

Colonial registered a net profit of €254m

Acceleration of growth after the integration of Axiare

- Net Asset Value of €9.11 per share, +13% vs previous year
- Gross rental income of €170m, +21% vs previous year (+5% like for like)
- Recurring net profit of €41m, +12% vs previous year
- Asset Value of €11,190m, +29% vs previous year (+10% like for like)
- Total Shareholder Return of 15% year-on-year

Madrid, 30th July 2018

2018 First Half Results

The first half of 2018 was outstanding for the Colonial Group with a Total Shareholder Return of +15% based on a +13% Net Asset Value per share YoY increase in combination with a dividend yield of +2%.

On July 2nd, the merger of Colonial with Axiare has been finalized consolidating Colonial as leader in prime offices, offering our clients more than 1.2 million sq m of office space, through 73 assets in the best locations of Madrid, Barcelona and Paris.

The results of the first half of 2018 clearly reflect the successful growth strategy of the new Group, as seen in the following figures:

- > Gross Asset Value: €11,190m, +29% vs. the previous year (+10% like-for-like in 12 months)
- > Gross rental income: €170m, +21% vs. the previous year (+5% like-for-like)
- > Recurring net profit: €41m, +12% vs. the previous year
- > EPRA NAV of €9.11/share, +13% vs. the previous year
- > Total Shareholder Return¹: +15% in one year

The Group resulting from the merger has obtained very solid operating results, capturing high increases in rental prices in all markets

- > 55 signed contracts corresponding to more than 97,000 sq m and €19m in annual rental income
- > EPRA vacancy at levels of 5%
- > Capture of rental price increases: +8% vs. market rents (ERV) at December 2017 and +26% in release spreads²

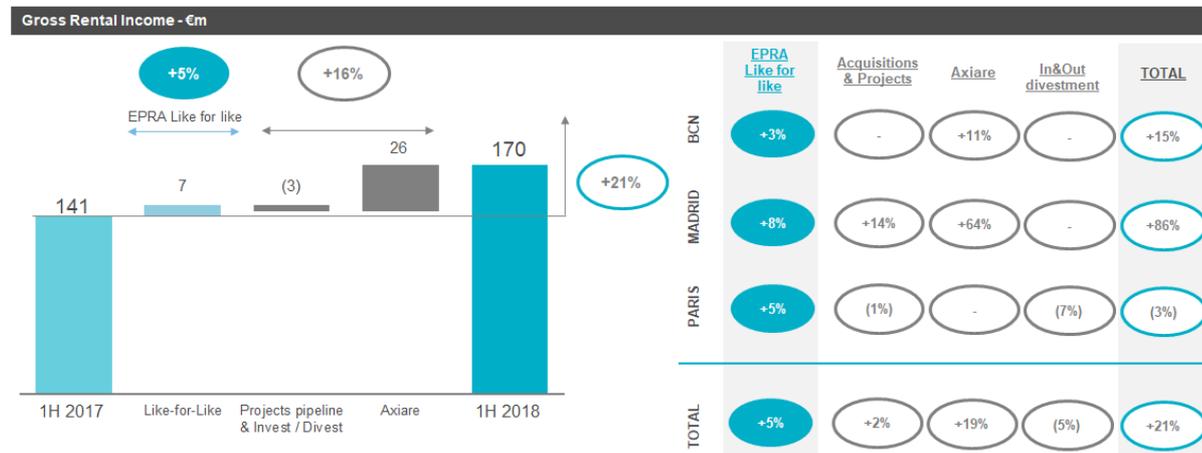
(1) Increase of NAV per share + dividend paid

