Colonial

Colonial increases the Recurring Net Profit by +8%, reaching €112m

Solid GRI and EBITDA Rents amidst Covid-19 crisis

- Stable GRI of de €260m, +0.4% like for like
- EBITDA Office Portfolio +6%, +4% like for like
- Collection rates of 98% in offices (100% in Paris)
- Solid occupancy levels of 96% (97% in Madrid)
- Lease renewals with +25% of rent increase (+25% Release spread)
- Positive attributable Net Result of €5m
- Disposals of more than €240m of non-core assets
- Bond issuances of €1.000m in Spain and France
- Liquidity of €2.487m, with €447m in cash

Madrid, 12 Novembre 2020

Third Quarter Results 2020

According to Pere Viñolas, Chief Executive Officer of Colonial, "The company maintains solid occupancy levels, contract renewals with high release spreads and a solid growth of our recurring Net profit".

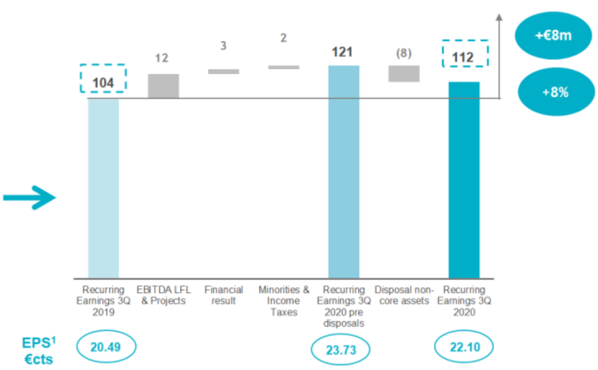
"Our activity and the profile of our assets have remained particularly resistant in this complex environment. The prime profile of our portfolio of office assets enables us to face the current situation with greater resilience and stability, and less volatility that other segments of the real estate sector", has added Mr. Viñolas.".

Profit & Loss Account

Results analysis - €m	3Q 2020	3Q 2019
Gross Rents	260	263
Recurring EBITDA	213	210
Recurring financial result	(64)	(67)
Income tax expense & others - recurring	(11)	(9)
Minority interests - recurring	(26)	(29)
Recurring Earnings	112	104
Change in fair value of assets & provisions	(104)	362
Non-recurring financial result & MTM	(9)	(7)
Income tax & others - non-recurring	3	(7)
Minority interests - non-recurring	3	(59)
Profit attributable to the Group	5	393

(1) Recurring earnings per share

Recurring Earnings - Variance Analysis



Third quarter results 2020

Increase in Recurring Net Profit of +8%, reaching €112m

An increase in Recurring Net Profit

The **Colonial Group** closed **the third quarter of 2020** with a **net recurring profit of €112m, +8% compared to the same period of the previous year**.

Net recurring EPS amounted to €22.10cts/share, resulting in an increase of +8% compared to the previous year.

The increase in the recurring net profit of +€8m (+8% vs. the previous year) was driven by:

1. An increase in EBITDA like-for-like and projects of +€12m (+€4m, after the adjustment of the impact of the disposals of non-strategic assets carried out in 2019)
2. In addition, a reduction of €3m in financial costs was obtained

