

Colonial with stable operating results

The first quarter results reflect the impact of non-strategic disposals

- Comparable recurring EPS of €7.2cts/share in line with the previous year
- Gross Rental Income of €78m, +0.6% like-for-like
- Net Rental Income of €68m, +4.0% like-for-like (+6% like-for-like in Paris)
- Letting volume of 29,759 sqm, +1.2x vs. the previous year
- Office occupancy levels of 95% (97% in Madrid)
- Capturing rental price increases with +20%, release spread
- A strengthened capital structure, LTV of 34.9% with a liquidity of €2,406m

Madrid, 17th May 2021

First Quarter Results 2021

The Colonial Group closed the first quarter of 2021 with a net recurring profit of €28m, €8m below the results of the first quarter of the previous year.

This decrease is mainly due to two effects in Colonial's portfolio:

1. The **execution of the disposal program of non-strategic assets** with premiums over appraisal value resulting in a year-on-year decline of €3.2m in net results due to lower rents, in exchange for an improvement in the quality of the cash flow of the post-sale portfolio.
2. The **acceleration of the renovation program** in order to reposition portfolio assets with significant potential for future value creation and cash flow, based on a real estate transformation.
This program implies a temporary tenant rotation which has led to a negative impact on Net Rental Income (EBITDA rents) of €5m in the first quarter of 2021.

Profit & Loss Account		
Results analysis - €m	1Q 2021	1Q 2020
Gross Rents	78	86
Recurring EBITDA	62	69
Recurring financial result	(21)	(22)
Income tax expense & others - recurring	(4)	(2)
Minority interests - recurring	(8)	(9)
Recurring Earnings	28	36
Change in fair value of assets & provisions	0	1
Non-recurring financial result & MTM	(0)	(0)
Income tax & others - non-recurring	(8)	(5)
Minority interests - non-recurring	1	0
Profit attributable to the Group	21	32

⁽¹⁾ Recurring earnings per share
⁽²⁾ Renovation program tenant rotation



Excluding these two effects of active management of the portfolio, the comparable Net Recurring Profit is €37m, in line with the results of the previous year (+1%).

The net recurring EPS of the first quarter of 2021 amounted to €5.6cts/share. The impact of the loss of rents due to non-strategic disposals was (€0.64cts) per share) and the impact due to tenant rotation in the renovation program was (€1ct) per share. As a consequence, the comparable³ net recurring result is €7.2cts per share.

At the close of the first quarter, the net result of the Group including extraordinary items amounted to €21m, mainly due to the accrual of €6m corresponding to the property tax non-computable to the first quarter of 2021.

Gross Rental Income and Net rental Income (EBITDA Rents)

Colonial closed the first quarter of 2021 with **€78m of Gross Rental Income and Net Rental Income (EBITDA rents) of €68m.**

The Gross Rental Income in the first quarter of 2021 decreased by (9%), mainly due to the disposal of non-strategic assets carried out in 2020 and the beginning of 2021, as well as to the acceleration of the renovation program to reposition assets. This active management of the portfolio has a temporary short-term impact, however it ensures a higher portfolio quality and greater value creation potential, as a result of the repositioning of each asset.

In like-for-like terms, adjusting for investments, disposals and the effect of the projects and assets under repositioning, **the Gross Rental Income is in line with the previous year, increasing by 0.6%.**

The Net Rental Income (EBITDA rents) increased by +4% in like-for-like terms.

This increase in like-for-like net rental income was boosted by (1) an increase in the Paris portfolio of +6% due to the increase of +2% in the office's portfolio and a significant additional improvement due to the reopening of the Hotel Indigo in the Édouard VII complex and (2) a like-for-like increase of +4% in the Madrid portfolio.

