Colonial

Renewals signed with +16% release spread

Net profit of €454m, +82%

- Gross rental income of €212m, +4% like for like
- Recurring net profit of €59m, +16%
- EPRA vacancy of 3%

Barcelona, November 13th, 2017

3Q Results

The third quarter results consolidate the positive trend of previous quarters with solid fundamentals in all of the business segments and strong growth in rental prices.

1. EPRA vacancy at 3%, highlighting Barcelona with only 2% vacancy.
2. Significant increases in signed rental prices (+13% vs. release spread).
3. Growth of +4% like-for-like in rental income specifically boosted by the strong growth in the Barcelona portfolio (+10% like-for-like).
4. An increase of +16% in the recurring earnings up to €59m, reaching €0.157/share.
5. Net profit of €454m (+82% compared to the previous year), due to the increase in recurring earnings, the value creation in the asset portfolio and the positive impact of adopting the REIT status (SOCIMI).

Solid fundamentals in all segments

In a context marked by the news about Catalonia, the Colonial Group's business has had an excellent performance, especially in terms of the Barcelona portfolio.

Excellent results in letting performance

The take up in Colonial's portfolio continues at a robust pace in terms of number of transactions as well as volume of sq m signed. In the first nine months of the year, the Colonial Group signed 76 transactions, corresponding to a letting volume of 110,050 sq m equivalent to an annual rental income of €38m.

In the **Barcelona portfolio**, close to 40,000 sq m were let. By area, it is worth highlighting 15,000 sq m signed in Diagonal (Prime CBD) and more than 17,000 sq m in the 22@ area, an emerging market for companies in the technology sector. In the **Madrid portfolio**, more than 56,000 sq m were let. In the **Paris portfolio**, more than 15,000 sq m were let in 22 transactions.

Colonial has been able to attract and retain top tier clients, signing rental prices which represent a significant increase on December 2016 ERVs and represent a +13% release spread. In particular, it is worth highlighting the release spreads on the Barcelona portfolio (+19% over previous rents) and Madrid portfolio (+10% over previous rents).

High occupancy levels

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

At the close of the third quarter of 2017, the Colonial Group reached a financial occupancy of 97%[1]. The portfolio in Spain reached a financial occupancy of 97%, with Barcelona at 98% and Madrid at 97%. The Paris portfolio reached an occupancy ratio of 97% at the close of the third quarter 2017.

Active portfolio management & growth drivers

1. **Asset rotation**

   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% above appraisal valuation prior to the disposal commitment. This sale represents the culmination of the process of real estate value creation for this asset: (1) the transformation of the building through a development project, (2) the signing of a long-term contract for the OECD headquarters, and finally (3) the disposal of the asset at one of the highest prices in this market segment.

   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).

2. **Project portfolio**

   To date, Colonial has a project portfolio of almost 140,000 sq m to create top quality products that offer high returns and therefore future value creation with solid fundamentals.

   In Spain, the Parc Glories and Plaza Europa 34 projects are highlighted, both positioned in high growth market segments in Barcelona. In addition, Colonial is working on 3 projects in the CBD in Madrid: the Discovery Building, Príncipe de Vergara and Castellana 163. These five projects will result in the creation of more than 71,000 sq m of office space with the highest market standards.

In the Paris portfolio it is important to mention three large projects: Emile Zola, Louvre St. Honoré and Iéna. 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 an enormous value creation potential in the coming years.

3. Acquisitions

During the first quarter of 2017, the Colonial Group executed the acquisition program Alpha II, corresponding to the purchase of 4 assets for a total investment volume of almost €400m (acquisition price + future capex). These acquisitions offer a substantial value creation potential based on: (1) the real estate transformation of buildings into top quality products, and (2) the location in market segments with attractive growth profiles.

Currently, the Colonial Group has identified additional interesting investment opportunities that are under analysis. As a consequence, a new acquisition program could be announced in the coming months. The acquisition of the Arturo Soria office building in Madrid for a price of €32.5m has to be considered in this context.