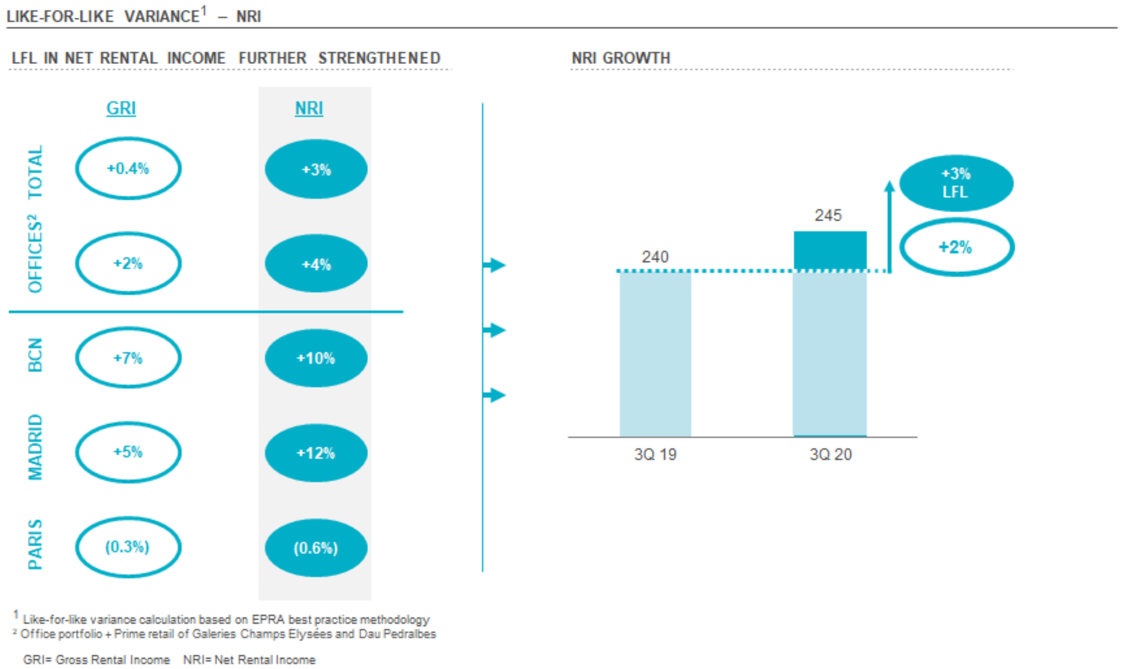
The disposals of non-strategic assets, mainly carried out in the second half of 2019, have resulted in an impact of lower rents on the recurring profit of €8m. Consequently, the recurring profit per share, excluding the above-mentioned non-strategic asset sales, would have been €23.73cts/share, which represents an increase of +16% in comparable terms.

The net result of the Group, deducting the value variation of the assets registered at 30 June 2020 as well as the impact of asset sales and other non-recurring impacts, amounts to €5m.

Solid Gross Rental Income and EBITDA

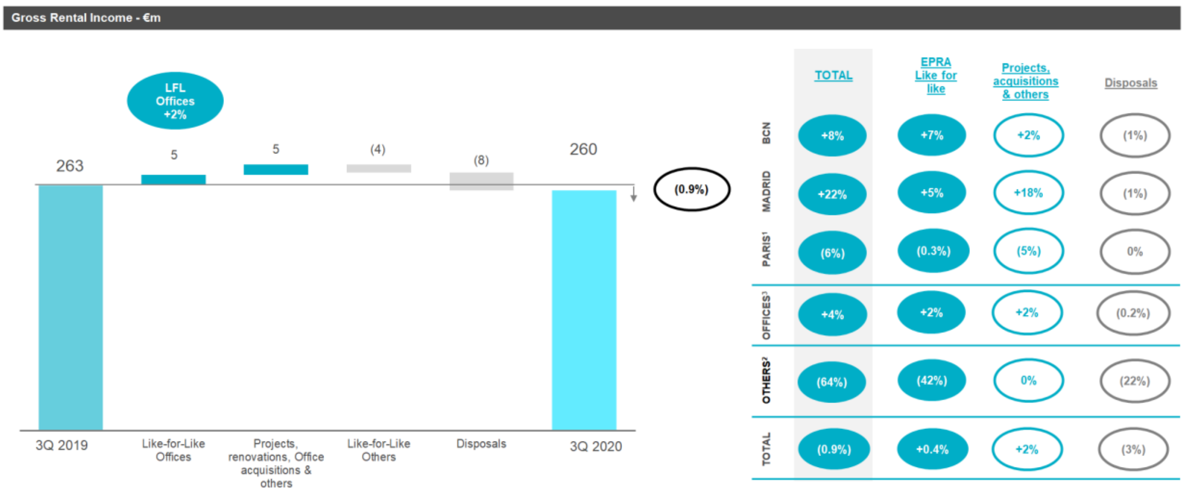
Colonial closed the third quarter of 2020 with **€260m of stable Gross Rental Income, an increase of +0.4% like-for-like**, although slightly below the previous year, mainly due to the disposals carried out on non-strategic assets in 2019 as well as the current year, 2020.

