

Total annual Shareholder Return +18%

Colonial increases its Net Profit +33%, up to €338m

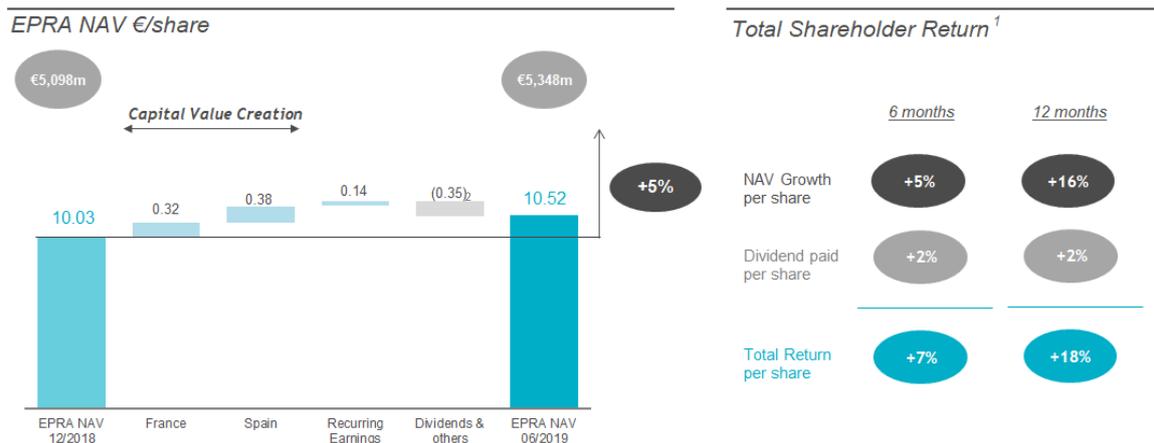
- Asset value of €11,798m, + 9% like-for-like year-on-year
- Net Asset Value of €10.52/share, +16% vs. previous year
- Gross rental income of €174m, +4% like-for-like
- Recurring net earnings of €69m, +66% vs. previous year

Madrid, 29 July 2019

First half results 2019

Colonial closed the first half of 2019 with an EPRA Net Asset Value of €10.52/share resulting in a year-on-year increase of +16%, which together with the dividend of €0.20 per share, led to a Total Shareholder Return of +18%.

In absolute terms, the EPRA NAV amounts to more than €5,348m (+29% vs. the previous year).



(1) Total return understood as growth in NAV per share + dividends

(2) Dividend of 0.20€/share, Goodwill absorption and other effects

The outstanding value creation for the shareholders relies on to an industrial real estate strategy with a high Alpha returns component. The main aspects are the following:

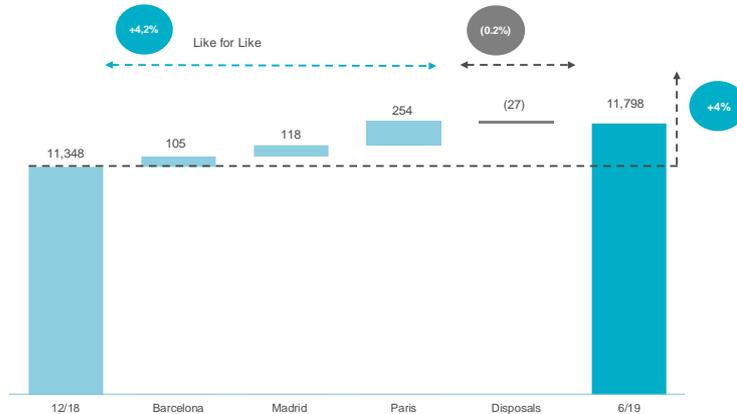
1. **Successful management of the project portfolio:** Projects completed and rented, important pre-lettings in the project pipeline and in the renovation program
2. **Capturing of important rental growth** thanks to excellent fundamentals in the CBD, where Colonial has a unique exposure of 76%
3. **A compression of prime office yields,** due to an increased demand of the investment market on a framework of decreasing interest rates and scarce supply in CBD.

As a consequence of this value creation, Colonial has absorbed the Goodwill of the Axiare acquisition just 12 months after the completion of the merger of both companies.

