Colonial

Group net profit of €393m, +40% vs the previous year

Successful disposal of the logistics portfolio as completion of the Axiare transaction

- Gross Rental Income of €263m, +4% like-for-like increase
- Recurring EPS of €20.5cts, +33% vs previous year
- Improvement of balance sheet quality with the disposal of the logistics portfolio
- Analysis of new investments for more than €1bn

Madrid, 5 November 2019

3Q results 2019

Significant increase in the recurring net profit per share

The Colonial Group closed the third quarter of 2019 with a net recurring profit of €104m, an increase of +53% compared to the same period of the previous year.

The recurring EPS amounted to €20.5cts, resulting in an increase of +33% compared to the same period of the previous year.

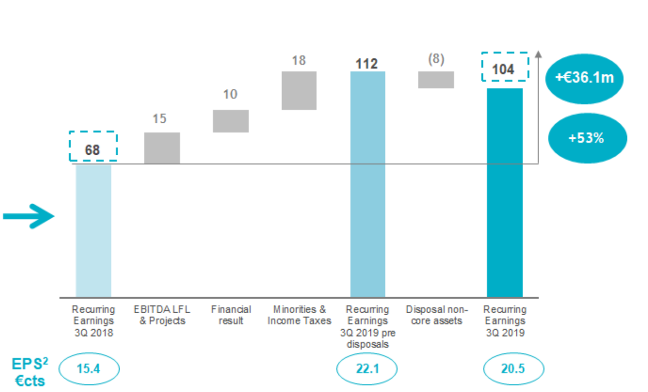
Profit & Loss Account

Results analysis - €m	3Q 2019	3Q 2018
Gross Rents	263	258
Recurring EBITDA	210 [(1)]	202
Recurring financial result	(67)	(77)
Income tax expense & others - recurring	(9)	(10)
Minority interests - recurring	(29)	[2] (47)
Recurring Earnings	104	68
Change in fair value of assets & provisions	362	304
Non-recurring financial result & MTM	(7)	(19)
Income tax & others - non-recurring	(7)	(2)
Minority interests - non-recurring	(59)	(71)
Profit attributable to the Group	393	281

[(1)] EBITDA recurring = adjusted EBITDA, annualizing the full year property tax impact booked in 3Q 2019

[(2)] Recurring earnings per share

Recurring Income - Variance Analysis



The increase in the recurring net profit of +€36m (+53% vs. the previous year) was driven by:

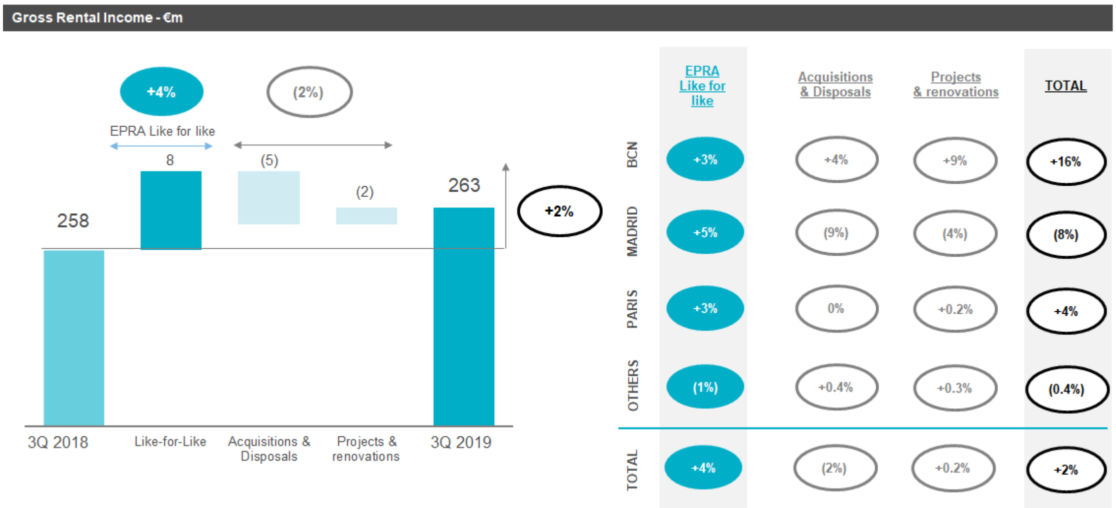
1. An increase in EBITDA of +€15m (+€7m, after the adjustment of the impact of the disposal on non-strategic assets)
2. A reduction in financial costs of €10m
3. A higher attributable profit due to the increase in the SFL stake from 59% up to 82% which is reflected in the line of minority interests

The disposals of non-strategic assets carried out to date have resulted in an impact on the recurring profit of €8m. Consequently, the recurring profit per share, excluding the asset sales, would have been €22.1cts/share, a year-on-year increase of +43% in comparable terms.