The rental income EBITDA (net rents) amounts to €245m, corresponding to **an increase of +3% in like-for-like terms.**



Rental income from the office portfolio increases by +4% year-on-year

The increase in rents in the offices portfolio is based on (1) an increase of +2% on the portfolio income like-for-like, complemented by (2) additional growth based on successful project delivery and the acquisition of the Parc Glories II asset the previous year, as well as an indemnity for client rotation in the Madrid portfolio.



(1) Office portfolio including Prime CBD retail of Galeries Champs Elysées and Pedralbes Centre
(2) Residual logistics portfolio, secondary retail of Axiare and Hotel Indigo in Paris

Highlighted is the growth in the office portfolios of both Madrid and Barcelona.

The income from the offices portfolio in **Madrid increased +22%**, based on (1) a **like-for-like increase of +5%** together with (2) an increase in rental income of +17% due to an indemnity for the early exit of a client, as well as a successful delivery of the assets of Avenida Bruselas 38, Castellana 163 and Ribera de Loira.


Av. De Bruselas, 38


Paseo Castellana, 163


José Abascal, 56

The income from the **Barcelona portfolio increased +8%**, this result is mainly due to **a strong like-for-like rise of +7%.** For the rest of the income, highlighted is the acquisition of Parc Glories II, compensating impacts of client rotation in the Diagonal 525 project and other renovation programs such as Diagonal 530.


Av. Diagonal, 530-532


Av. Diagonal, 525


Parc Glories II

The income from the **Paris portfolio decreased by (6%),** mainly due to less income because of the rotation of surfaces in renovation in the 103 Grenelle, Washington Plaza and Édouard VII assets. Excluding this effect, **the comparable rental income was remains stable at (0.3%) like-for-like.**


Édouard VII


Washington Plaza


103, Grenelle

Solid operational fundamentals in all segments

1. The third quarter maintains solid fundamentals

In the **third quarter, the Colonial Group signed 26,600 sqm** between new contracts and renewals. This volume of contracts is similar to that signed during the second quarter of 2020 and higher than the first quarter of 2020 (pre-COVID period) when 13,539 sqm were signed.

Worth highlighting in the third quarter **is the high volume signed in the Madrid market,** amounting to **more than 20,000 sqm,** of which 16,134 sqm are renewals and 4,316 sqm correspond to new contracts, **increasing the occupancy of the Madrid portfolio up to 97%** (77bps vs June 2020).
In **Barcelona, more than 4,000 sqm were signed, of which 3,329 sqm (more than 80%) correspond to new contracts** on available surfaces.

In Paris, **2,026 sqm were signed in the third quarter,** of which **more than half (1,170 sqm)** correspond **to additional floors in the Marceau project,** with which the level of pre-lettings on this project amounts to 86% in economic terms.

The **rental prices signed** in this third quarter are **in line with pre-COVID-19 levels,** showing the resilience of the portfolio to date.

For the third consecutive quarter, the release spread (signed rents vs previous rents) was in high double digits, reaching +21%, the same level as in the first quarter (pre-COVID). These ratios highlight the defensive nature of Colonial's contract portfolio with significant improvement margins on current rents.

Strong price increases	Surface sqm			Release Spread [1]			Rental Growth vs ERV 12/19 [2 4]			
	Pre Covid	Post Covid		Pre Covid	Post Covid		Pre Covid	Post Covid		
	1Q 2020	2Q 2020	3Q 2020	1Q 2020	2Q 2020	3Q 2020	1Q 2020	2Q 2020	3Q 2020	3Q 20 adjusted[3]
Barcelona	7,024	13,720	4,124	+50%	+54%	+18%	+7%	+9%	+1%	
Madrid	5,374	466	20,450	+15%	na	+22%	+5%	+13%	(3%)	+1.0%
Paris	1,141	14,523	2,026	na	+14%	+0%	+7%	+12%	+2%	
TOTAL OFFICES	13,539	28,709	26,600	+21%	+32%	+21%	+6%	+11%	(2%)	+1.3%