Significant increase in value of the real estate portfolio

The gross asset value of the Colonial Group at the close of the first half of 2019 amounted to €11,798m (€12,390m including transfer costs), **with a like-for-like increase of +9% year-on-year (+4% in 6 months).**

VARIANCE ANALYSIS VALUE 6 MONTHS - €m



GAV VARIANCE

	6 months	12 months
BARCELONA	+8%	+19%
MADRID	+4%	+9%
PARIS	+4%	+6%
TOTAL LFL	+4%	+9%
DISPOSALS	(0.2%)	(3%)
TOTAL VAR	+4%	+5%

The offices portfolio in **Barcelona**, with an excellent position in the CBD and 22@, has reached year-on-year growth of **+19% like-for-like (+8% in 6 months)** with important growth in all the assets due to a combination of increases in rental prices and yield compression.

Madrid has increased **+9% like-for-like (+4% in 6 months)**, due to its strong positioning in the urban centre and the CBD in combination with the successful delivery and management of the Discovery, Window and Avenida Bruselas projects in recent months, which have enabled the signing of rental contracts at prices at the high end of the market with top tier clients.

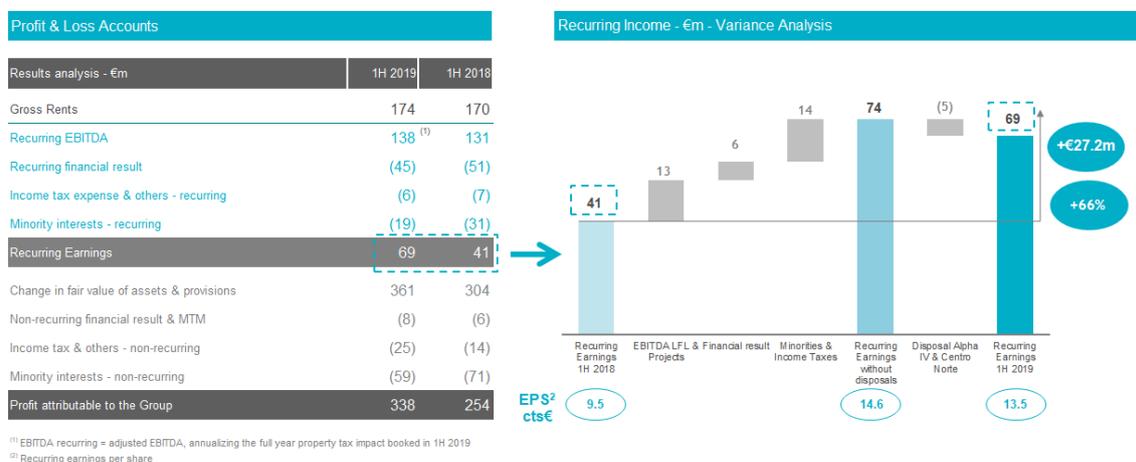
The Paris portfolio increased +6% like-for-like year-on-year (+4% like-for-like in the first 6 months of 2019) which is underpinned by a high global appeal of the CBD market in Paris in combination with the successful pre-letting of the Louvre St. Honoré project as well as the Hausmann renovation program.

Significant increase in net recurring profit per share

The Colonial Group closed the first half of 2019 with a recurring net profit of €69m, an increase of +66% compared to the same period of the previous year.

Recurring EPS amounted to €13.5Cts per share, resulting in an increase of +42% versus the same period of the previous year.

This growth is based on a portfolio of CBD assets, enhanced through the execution of the Axiare merger, the acquisition of an additional 22% stake in SFL and the latest disposals carried out on secondary assets.