March cumulative - €m	1Q 2021	1Q 2020	Var	LFL
Rental revenues Group	78	86	(9%)	0.6%
EBITDA rents Group	68	75	(10%)	4.0%
<i>EBITDA rents Barcelona</i>	<i>9</i>	<i>11</i>	<i>(19%)</i>	<i>(3%)</i>
<i>EBITDA rents Madrid</i>	<i>16</i>	<i>19</i>	<i>(12%)</i>	<i>4%</i>
<i>EBITDA rents Paris</i>	<i>42</i>	<i>43</i>	<i>(4%)</i>	<i>6%</i>

Resilient operating fundamentals

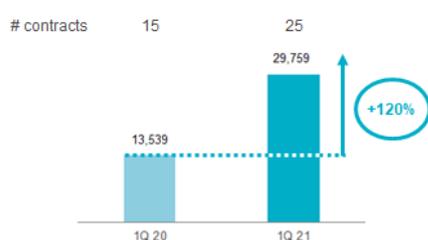
1. An increase in take-up levels compared to the previous year

The Colonial Group's business had a resilient performance in the first quarter of 2021, maintaining a solid take-up and high occupancy levels.

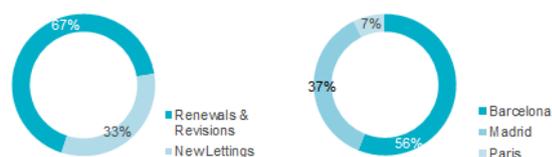
At the **close of the first quarter of 2021**, the Colonial Group had signed 25 rental contracts in the office portfolio corresponding to **29,759 sqm** and annual rents of €9m. **This figure is +120% higher than the letting volume signed in the first quarter of 2020**, the period prior to the start of the COVID-19 pandemic.

LETTING ACTIVITY REMAINS SOLID IN 1Q 2021

SQM SIGNED



BREAKDOWN OF LETTING ACTIVITY



Of the total letting activity, 67% (20,073 sqm) corresponds to contract renewals and revisions, spread over the three markets in which the group operates. Regarding new contracts, a total of 9,686 sqm were signed, highlighting 7,213 sqm in Madrid. 93% of the take-up corresponds to contracts signed in Barcelona and Madrid, and the rest were signed in Paris.

2. Solid increases in rental prices

The take up reached in the first quarter of the 2021 corresponds to annualized rents of €9m, a figure +116% higher than that reached in the negotiations of the first quarter of the previous year.

Strong price increases	# contracts	Surface sq m	GRI €m	Release Spread ¹			Rental Growth vs ERV ²		
				Pre Covid 1Q 2020	Post Covid 2Q-3Q-4Q 2020	1Q 2021	Pre Covid 1Q 2020	Post Covid 2Q-3Q-4Q 2020	1Q 2021
Barcelona	9	16.789	4	+50%	+44%	+21%	+7%	+5%	+0.5%
Madrid	11	10.890	3	+15%	+15%	+18%	+5%	+2%	+3%
Paris	5	2.080	1	na	+6%	+7%	+7%	+10%	+11%
TOTAL OFFICES	25	29.759	9	+21%	+17%	+20%	+6%	+5%	+3%

(1) Signed rents on renewals vs previous rents.

(2) Signed rents vs market rents at 31/12/2019 (ERV 12/19) for contracts signed in 2020 and signed rents vs market rents at 31/12/2020 (ERV 12/20) for contracts signed in 2021.

Double-digit increases in release spreads

The **release spreads (signed rental prices vs. previous rents) signed in the first quarter of the year** have reached a **high double-digit level of 20%**. These ratios highlight the defensive nature of Colonial's contract portfolio with significant improvement margins on current rents. Worth mentioning is the high increase in the Barcelona portfolio +21%, as well as the solid increase in Madrid +18% and Paris +7%.

Capturing rental prices above market rents as of 12/20

Compared with the market rent (ERV) in December 2020, signed rents **increased by +3% in the first quarter of the year**. Highlighted is the **Paris portfolio, where the rents increased by +11%** compared to the market rents.