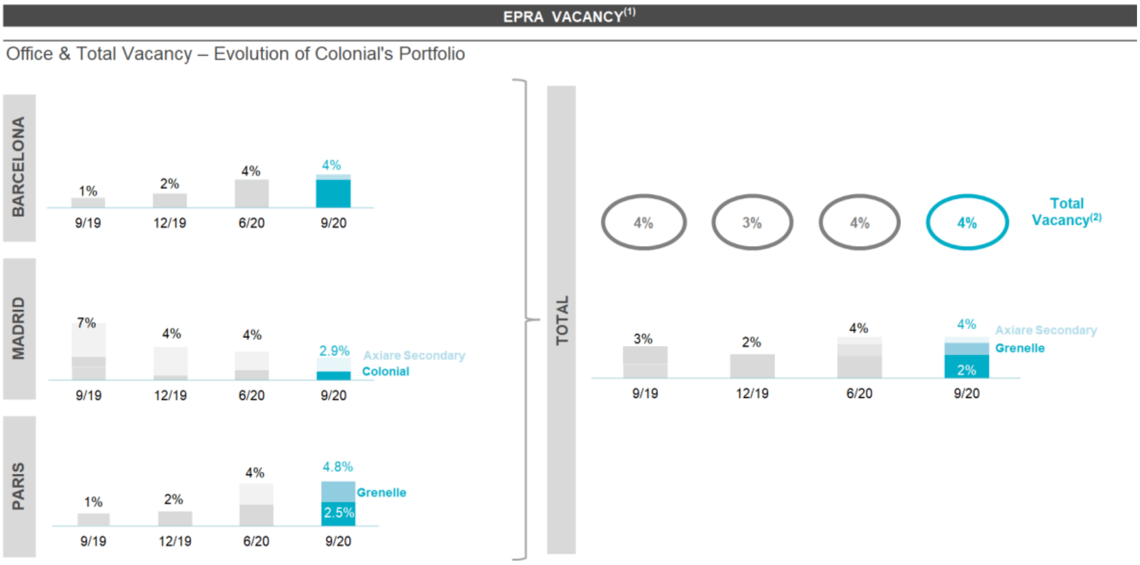
(1) Signed rents on renewals vs previous rents
(2) Signed rents vs market rents at 31/12/2019 (ERV 12/19)
(3) 3Q excluding a contract with a single tenant with a release spread of +21%
(4) There are 2 contracts with cap (1 in Barcelona and 1 in Madrid)

In cumulative terms, the Colonial Group has formalized 49 office rental contracts, corresponding to 68,847 sqm and annual rents of €24m. The cumulative **release spreads are +25% (+51% Barcelona, +20% Madrid, and +14% Paris)** and the rents signed were **+5% above the market rents (+7% Barcelona, -1.6% Madrid and +10% Paris).**

2. Solid occupancy levels

The **total vacancy of the Colonial Group** at the close of the third quarter of 2020 **remained stable at levels of 4%,** a vacancy rate in line with the first half of 2020 as well with that of one year ago. Of special mention is the improvement in the Madrid office portfolio.

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



(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*

In the **office portfolio in Madrid** the vacancy rate decreased by **2.9%, improving by +447bps compared to the previous year and by +77bps quarter on quarter**. The quarterly improvement is mainly due to new contracts on the Francisca Delgado 11 asset and the annual improvement is mainly due to the 100% occupancy of the Josefa Valcárcel 40bis asset, among others.

The **Barcelona office portfolio** has a **vacancy rate of 4%**, a rate in line with the last quarter but shows **an increase of +296 bps compared to the rate from the previous year,** mainly due to the client rotation in this portfolio.

The **office** portfolio in **Paris** has a **vacancy rate of 4.8%,** a rate in line with the last quarter but which has increased compared to the other quarters, due to the entry into operation of the 103 Grenelle building. **Excluding the Grenelle asset, the vacancy rate in Paris is 2.5%.**

The vacant office space at the close of the third quarter of 2020 is as follows:

Vacancy surface of offices

Surface above ground (sq m)	Entries into operation (1)	BD area and others	CBD area	2020	EPRA Vacancy Offices
Barcelona	0	5,593	4,977	10,570	4.4%
Madrid	5,022	6,115	2,519	13,656	2.9%
París	5,665	6,677	1,235	13,578	4.8%
TOTAL	10,687	18,386	8,731	37,804	4.2%

(1) Projects and refurbishments that have entered into operation

3. Client Portfolio and COVID-19 negotiations

The Colonial Group has a portfolio of clients diversified between sectors with high levels of loyalty, permanency and solvency.