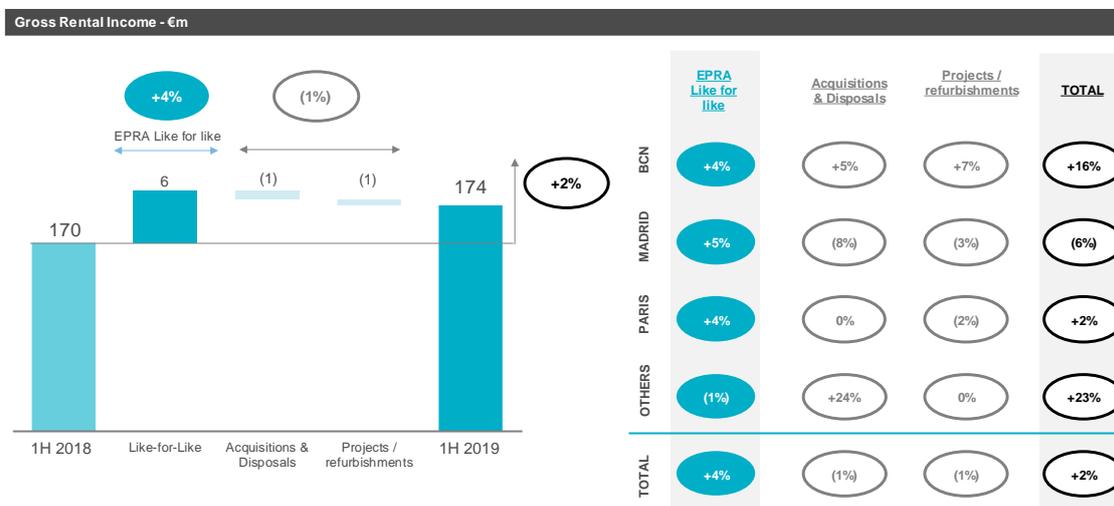


The recurring net profit increase of +€27m, (+66% vs. the previous year), was driven by (1) an increase in EBITDA of +€8m, (2) reduction in financial expense of €6m and (3) higher attributable results due to the increase in the SFL stake, from 59% to 82%, which is reflected in the minority interests.

Considering the significant growth in value of the portfolio and deducting all the non-recurring expenses, the net profit attributable to the Group amounted to €338m, up + 33% with respect to the same period of the previous year, equivalent to an increase of +€84m.

Strong income growth

Colonial closed the first half of 2019 with €174m in rental income, an increase of +4% in like-for-like terms, compared to the previous year.



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

This high level of 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, due to its strong positioning in the CBD. Of note in the first half of 2019 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 +4% like-for-like** due to rental price increases across the entire portfolio, highlighting the Diagonal 609 asset, as well as an increase in occupancy in assets such as Park Cugat and Torre BCN.
2. **Madrid +5% like-for-like** increase driven by the market update of current rental prices on assets such as Sagasta 31, Martínez Villergas and Egeo. The new leases signed on the Discovery Building also resulted in a significant positive impact.
3. **Paris +4% like-for-like.** Rental increases rose to €3.3m. This was due to new leases signed in 2018, mainly on Washington Plaza and Cézanne Saint Honoré, with an increase in rents.

In Madrid, it is worth mentioning the reduction in rental income due to the asset disposals carried out at the end of 2018 and the sale of the Centro Norte hotel in Madrid in 2019. The rotation of the project portfolio, specifically the start of the repositioning of the 83 Marceau, Neuilly and Edouard VII assets in Paris and the Velázquez/, Miguel Ángel and Cedro assets in Madrid, has resulted in a temporary decrease in income.

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. In the first half of 2019, the Colonial Group has signed 60 rental contracts corresponding to more than 129,000 sqm and annual rents of €43m.

Strong price increases	# contracts	Surface sqm	GRI €m	% Var. vs ERV 12/18 ^{1 3}	Release Spread ²
Barcelona	19	27,188	€7m	+13%	+52%
Madrid	19	78,021	€17m	+4%	+6%
Paris	22	24,136	€19m	+11%	+7%
TOTAL OFFICES	60	129,345	€43m	+9%	+11%

(1) Signed rents vs market rents at 31/12/2018 (ERV 12/18)

(2) Signed rents in renewals vs previous rents

(3) There were two leases with a cap, one in Madrid and the other in Barcelona

Compared with the market rent (ERV) at December 2018, signed rents in the first half of 2019 **increased by +9% and the release spread stood at +11%.**

In **Barcelona**, rents were signed **+13% above market rent**, enhanced by the pre-letting registered for the Pedralbes project. In the **Paris portfolio**, the increase vs the market rents was **+11%** and in the **Madrid portfolio** it was **+4%**.

Likewise, the **release spreads** in the first half of 2019 were very high: **Barcelona +52%**, **Madrid +6%** and **Paris +7%**.

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

In Spain, in the first half of 2019, 105,209 sqm were signed across 38 contracts.