(2) Renewals signed vs. previous rents

Growth in rental income

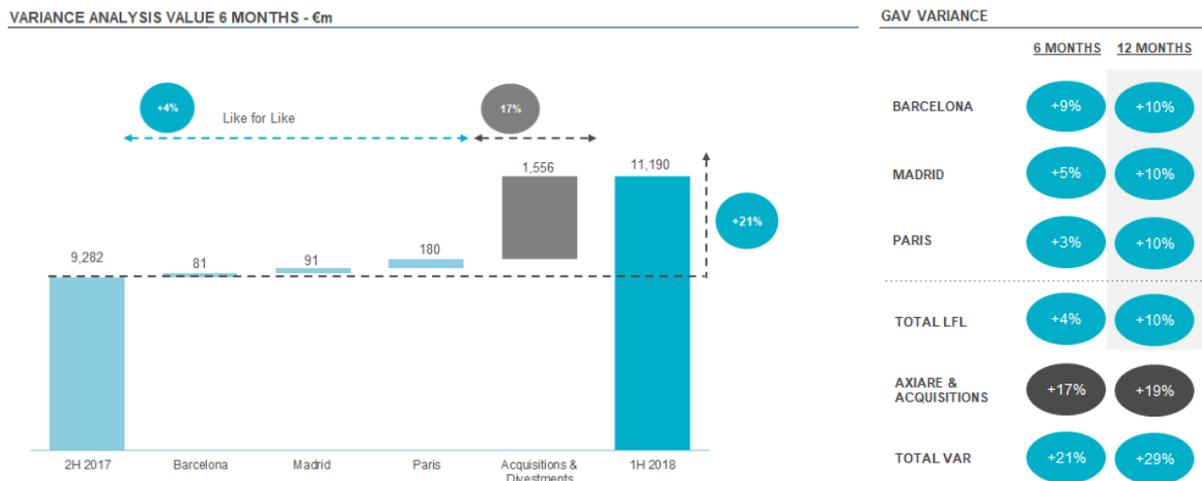
Significant increase of +21% in rental income based on (1) the incorporation of the Axiare business since February, (2) additional income from acquisitions and project delivery and (3) a solid +5% like-for-like increase.

Like-for-like growth in rental income in all the markets in which the Group operates. These like-for-like growth levels are clearly above the average of the comparable data of our Spanish and European peers.



Real estate value creation

At the end of the first half of 2018, the Group's Gross Asset Value amounted to €11,190m (€11,730m including transfer costs), which represents an increase of +29% vs. previous year (+21% in 6 months).



In like-for-like terms, Colonial's portfolio has been revalued by +10% vs. the previous year (+4% in the first half of 2018). This increase in value is a consequence of the rental price increases throughout the full asset portfolio, complemented by increases in value obtained through the successful execution of projects in the portfolio.

The Barcelona and Madrid portfolios obtained +10% like-for-like growth year-on-year. It is important to highlight the strong +9% revaluation in the last 6 months in Barcelona.

The Paris portfolio increased +10% like-for-like year-on-year (+3% like-for-like in the first 6 months of 2018) clearly establishing a reference for growth in the Paris market.

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, during the first half of 2018, 55 rental contracts, corresponding to more than 97,000 sq m and an annual rental income of €19m.

More than 51,600 sq m of rental contracts were signed in the office portfolio, capturing important increases in rental prices: +8% versus the ERV at December 2017 (Barcelona +14%, Madrid +7% & Paris +6%). In addition, the increase in renewals (Release Spread) was in the double digits in Spain (Barcelona +14% Madrid +28%), in France there were no renewals.

# transactions	Surface sqm	GRI €m	Strong prices increase		
			% Var. vs ERV 12/17 ¹	Release Spread ²	
Barcelona	18	12,643	€2m	+14%	+14%
Madrid	23	30,492	€8m	+7%	+28%
Paris	11	8,511	€6m	+6%	na
Total	52	51,646	€17m	+8%	+26%

- (1) Signed rents vs. market rents at 31/12/2017 (ERV 12/17)
 (2) Signed rents on renewals versus previous rents

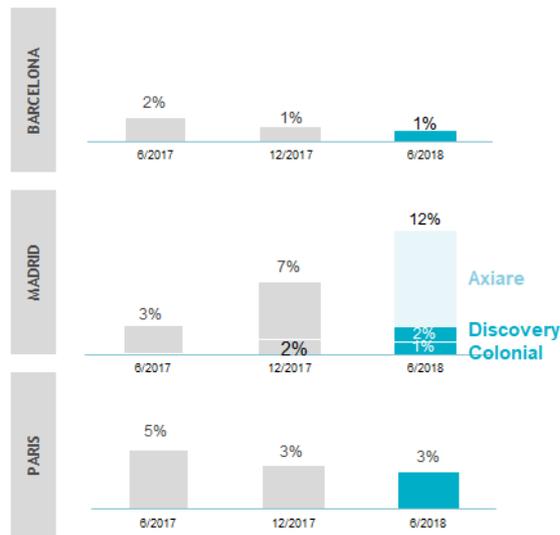
High occupancy levels

The total vacancy of the Colonial Group (including all uses: offices, retail and logistics) stood at 5% at the end of the first half of 2018.

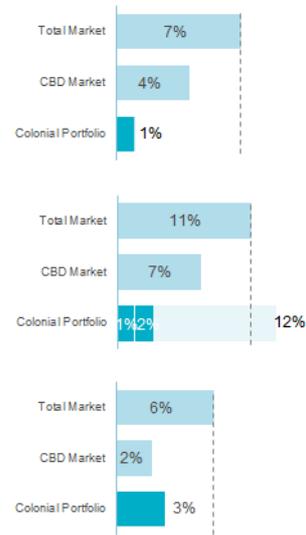
The Barcelona and Paris office portfolios stand out with vacancy ratios of 1% and 3%, respectively. The office portfolio in Madrid has a vacancy rate of 12%: 9.6% corresponds to the Axiare portfolio and 1.6% to the recent delivery of the Discovery Building project in the CBD, which is generating strong interest in the rental market. The rest of the Madrid portfolio has a vacancy rate of 1%.