Consequently, **the collection rate levels in the first two quarters of COVID-19 (2Q and 3Q 2020) have remained high at 98% of the office portfolio (100% in Paris)** and 96% including all assets (96% in Paris).

Due to the COVID-19 crisis, the commercial team of the Colonial Group has analysed and negotiated deferral systems or, in exceptional cases, allowances for the payment of rents with a special focus on all of the companies that are having financial difficulties as a result, and in the framework, of the limitation of the development of their activities in the commercial and leisure sectors.

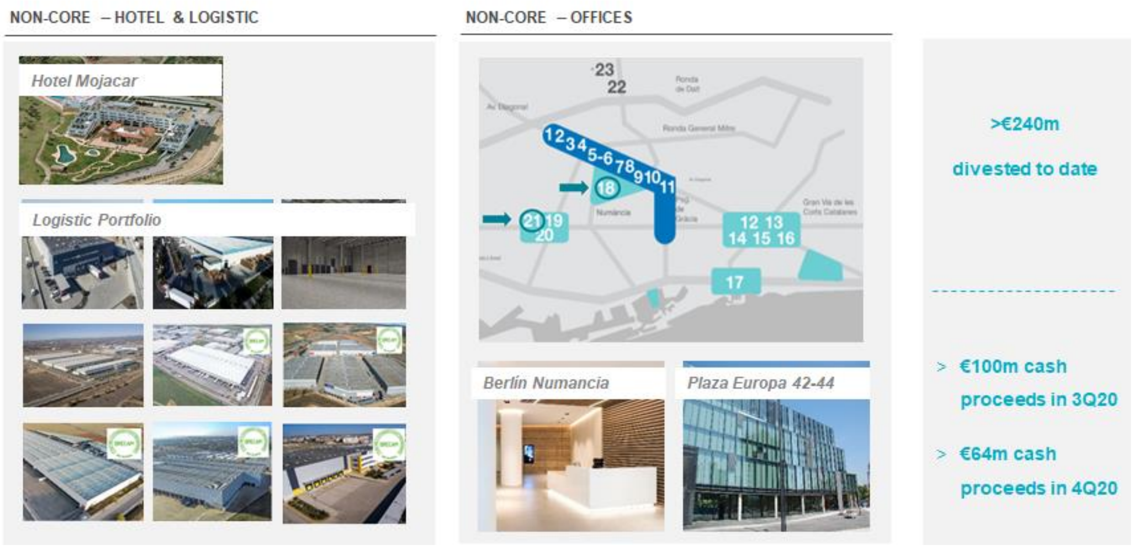
41% of the Colonial Group's clients have spoken to the commercial team, who have reached agreements with 100% of them, thereby closing all of the negotiations in the Spanish client portfolio and with still one file under negation in France. At the date of publication, the impact of the closed negotiations amounted to 3% of the annual rental income for the 2020 profit and loss account.

In addition, it is important to point out that, with the clients most affected by the crisis, short term rental deferral payment agreements have been made in exchange for an extension of the current contracts. The average months that the contracts have been extended by are between 24 and 36 months, which have resulted in 800 additional months in the contract portfolio corresponding to approximately €40m in secured future rents.

Active management of the portfolio

In the second and third quarters of 2020 (in the middle of the COVID-19 period), the Colonial Group divested more than €240m in non-strategic assets corresponding to 11 buildings with a total surface area of 223,543 sqm above ground.

Specifically, the Hotel Mojácar was disposed of, the call option on the logistics portfolio (8 assets with a surface area of 193,590 sqm) was executed, and two secondary office buildings in Barcelona, the Berlín-Numancia and the Plaza Europa, 40-42 assets were sold. The two buildings total 18,150 sqm of surface area.