In the Madrid portfolio, 78,021 sqm were signed across 19 transactions. The largest transaction relates to the renewal of the entire surface area of Santa Hortensia (more than 40,000 sqm) with a multinational technology company, in addition to the renewals of 5,100 sqm in Alfonso XII with an engineering consultancy firm and almost 6,000 sqm with a consultancy firm on the Tucumán asset.

In terms of new contracts, noteworthy is the signing in April 2019 of 100% of the project delivered at Avenida Bruselas 38 for the headquarters of MasMovil, an IBEX35 technology company. The company will occupy the building in July, so it is not included in the occupancy ratio as of June 2019.

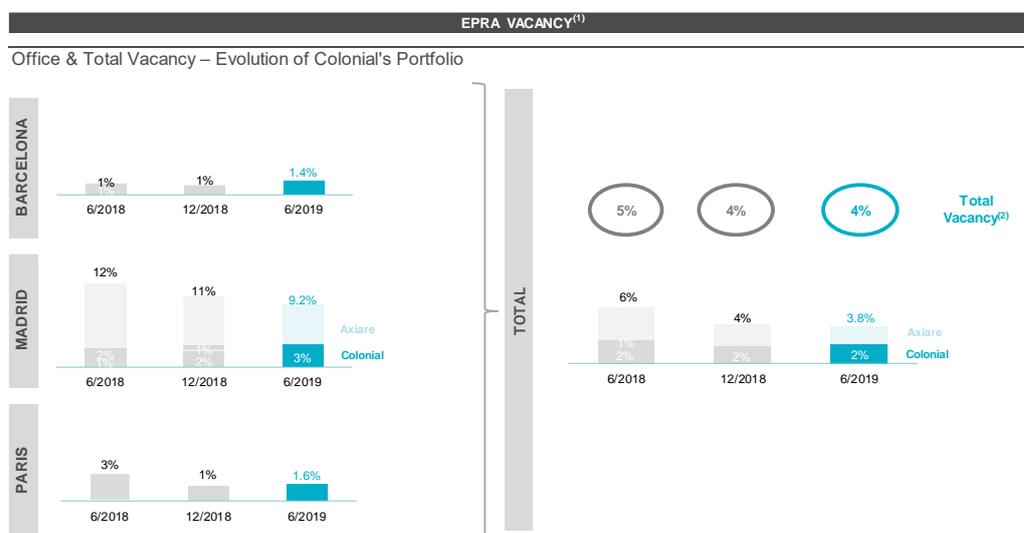
In the Barcelona office portfolio, more than 27,000 sqm were signed across 19 transactions. Worth noting is the pre-letting of the entire Diagonal 525 project which will house the new global headquarters of Naturgy and the pre-letting signed with Uniqlo on the Pedralbes project.

In the **Paris** portfolio, more than 24,000 sqm were signed across 22 transactions. In terms of renewals, worth mentioning is the 2,700 sqm of office space in the Louvre Saint Honoré building. In terms of new leases, worth noting is the signing of 2,500 sqm on the Edouard VII building, as well as the signing of almost 12,000 sqm on the 106 Haussmann building, among others.

Likewise, it is important to highlight the pre-letting agreement with a 20-year minimum fixed terms on the Louvre Saint Honoré project in Paris with the Cartier Foundation.

Solid occupancy levels

The **total vacancy of the Colonial Group's portfolio** (including all uses: offices, retail and logistics) **stood at levels of 4%** at the close of the first half of 2019.



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

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

Particularly noteworthy are the office portfolios in Barcelona and Paris, with vacancy rates of 1.4% and 1.6%, respectively.

The Madrid office portfolio has a vacancy rate of 9%, improving +311 bps compared to the previous year and +129 bps in 6 months.

A 6% vacancy corresponds primarily to assets in the Axiare portfolio located in Arroyo de la Vega and Campo de las Naciones. Especially noteworthy are the recent deliveries of Avenida de Bruselas (100% let, although the occupancy comes into effect in July) and Ribera del Loira (20% occupancy at June). Additionally, the Virto asset had 40% occupancy in June.

The rest of the Madrid portfolio has solid occupancy levels, maintaining a vacancy rate of 3%. 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. In addition, noteworthy is the entry into operation of 1,900 sqm in the Castellana 163 asset, located in the Madrid CBD, which is being successfully repositioned by floors.

Considering the letting of the 100% surface of Avenida de Bruselas 38 asset, which will be effective during July, the vacancy of the Madrid Portfolio will reach 6.9%.