Considering the significant growth in the value of the portfolio in the first 6 months of the year, as well as the capital gain on the logistics disposal and deducting all of the non-recurring impacts, the net attributable results amounted to €393m, up +40% compared to the same period of the previous year, equivalent to an increase of +€112m.

Strong revenue growth

Colonial closed the third quarter of 2019 with **€263m Gross Rental Income, an increase of +4% in like-for-like terms, compared to the previous year.**



This growth in rental income is based on a significant like-for-like increase across the portfolio in all three markets in which the Colonial Group operates.

This strong like-for-like growth is among the highest in Europe and is mainly due to the capacity of the Colonial Group to capture rental price increases, thanks to its strong positioning in the city center (CBD). Of note in the third quarter is the Madrid market with an increase of +5% like-for-like.

In terms of the breakdown of the contribution of each of the three markets of the Group's portfolio, the main aspects to highlight are the following:

1. **Barcelona +3% like-for-like,** due to rental price increases across the entire portfolio. Worth highlighting are the Amigó 11-17, Vía Augusta and Avinguda Diagonal 609 assets, which are leading the growth in Barcelona.
2. **Madrid +5% like-for-like.** This increase is driven by the market rental review of current prices on assets. Of note is the significant growth in Discovery, José Abascal 45 and Sagasta 31 buildings, all of them located in the centre of Madrid.
3. **Paris +3% like-for-like.** Rental increases rose to €5m. This was due to the leases signed in 2018, mainly on Cézanne Saint Honoré, Washington Plaza, #Cloud and Grenelle 103 with an increase in rental prices.

A slight decrease in rental income has come from 1) the disposal of the secondary office portfolio at the end of 2018, 2) the sale of the Centro Norte Hotel and 3) the sale of the logistics portfolio in 2019. The rotation of the project portfolio as well as the start of the renovation program in Madrid has resulted in a temporary decrease in rents, specifically due to the start of the projects on the 83 Marceau asset in Paris and the Velázquez and Miguel Ángel 23 assets.

Solid operational fundamentals in all segments

Capturing rental price increases

The Colonial Group's business has performed excellently, with take-up levels moving at a strong pace, achieving levels close to full occupancy. At the close of the third quarter of 2019, the Colonial Group has signed 97 rental contracts on the office portfolio corresponding to more than 197,000 sqm and annual rents of €63m.

				2019		3Q 2019	
Strong price increases	# contracts	Surface sqm	GRI €m	% Var. vs ERV 12/18[1]	Release Spread[2]	% Var. vs ERV 12/18[1]	Release Spread[2]
Barcelona	30	54,871	€14m	+10%	+34%	+7%	+24%
Madrid	37	111,075	€25m	+4%	+8%	+6%	+36%
Paris	30	31,081	€24m	+12%	+7%	+12%	-
TOTAL OFFICES	97	197,027	€63m	+8%	+14%	+8%	+28%

(1) Signed rents vs market rents at 31/12/2018 (ERV 12/18)
(2) Signed rents in renewals vs previous rents
(3) There are two contracts with a "cap", one in Madrid and another in Barcelona

Compared with the market rent (ERV) at December 2018, signed rents in the third quarter of 2019 increased by +8%.

In Barcelona, rents were signed at +7% above market rent, in the Madrid portfolio at +6% and in the Paris portfolio at +12%. Likewise, the increase in rental prices on renewals (Release Spread) in the third quarter was in double digits: Barcelona +24% and Madrid +36%.

Colonial's total letting activity is spread across the three markets in which the Company operates.

In the third quarter of 2019, 59,000 sqm were signed across 28 contracts in the Spanish portfolio. In Madrid, of note is the renewal of 5,600 sqm on the Josefa Valcárcel 24, as well as the signing of more than 7,600 sqm on the new Castellana 163 project (letting up with several tenants) as well as the signing of more than 4,500 sqm on the Virto asset, among others.

In Barcelona, it is worth highlighting the contract renewal of almost 10,500 sqm on the Diagonal 197 building and more than 3,700 sqm on the Berlín/Numància asset. In addition, of note is the new signings of more than 6,700 sqm on Torre Marenostrum building, 3,000 sqm on the Sant Cugat asset and 2,400 sqm on Berlín/Numància.

In the Paris portfolio, in the third quarter almost 7,000 sqm were signed across 8 transactions, highlighting the signings of 2,600 sqm on the 112 Wagram asset, 2,000 sqm on 103 Grenelle asset and almost 2,000 sqm on the Charles de Gaulle building.