The total available surface areas of both, Axiare Portfolio and Discovery building, represent a 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.

EPRA OFFICE VACANCY¹



VACANCY COLONIAL 1H 2018 VS. MARKET



- (1) **EPRA vacancy:** financial vacancy according to the calculation recommended by EPRA (1-[Vacant surfaces multiplied by the market prices/surfaces in operation at market prices])
 (2) Total portfolio including all uses: offices, retail and logistics

At the end of the first half of 2018, the logistics portfolio of the Colonial Group had an EPRA vacancy rate of 3%.

Growth drivers

The Colonial Group has an attractive growth profile which is based on the following drivers:

A. Merger and Integration of Colonial-Axiare:

Colonial is making satisfactory progress on all of the objectives communicated at the launch of the transaction.

- Consolidation of prime offices leadership in Spain and Europe
 Immediate increase in rents from €302m at December 2017 to €367m in June 2018 with a prime offices portfolio.
- Reinforced competitive position in the Madrid market
 Colonial is closing rental negotiations that leverage on the complementarity of Colonial's new portfolio to optimize prices and maximize the real estate value creation.
- Integration of Axiare in Colonial's business model
 The integration of all of Axiare's business processes has started in order to optimize each phase of the real estate value chain through Colonial's internal model.
- Cost synergies confirmed
 The initial target of cost synergies has been confirmed and additional potential savings have been identified with an accelerated implementation plan for crystallization in the next 12 months.

5. Optimization of the Group's resulting asset portfolio

- High level of progress in the analysis of value creation in every asset to determine the optimum portfolio resulting from the merger.
- Confirmation of the Business Plan of the assets with more detailed information.
- Review and optimization of the schemes in the project portfolio and maximization of synergies with Colonial's pre-transaction portfolio.
- Analysis of non-strategic assets will be finalized in the coming months.

6. Potential for improvement in the financial structure

Satisfactory progress in the identification of potential improvements and their subsequent implementation, €177m of Axiare debt cancelled YTD.

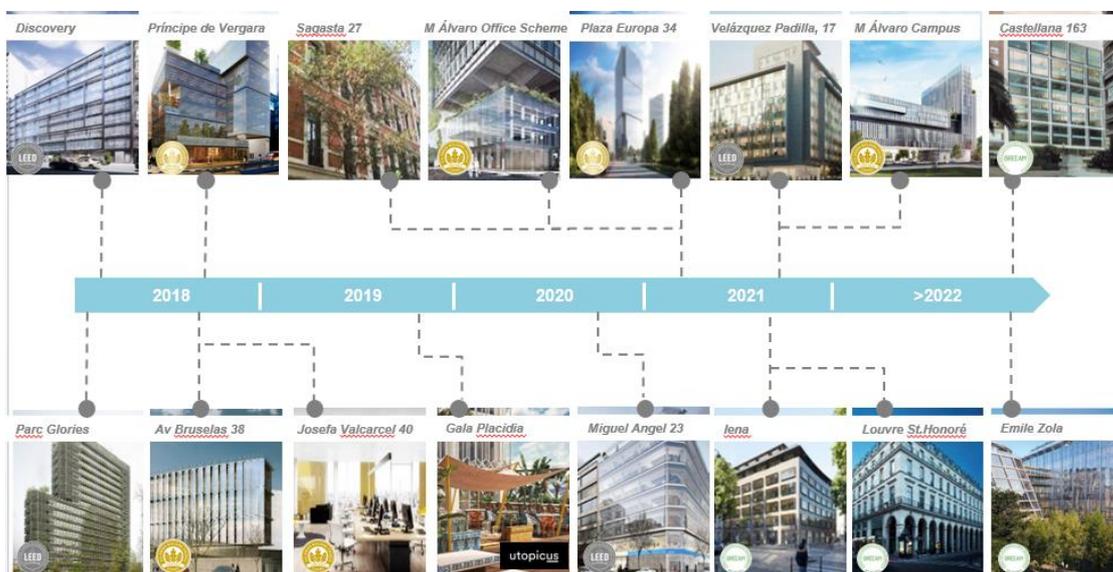
7. Enhanced visibility and liquidity of the resulting Company in the capital markets

In July, the new Colonial reached a capitalization on the stock market of more than €4.4bn with an elevated free-float volume reaching €2.9bn.