At the end of the first half of 2019, the logistics portfolio of the Colonial Group had a vacancy of 10%, mainly due to the entry into operation of the first phase of the project located in San Fernando de Henares.

A solid capital structure

A strong balance sheet

On 30 June 2019, the Colonial Group had a solid balance sheet with a LTV of 37.9% (135 bps better than at the start of the year) with a Standard & Poors rating of BBB+, the highest rating in the Spanish real estate sector.

The Group has €2,195m of liquidity between cash and undrawn credit lines, with a debt maturity of 5.3 years. It is particularly noteworthy that 64% of the Group's debt is maturing from 2023 onwards.

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

Short-term note issues were initiated under the Euro Commercial Paper (ECP) program registered in December 2018, with issues of €424m in effect at 30 June.

SFL has restructured a syndicate loan improving both margins and maturity. During the first half of the year, SFL also carried out short-term note issues, at the close of the first half of 2019, €354m had been issued.

Solid share price performance

As at the date of publication of this report, Colonial's shares closed with a revaluation of +25%, beating the EPRA & IBEX35 benchmark indices.

COLONIAL SHARE PRICE PERFORMANCE 2019



The share price performance reflects the support of the 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.

Growth drivers

The Colonial Group has an attractive growth profile, based on its strategy of industrial value creation with a high Alpha component in returns. In particular, the value creation is based on the following value drivers:

- A. An attractive project pipeline:** A portfolio of 12 projects corresponding to more than 211,000 sqm to create prime products that offer strong returns and therefore, future value creation with solid fundamentals.

Project	City	% Group	Delivery	GLA (sqm)	Total Cost €m ¹	Total Cost €/ sqm ¹	Yield on Cost
1 Pedralbes Center 	Barcelona CBD	100%	1H 19	6,917	38	5,502	6.3%
2 Gala Placidia / Utopic_us	Barcelona CBD	100%	1H 19	4,312	17	3,922	7.0%
3 Miguel Angel 23	Madrid CBD	100%	1H 21	8,036	66	8,244	5.6%
4 Castellana, 163	Madrid CBD	100%	2020/ 21	10,910	52	4,803	6.6%
5 Diagonal 525	Barcelona CBD	100%	1H 21	5,710	37	6,460	6.0%
6 Biome	Paris City Center	82%	2H 21	24,500	283	11,551	5.0%
7 83 Marceau	Paris CBD	82%	1H 21	9,600	151	15,755	5.2%
8 Velazquez Padilla 17	Madrid CBD	100%	1H 21	17,239	113	6,532	6.8%
9 Plaza Europa 34	Barcelona	50%	2H 21	14,306	38	2,676	7.0%
10 Mendez Alvaro Campus	Madrid CBD South	100%	2H 22	89,871	287 ²	3,188	7.4%
11 Sagasta 27	Madrid CBD	100%	2H 22	4,481	23	5,044	6.4%
12 Louvré SaintHonoré 	Paris CBD	82%	2023	16,000	208	13,029	7.3%
TOTAL OFFICE PIPELINE				211,882	1,313	6,198	6.3%

¹ Total Cost Finished Product = Acquisition Cost/ Asset Value pre Project + future Capex

² Upper part of the range: €3,032/sq m - €3,188/sq m and €273m - €287m

As at the date of this report, four of the twelve projects (specifically, the Pedralbes Center, Gala Placidia, Diagonal 525 and Louvré Saint Honoré) already have pre-let agreements in favourable terms, significantly increasing the visibility of future cash flow and value creation. The other projects in the portfolio continue to progress and already have very good market prospects, in excellent locations with scarce supply.

B. A strong prime positioning with an asset portfolio to capitalize on the cycle

The first half of the year has once again shown the capacity of the Colonial Group's contract portfolio to capture maximum market rents and obtain significant rental price increases with double digit release spreads.