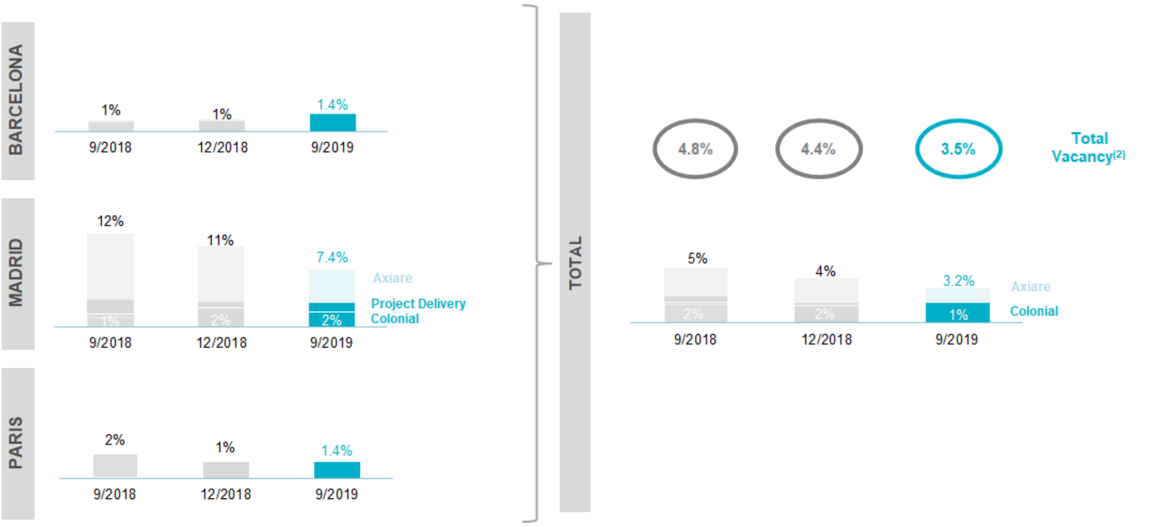
Solid occupancy levels

The **total vacancy of the Colonial Group's portfolio** (including all uses: offices, retail and logistics) **stood at levels of 3.5%** at the close of the third quarter of 2019.

The financial vacancy of the Colonial Group's portfolio is shown as follows:

EPRA VACANCY[(1)]

Office & Total Vacancy – Evolution of Colonial's Portfolio



(1) EPRA vacancy: financial vacancy according to the calculation recommended by EPRA (1- [Vacant floorspace multiplied by the market rent/operational floor space at market rent])

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

Noteworthy are the office portfolios in Barcelona and Paris, both with vacancy rates of 1.4%**.**

The Madrid office portfolio has a vacancy rate of 7%, improving +472 bps compared to the same period of the previous year and +311 bps compared to December 2018.

- A 4% vacancy corresponds primarily to assets of the former Axiare portfolio. Especially noteworthy is the recent delivery of Ribera de Loira, as well as the Virto asset which had a 19% occupancy at the close of September 2019. Significant progress has been made on Avenida Bruselas (100% occupancy) and Ribera del Loira (62% occupancy at the date of issue of this report).

- In addition, noteworthy is the entry into operation of the Castellana 163 asset, located in the Madrid CBD, which is being progressively repositioned floor by floor.

- The rest of the Madrid portfolio has solid occupancy levels, maintaining a vacancy rate of 2%. The current available GLA represents a supply of maximum quality in attractive market segments, where there is a clear scarcity of Grade A products. Consequently, this offers significant potential for additional rental income to be captured in the coming quarters.

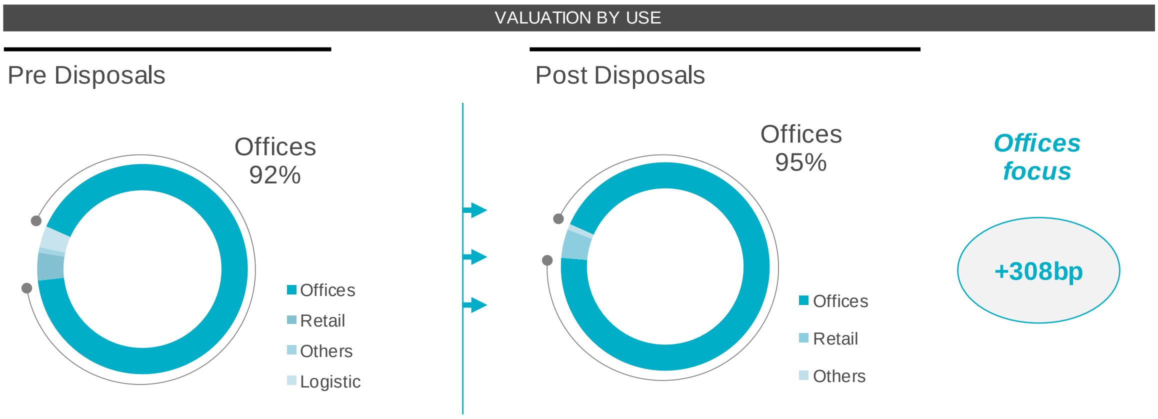
Successful disposal of the logistics portfolio as completion of the Axiare transaction

During the third quarter of 2019, Colonial signed an agreement for the sale of 18 logistics assets with a total surface area of 473,000 sqm.