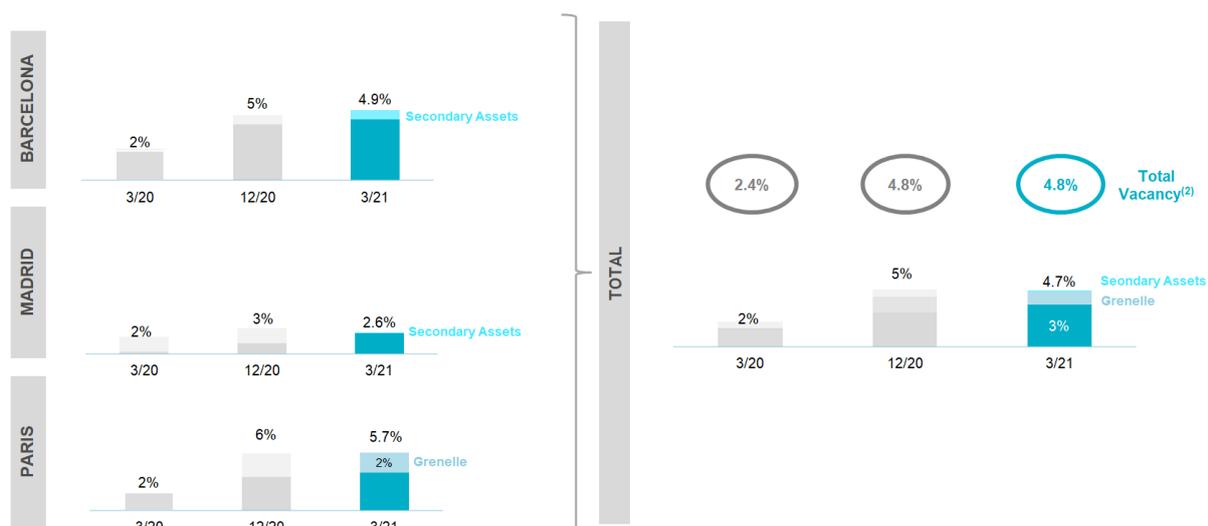
In Spain, worth highlighting is the **rental growth in the Madrid portfolio, with an increase compared to the market rents of +3%, and in Barcelona, the prices were signed at +0.5% higher than the market rent**.

3. Occupancy stability in the portfolio

The **total vacancy of the Colonial Group** at the close of the first quarter of 2021 **stood at 4.8%**, a vacancy rate in line with the last reported quarter and slightly higher than that of the first quarter of 2020, mainly due to the entry into operation of refurbished surfaces in the Paris market and to the tenant rotation in Barcelona.

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

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

Active management of the portfolio – “reloading” future growth

1. Completion of the 2020 disposal program

In 2020, the Colonial Group completed the disposal program for a total of €617m of mature and non-strategic assets with a double-digit premium on appraisal value. These disposals include the disposal of 5 mature and/or secondary office assets in Paris, Madrid, and Barcelona, as well as non-strategic assets for logistics and commercial use.

A part of this disposal program was registered at the beginning of the first quarter of 2021. In particular, two disposals were carried out in Paris on mature core assets, 112 Wagram and 9 Percier, with a premium of +16% over valuation and a capital value of €20,000/sqm. These transactions show the investors' appetite for the Paris market.

In addition, Colonial signed the sale of the retail asset Les Gavarres in Tarragona, coming from the Axiare acquisition.

2. Delivery of Diagonal 525 and rental of 103 Grenelle

In the first quarter of 2021, Colonial completed the total refurbishment of the building located in **Diagonal 525** (5,706 sqm), in the centre of the CBD in Barcelona.

This asset is 100% pre-let to Naturgy for its new corporate headquarters, who signed a 10-year contract at record rental prices in the prime CBD market of Barcelona, also signing maximum prime rents at that time.