These transactions are being delivered under the framework of a capital allocation strategy of the portfolio, disposing of mature and/or non-strategic products in order to:

1) Optimize the quality and returns of the portfolio, further increasing the exposure to prime offices with interesting risk-adjusted returns
2) Release capital to strengthen the capital structure and maximize Colonial's Total Shareholder Return

Accordingly, in the coming quarters, the Colonial Group will continue with a policy of rotation of mature assets in the three markets in which it operates.
The estimated volume of further disposals is around €300m to complete the rotation cycle in the coming quarters.

ESG Strategy

1. Corporate Strategy and ESG Excellence

The Colonial Group pursues a clear leadership in ESG, being a fundamental element of its strategy, prioritizing sustainable long-term returns, based on a business model of high-quality products.

2. Strategic Plan on Sustainability & Decarbonization

The strategic plan for decarbonization implies the commitment of the Colonial Group so that by 2050, its entire office portfolio will be neutral in carbon emissions, and totally aligned with the Paris climate agreements of December 2015.

For the Colonial Group, this implies: (i) neutrality in carbon emissions by 2050 (ii) a (75%) reduction in Scopes 1 & 2 by 2030 starting from 2015 as the base year.

With this objective, in 2019 the Colonial Group continued to work on this matter and achieved a (59%) reduction like-for-like in its carbon footprint (Scopes 1 & 2), reaching an intensity ratio of 8 kgCo2e/sqm for Scopes 1 & 2, placing it among the lowest carbon footprints in the European sector.

3. ESG Investment – Decarbonization Laboratory

Colonial will build the first office building in Spain made entirely of wood

4. Energy efficiency of the Colonial Group's asset portfolio

93% of the office portfolio in operation has LEED or BREEAM energy certificates, an increase of 56 bps compared to the level of certificates at December 2019. This high level of certification places Colonial in a leading position in energy efficiency in Europe.

5. Sustainable financing of more than €1,151m

After the close of the third quarter, Colonial signed the refinancing of the two Revolving Credit Facility lines that were available in their entirety for the amount of €875m. The new credit line will be structured in two tranches with maturities at 5 and 5+1+1 years. The new line of credit is sustainable as its margin is linked to the rating obtained by the GRESB agency.

A solid capital structure

I. Access to the debt market based on a solid rating

The Colonial Group has tapped the bond and debts markets, obtaining new financing for €2,000m in very favorable terms thanks to the high ratings received by Standard & Poor's and Moody's, which underline the defensive nature of Colonial's business model.

1) In June 2020, the Colonial Group formalized **a bond issuance in the amount of €500m** through its French subsidiary, SFL. **The bond issue has a maturity of 7 years, with a coupon of 1.5%. Demand exceeded four times the issue volume** and was placed with quality European investors.
2) Additionally, after the close of the third quarter, Colonial formalized **a bond issuance for €500m** on the Spanish stock market. The issue has a maturity of **8 years with a coupon of 1.35%,** maturing in October 2028. **Demand exceeded three times the issue volume** and was backed by international investors with an institutional profile.
3) On 10 November 2020, Colonial signed the refinancing of a new line of credit (Revolving Credit Facility - RCF) for €1,000m, replacing the two lines of Revolving Credit Facility (RCF) available in their entirety for the amount of €875m.

II. Liability Management

During the third quarter of 2020, the Colonial Group carried out two Liability Management operations:

1) In September, SFL bought back €100.3m of bonds maturing in 2021 and €60.4m of bonds maturing in 2022 that accrue an annual coupon of 1.875% and 2.25%, respectively.
2) In October, Colonial bought back €194m of bonds maturing in 2023 and €107m of bonds maturing in 2024 that accrue an annual coupon of 2.728% and 1.45%, respectively.

These operations have allowed for an improvement in the average maturity of the Group's debt from 4.7 years to 5.2 years, reducing the average cost of debt.

At 30 September 2020, the Colonial Group had a liquidity of €2,362m between cash and available credit lines (€2,487m after the signing of the new RCF).

The LTV of the Group is at a stable level of 36.5%, 60 bps lower than the LTV of the same period of the previous year.

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 sqm of GLA and assets under management with a value of more than €12bn.

"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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