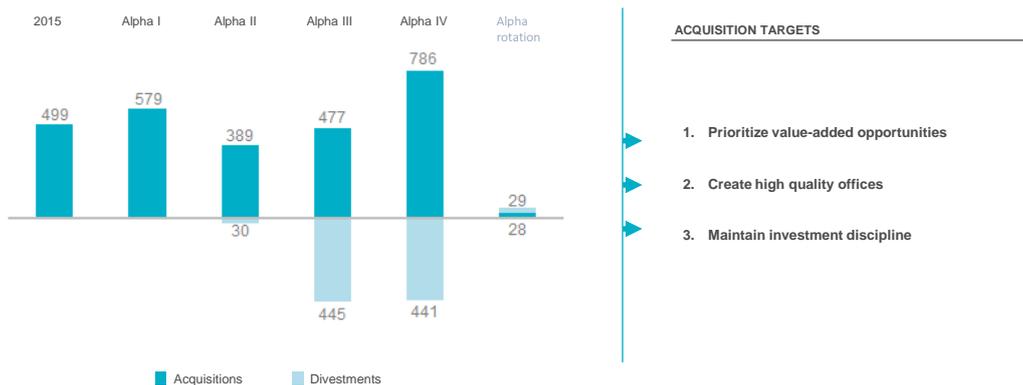
In addition, new renovation programs have been identified, accelerating tenant rotation in the corresponding spaces. In this respect, of note are two buildings in the prime CBD, in particular 106 Haussmann in Paris, Ortega y Gasset in Madrid and the TorreMarenostrium asset in the 22@ technological district in Barcelona.

The Haussmann 106 building offers almost 15,000 sqm in the centre of Paris which will be updated in the year 2020, offering a top-quality product. These characteristics have enabled the pre-letting of the entire building in the second half with a 12-year minimum fix terms at a rent above €800/sqm/year, prime reference in Paris.

C. Discipline in the acquisition and disposal program: Over recent years, Colonial has successfully delivered the organic investment targets announced to the capital markets: asset acquisitions, prioritising off-market transactions and identifying properties with value-added potential in market segments with solid fundamentals.

Since 2015, the Colonial Group has carried out significant investments and disposals:

NET INVESTMENTS SINCE 2015 - €m

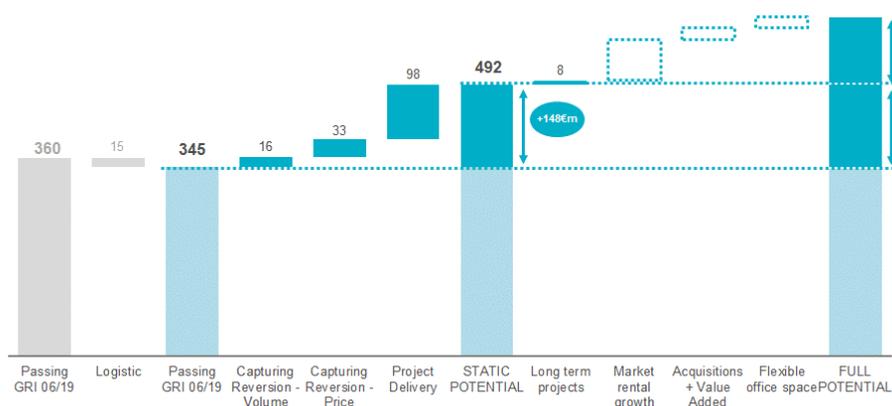


In this context, at the beginning of 2019, the Colonial Group carried out the Alpha rotation 2019 consisting in the following transactions:

- > Disposal of the Hotel Centro Norte, a non-strategic asset at a secondary location in the Northeast of Madrid with a premium of +11% on the appraisal value.
- > Acquisition of the remaining 45% of the Torre Marenostrum building from Naturgy, achieving 100% ownership of this unique building located in front of the sea in the 22@ market.

Potential cash flow and future value

The asset portfolio of the Colonial Group (excluding the logistics portfolio available for sale) has the potential to reach an annual income (passing rents) of close to €500m, resulting in an increase of €148m with respect to the current cash flow.



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

Delivery of the business plan

According to Pere Viñolas, CEO of Colonial, “During the first six months of 2019 we have provided a total shareholder return of +7% and signed more than 150,000 sqm of surface in operating buildings and projects, at maximum rental levels. Without any doubt, this set of results strengthens Colonial’s business model, focused on the leadership in prime offices in the best business districts of Madrid, Barcelona and Paris”.

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.



“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.”

For more information: Román y Asociados 93 4142340
Xavier Ribó x.ribo@romanyasociados.es +34 669 486 003
Víctor Palacio – v.palacio@romanyasociados.es +34 677 782370