At the end of 2020, the renovation works were completed on more than 5,000 sqm on the **103 Grenelle (16,854 sqm)** asset in Paris. In the first quarter of 2021, new contracts were signed on 23% of the surface area, with a premium of +15% over the rents prior to the renovation program. It is located in the *7^{ème} Arrondissement*, in the city centre of Paris, which is a sub-market where there is a lack of high-quality spaces, enabling the capture of high rents in this location.



3. Acceleration of the renovation program for future growth

The Colonial Group continues with its renovation program on different assets in its portfolio, including those with the projection to capture maximum rents in each sub-market, which are highlighted as follows:

A new phase of renovation of 10,000 sqm has begun on the **Cézanne Saint-Honoré (26,287 sqm)** asset with a BREEAM in use Very Good. The renovation project designed by the SKAsociés Architectes architect studio includes an office design with finishes similar to those of luxury hotels, focusing on its users' well-being. With this renovation, which will be completed in the second quarter of 2022, also including the renovation of the entrance and common areas, the company ensures the future value growth of the building.



In September 2021, the renovation works will be completed on **Diagonal 532 (12,877 sqm)** that have enabled a +9% increase of the lettable surface area of the asset. It will be one of the best assets in the prime CBD in Barcelona, with a large floor size and a central location in Avenida Diagonal. Once finished at the end of 2021, these new spaces will aim to capture prime rents in the prime CBD market in Barcelona.



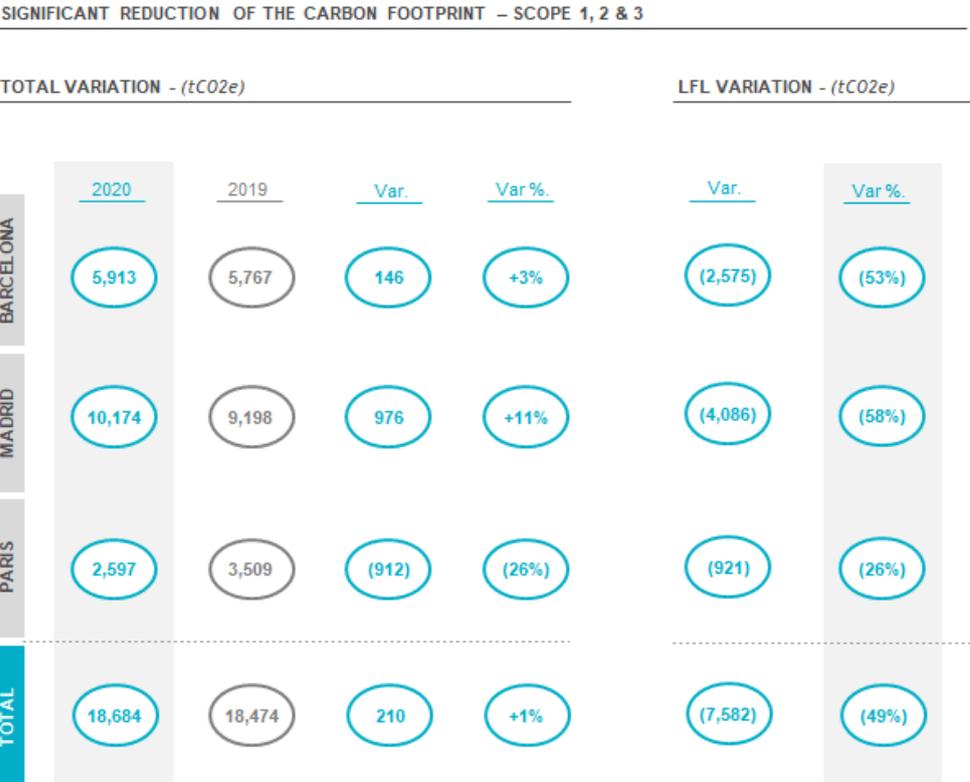
During 2021, the renovation work will be finished on the **Torre Marenostrom (22,394 sqm)** building, in which a single-user building will be transformed into a multi-tenant building. The asset will count on a hybrid product, one part with a flexible/coworking offer and the other a traditional model.



