initiatives in the Proptech field

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.

- (1) In October 2017, Colonial formalised the acquisition of a controlling stake in the Spanish platform Utopic_US, a leader in the field of flexible spaces and Coworking in Spain.
- (2) In August 2017, Colonial incorporated Aleix Valls, the former Managing Director of Mobile World Capital Barcelona, as Digital Senior Advisor to boost initiatives and strategies in the Proptech area of the company.
- (3) Colonial is part of a think-tank created by six European companies specialized in the office business line in order to develop and boost best practices in the Proptech, Flexible Office Space, Digitalization and Sustainability fields.

Active balance sheet management

The year 2017 was characterized by the proactive management of the capital structure to guarantee a solid balance sheet with sufficient flexibility at all times. In this respect, the following milestones are highlighted:

- a. April: Improvement in Colonial's rating to BBB with stable outlook and its French subsidiary to BBB+ in the following months
- b. May: Capital increase in the amount of €253m at €7.1/share, with a minimum discount on the share price and a neutral impact with respect to the last reported NAV
- c. May: Colonial's conversion to a SOCIMI (REIT) with a positive impact on recurring results and expanding Colonial's access to "REIT-only" investors, improving the liquidity of the share price on the stock exchange
- d. June: Inclusion of Colonial on the el IBEX35, the Spanish benchmark market index, increasing the liquidity of the security on the stock exchange
- e. October: Share buyback in the amount of €18m at an average price of €7.86/share (a discount of 3% over NAV at June)
- f. November: Announcement of the takeover bid on Axiare prior to acquisition of shares to hold a 28.8% stake before the takeover bid

- g. November: Bond issuance in the amount of €800m in two tranches: €500m at 8 years with a coupon of 1.625% and €300m at 12 years with a coupon of 2.5%
- h. November: Share placement for a volume of €416m at €7.89/share, a premium of +2% over the share price: €338m through the issue of new shares and €78m through the sale of treasury shares
- i. December: Approval of the takeover bid prospectus on Axiare and start of the acceptance period

The capital market has clearly supported the successful execution of the fulfilment of all of the milestones of the announced Business Plan. The value creation in terms of NAV per share and dividend return is clearly reflected in the share price performance with an annual revaluation of +26%, reaching a price of €8.3/share at the end of 2017, and outperforming the benchmark indices.

Successful takeover bid on Axiare

Colonial successfully executed a takeover bid on Axiare on 13 November 2017, reaching a stake of 87%.

It is important to highlight the following milestones in the process:

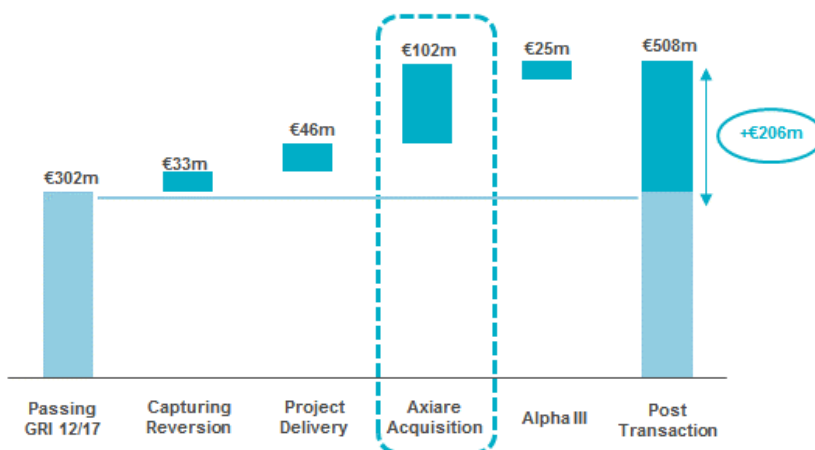
- > 13/11/2017: Announcement of the takeover bid on Axiare prior acquisition of shares to obtain 28.8%, pre-takeover bid
- > 28/12/2017: Approval of the takeover bid prospectus by the CNMV
- > 29/12/2017: Start of the acceptance period
- > 08/01/2018: Opinion of the Board of Directors of Axiare on the takeover bid
- > 29/01/2018: End of the acceptance period of the takeover bid

The acquisition positions Colonial as a European office leader, with more than €10,000m of asset value, a portfolio of 1.7 million sq m of surface area in use and 330,000 sq m under development.

In addition, Colonial reinforces its bet on the office market in Spain, strengthening its positioning in Madrid.

The potential income of the resulting Group amounts to more than €500m, once all the projects are delivered.

TOPPED-UP GRI as of 12/2017



With an 87% majority share in Axiare, the Colonial Group strengthens its growth strategy for the coming years offering an attractive return for the shareholders based on the combination of both companies.



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 €9bn.



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“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.”

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