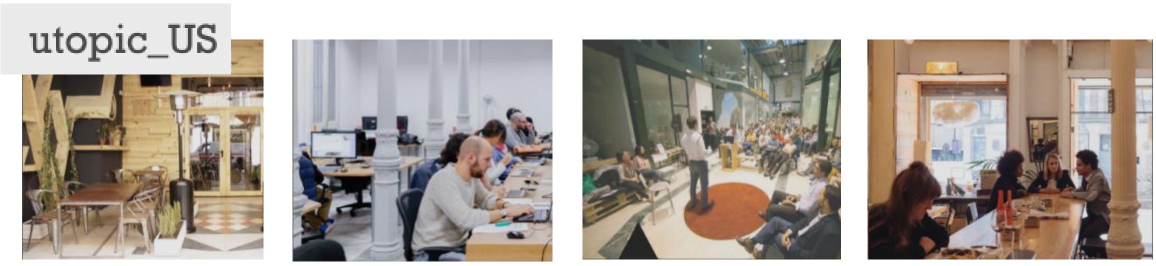
4. Proptech enhanced strategies

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.

In October 2017, Colonial formalised the acquisition of a controlling stake in the Spanish platform Utopic_US, leader in the field of flexible spaces and Co-working in Spain.

With this acquisition, the Colonial Group is positioning itself in a new strategic line with the objective to complement and reinforce the user strategy of the Group, offering flexibility, integrated services and content. Co-working and flexible spaces represent a growing segment. The platform acquired enables to create collaborative environments, a growing niche in the new economy and business world.

It is also worth highlighting that in August of this year, Colonial announced the arrival of Aleix Valls, former Managing Director of Mobile World Capital Barcelona, as Digital Senior Advisor to boost initiatives and strategies in the "Proptech" area of the company.



Active management of the capital structure

Solid financial structure

At the end of the third quarter of 2017, the Colonial Group had a robust capital structure with a solid "Investment Grade" rating.
The LTV of the company stands at 33.5% after the sale of the In&Out building. On the other hand, the liquidity of the Group is above €1.9 billion, with an average maturity of the financial debt at 4.5 years.

1. In April of this year, the Standard and Poor's ratings agency revised Colonial's rating upwards and currently gives it **a BBB rating with stable outlook**. Additionally, a report was published in October 2017 that highlighted Colonial's good positioning due to the geographical diversification of its assets.
2. Moody's whose **rating for Colonial stands at Baa2 with stable outlook**, recently mentioned in a report the possible impact the political situation in Spain could have on Colonial's rating where it underlined the defensive nature of Colonial's prime asset portfolio.
3. Additionally, in October 2017, the credit ratings agency Standard & Poor's **revised SFL's rating upwards to BBB+ with stable outlook**.

These current levels of ratings position the Colonial Group among the companies with the best credit ratings in the Spanish real estate sector.

Corporate Social Responsibility & Reporting

The Colonial Group is consolidating its leadership in the area of Corporate Social Responsibility (CSR).

Maximum standards in Reporting

The Colonial Group maintains the maximum standards in Financial Reporting as well as Sustainability Reporting. For the third consecutive year it has been obtained the EPRA Gold Award in Financial Reporting, as well as the EPRA Gold Award in Sustainability Reporting for the second consecutive year. The Colonial Group is the only Spanish REIT company (SOCIMI) with the maximum rating in both categories.

High standards in Corporate Social Responsibility (CSR)

Regarding the ratings in relation to CSR, the Colonial Group has achieved the GREEN STAR rating by GRESB, a benchmark institution in CSR ratings in the real estate sector on a global scale.

In addition, the SFL subsidiary has been awarded with the "Breeam Awards 2017" for its responsible management of its portfolio and the strong commitment of its teams in sustainable development.

It is important to highlight that 90% of the Group's portfolio in operation has maximum Sustainability certificates (BREEAM/LEED), clearly positioning Colonial as a leader in the European offices sector.

Corporate Social Responsibility is an integrated part of Colonial's Group strategy to offer long-term sustainable returns.



About Colonial

Colonial is a Spanish listed REIT company, 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 €8.0bn

European Property Investment Awards WINNER 2017

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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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