Acceleration of the decarbonization of the portfolio

1. Reduction in the total carbon footprint- Scopes 1, 2 & 3

The Colonial Group has continued to work on decarbonization. In 2020, the absolute consumption of the carbon footprint (Scopes 1, 2 & 3), calculated under “market-based” approach, remained stable, mainly due to the increase in the number of assets where a monitoring of consumption was carried out. However, in like-for-like terms, the Colonial Group has reduced its carbon emissions in Scopes 1, 2 & 3 by 7,582 tCO₂e, a reduction of (49%) like-for-like.



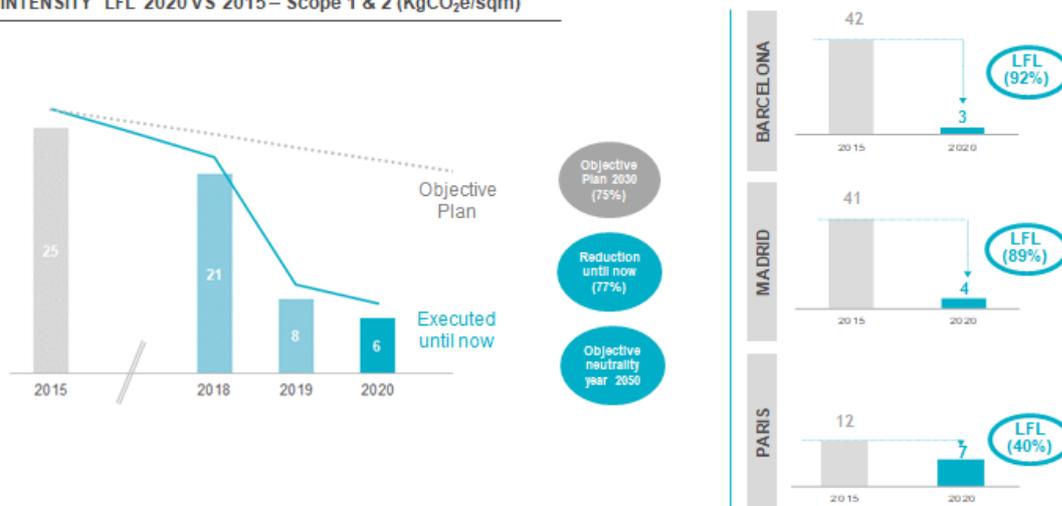
Office portfolio In operation

2. Reduction of 77% in emission intensity "market-based" like-for-like in 2020 since the base year

The strategic plan of the Colonial Group establishes an objective to reduce the carbon intensity by (75%) in Scopes 1 & 2 of its portfolio starting from the base year 2015.

As of 31 December 2020, the reduction from the base year had exceeded the objective, reaching a (77%) reduction in carbon emissions under Scopes 1 & 2. This milestone has enabled the early fulfilment within 10 years of the objective set for 2030 and leads to an acceleration of the path towards the carbon neutrality of the portfolio, fixed for 2050.

INTENSITY LFL 2020 VS 2015 – Scope 1 & 2 (KgCO₂e/sqm)



Strategic prime positioning to maximize value creation

Colonial's strength is based on its strategic prime positioning with offices in the CBD with clients of recognized solvency, and a solid balance sheet of the Group.

The main strengths of the Colonial Group are the following:

A. Pan-European leadership in Grade A offices in the city centre (CBD)

Main owner of top-quality assets in **central locations with 77% of its portfolio in CBD areas** in each of the markets Colonial operates in.

An adequate international diversification with a **62% exposure in Paris**, one of the most defensive office markets globally.