Year to date, the disposals of 11 facilities have materialized, totaling 314,000 sqm. In addition, during the first quarter 2019 the disposal of the Centro Norte Hotel with a GLA of more than 8.000 sqm has been executed.

Regarding the rest of the logistics assets, Colonial expects the potential buyer to exercise the call option on them in the first half of 2020.

Colonial expects to close the year with disposals for a volume of €475m[1] which enables 1) an optimization of the business mix, further increasing the office exposure up to 95% in terms of asset value, as well as 2) an improvement in the quality of returns with a focus on prime offices.



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

A solid capital structure

A strong balance sheet

At 30 September 2019, the Colonial Group had a solid balance sheet with a LTV of 37% (211 bps improvement compared to the start of the year) with a Standard & Poors rating of BBB+, the highest rating in the Spanish Real Estate sector.

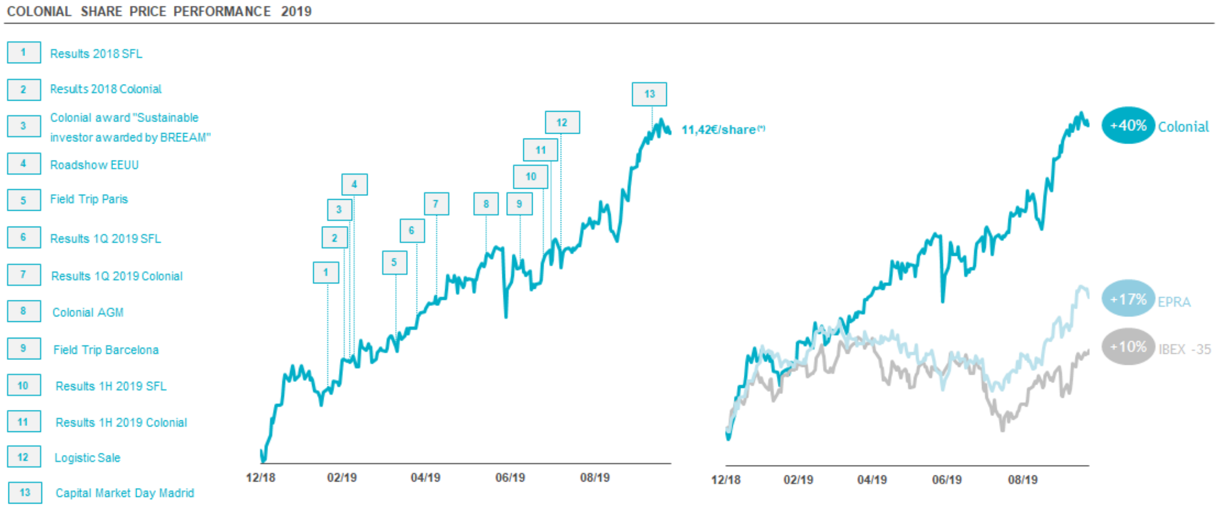
The liquidity of the Group at the close of the third quarter amounts to €2,429m. In terms of debt maturity, it is particularly noteworthy that 73% of the Group's debt will mature from 2023 onwards.

In the first half of 2019, Colonial finalized the restructuring of the pending debt coming from Axiare, cancelling various bilateral loans amounting €162m and refinancing two bilateral loans in the amount of €151m, improving margins and cancelling mortgage securities.

SFL, on its behalf, has restructured a syndicate loan of €390m resulting in an improvement in both margins and maturity.

Solid share price performance

As at the date of release of this report, Colonial's shares closed with a revaluation of +40%, outperforming the EPRA & IBEX35 benchmark indices.



(*) Share price YTD as of 25/10/2019

The share price performance reflects the support of capital markets for the successful execution of the Colonial Group's growth strategy. Colonial's share price trading stands out compared to its peers as one of the securities that is trading the closest to its fundamental value.

Outlook

According to Pere Viñolas, CEO of Colonial, "the results of the first 9 months of 2019 show a strong momentum in the office market fundamentals in Barcelona, Paris and Madrid. The outlook is very positive and therefore we are analyzing new acquisition opportunities for more than €1bn".

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 €11bn.

EPRA BPR GOLD   EPRA sBPR GOLD   IBEX 35   MSCI   European Property Investment Awards WINNER 2019

"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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