Consequently, Colonial has been included in the EuroStoxx 600 index, one of the most important indices in Europe for international institutional investors.

B. A contract portfolio to capture the cycle: an attractive contract maturity profile to continue capturing significant rental price increases, as shown in the first and second quarter results of 2018.

C. An attractive project pipeline: Colonial has a project pipeline to develop more than 340,000 sq m of top quality products. The project pipeline will offer attractive returns and value creation underpinned by solid fundamentals.



D. Acquisition Program: 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.

Alpha III Project

With the execution of the Alpha III project at the beginning of 2018, that 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.



Prime asset acquisition in Barcelona - Diagonal 525

After the closing date of the first half, Colonial has acquired in July an office building with a GLA of 5,710 sq m above ground, located in the prime area of Avenida Diagonal in Barcelona.



The building is located at 525 Avenida Diagonal and intersects with Avenida de Sarriá. The area is considered the Prime Central Business District of Barcelona and has traditionally been occupied by financial institutions, law firms and other service companies. The building also benefits from numerous nearby services and public transportation that provides accessibility to all areas of the city.

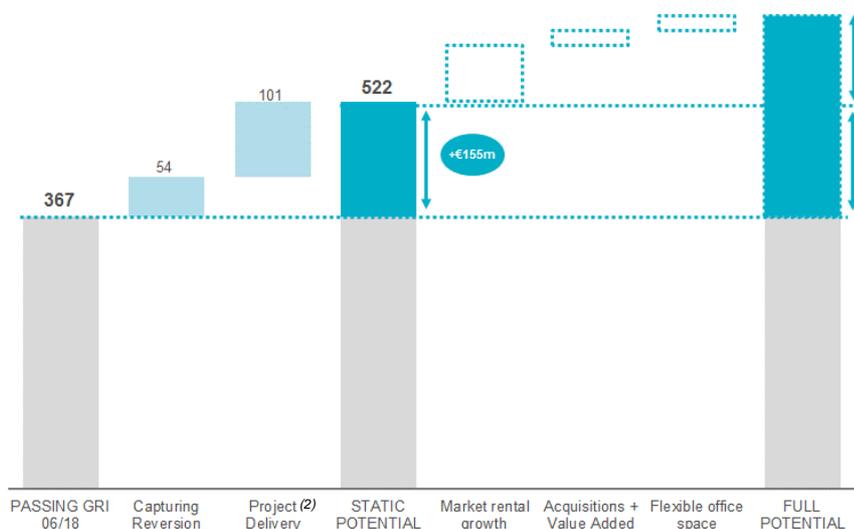
The building is currently 100% occupied by a sole tenant, however Colonial will carry out a full refurbishment of the building in order to create an emblematic property in the heart of Barcelona's business district. The total cost of the project, including future capex, will be €37m, representing a capital value of 6.460 €/sq m. This total cost is substantially below prices of recent comparable transactions in this area of the Diagonal.

It should be noted that currently there are no new office projects in the Central Business District of Barcelona and that the vacancy rates of Grade A buildings are at historical lows of 1%.

With this acquisition, Colonial once again proves its capacity to create value for its shareholders through the sourcing of off-market transactions with potential for real estate transformation.

Reversionary potential of the current portfolio

The portfolio of the Colonial Group has a reversionary potential to reach a rental income of €522m. This represents a +42% increase compared to the current annual rents of €367m (“topped-up ⁽¹⁾” rents as of 06/2018).



(1) Topped-up passing rental income: annualized cash GRI adjusted for the expiration of rent free periods as per EPRA BPR

(2) Includes Diagonal 525 acquisition

Active management of the capital structure

In the first half of 2018, the Colonial Group successfully executed two bond issuances for a total of €1,050m. This has led to an increase in the liquidity of the Group, improving the maturity profile of the debt with very competitive financial costs.

In addition, in the month of July, Colonial materialized an early buy back of the totality of the bond issue maturing in 2019 for a nominal amount of €375m. This transaction enabled the extension of the average maturity of Colonial’s debt in an interest rate environment at historic lows, as well as a reduction in financials costs, substantially improving the recurring net profit.

At the end of the first half of 2018, the Colonial Group had a robust capital structure with a solid Investment Grade rating. The LTV of the company stood at 39% at June 2018.

Colonial’s shares closed the first half of 2018 with a revaluation of 14%, 17% as of report date, 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 achievement of milestones on Colonial’s Business Plan, reflecting the Capital Market’s support of the Colonial Group’s strategy.



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.



IBEX₃₅

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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.”

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