B. A strong prime positioning with a top-quality client portfolio which provides an attractive combination of 1) rents at the high end of the market with 2) high loyalty levels and solid maturity profiles.

The contract portfolio of the Colonial Group had a positive "reversionary buffer" in this year, given that the current rents of the portfolio are still below the current market rents. Likewise, to date, the Group has captured high reversion rates with a release spread¹ of +20% at the close of the first quarter of 2021.

C. Excellence in ESG

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. Accordingly, the Colonial Group's Corporate Strategy has a central focus on maximum excellence in the fields of governance, social aspects, and sustainable investment.

(1) Signed rents on renewals vs previous rents.

D. An attractive project pipeline located in the best areas of Paris, Madrid, and Barcelona, with significant pre-letting.

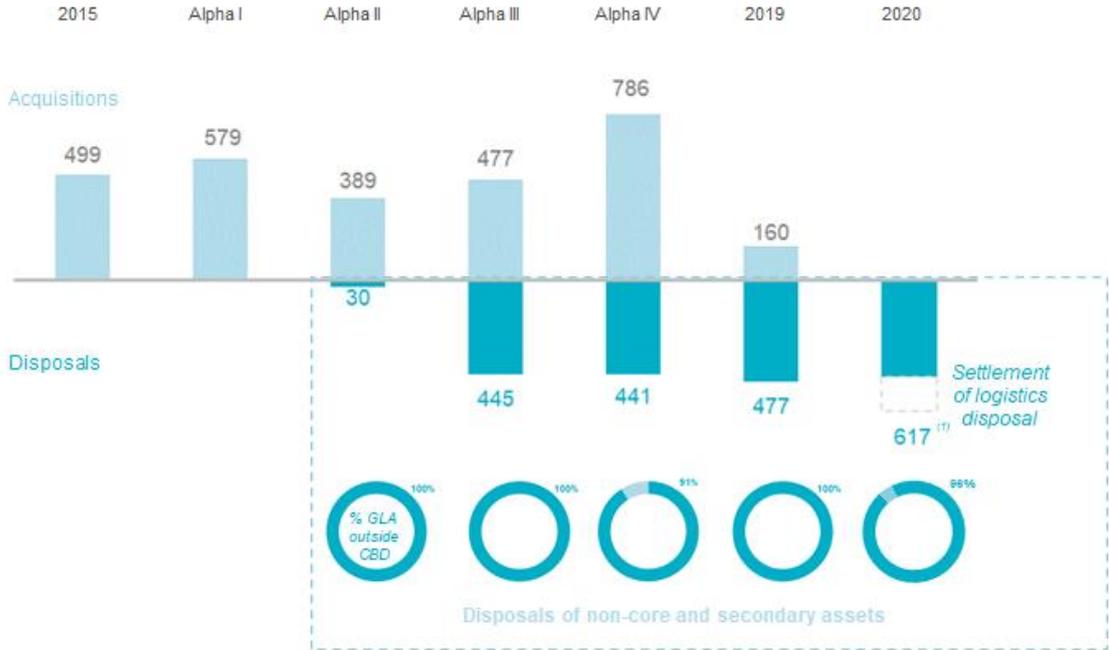
Project	City	% Group	Delivery	GLA ¹ (sqm)	Total Cost €m	Yield on Cost
1 Diagonal 525	Barcelona CBD	100%	Delivered	5,706	41	≈ 5%
2 Miguel Angel 23	Madrid CBD	100%	2H 21	8,204	66	5- 6%
3 83 Marceau	Paris CBD	82%	2H 21	9,600	154	5.5- 6.0%
4 Velazquez 88	Madrid CBD	100%	2H 21	16,164	116	6- 7%
<hr/>						
5 Biome	Paris City Center	82%	2H 22	24,500	283	≈ 5%
6 Plaza Europa 34	Barcelona	50%	2H 22	14,306	42	≈ 7%
7 Sagasta 27	Madrid CBD	100%	2H 22	4,896	23	6- 7%
8 Mendez Alvaro Campus	Madrid CBD South	100%	2023	89,872	323	7- 8%
9 Louvré SaintHonoré	Paris CBD	82%	2024	16,000	215	7- 8%
TOTAL PIPELINE				189,248	1,264	6- 7%

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

E. Active management of the portfolio, through the disposals of non-core assets, improving the prime positioning and releasing capital for opportunities of value creation for our shareholders.

Over the last 3 years, the Colonial Group has carried out significant disposals of non-core assets for c. €2,000m, with double-digit premiums over current valuations.

NET INVESTMENTS SINCE 2015 - €m



¹ A part of the volume of disposals of the Alpha V program, €282m, registered at the beginning of the first quarter of 2021.

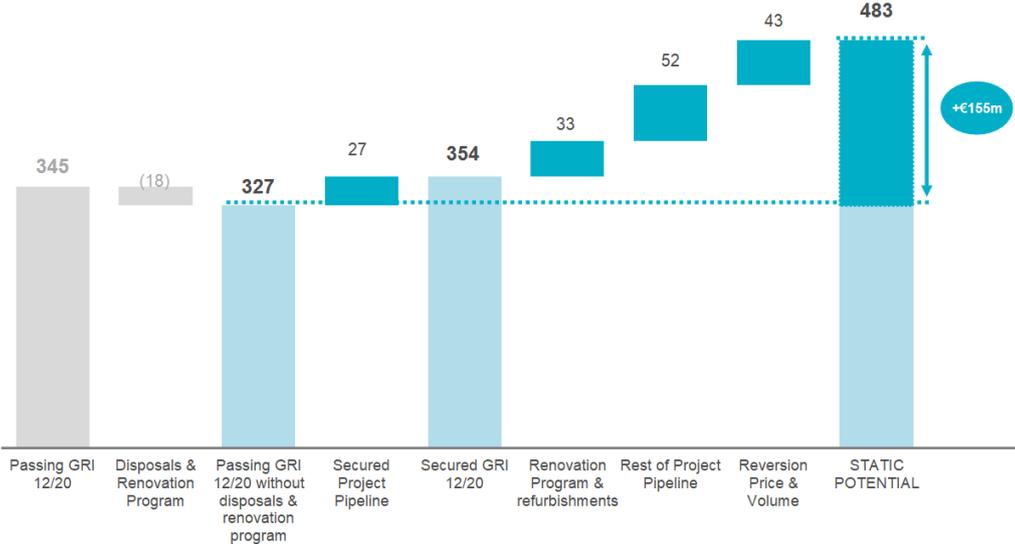
F. A solid balance sheet with the best rating in the Spanish real estate sector, confirmed by S&P and Moody’s in the middle of the COVID-19 crisis. The Group has one of the highest levels of liquidity in the sector, as well as a LTV of 34.9%, with a collateral of maximum quality core assets.

G. High growth potential and value creation

The portfolio offers significant potential for cash flow growth through its prime positioning, future rents from the project portfolio and the renovation program.

The asset portfolio has the potential to reach annual income (passing rents) of €483m, resulting in an increase of +47% (+€155m) related to the annualized cash flow from the rental income as of 31 December 2020.

Passing Rents & Reversionary Potential as of 12/20 - €m



(*) “Topped-Up” Passing rents at 31/12/20 excluding future growth and indexation

According to Pere Viñolas, Chief Executive Officer of Colonial, “Colonial has successfully divested during the previous year. We are currently preparing ourselves for a change in the Real Estate cycle underpinned by a solid financial structure, a development program for new assets and maintaining our traditional focus on prime offices”.

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.



European Property
Investment Awards
WINNER 2020

IBEX³⁵



“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

93 414 23 40

Xavier Ribó – x.ribo@romanrm.com

Víctor Palacio – v.palacio@romanrm.com

Carolina Pérez – c.perez@romanrm.com