

Colonial registered a net profit of €281m

Acceleration of profit underpinned by strong 22% top line growth

- Gross rental income of €258m, +22% vs previous year (+5% like for like)
- Recurring net profit of €68m, +15% vs previous year
- Disposals totaling €441m with a +12% premium to reported GAV
- Acquisition of a 22% stake of SFL on very favourable terms, increasing ownership to 81%

Madrid, 15th November 2018

2018 Q3 Results

Q3 2018 results reflect sound fundamentals across all business segments and strong rental growth.

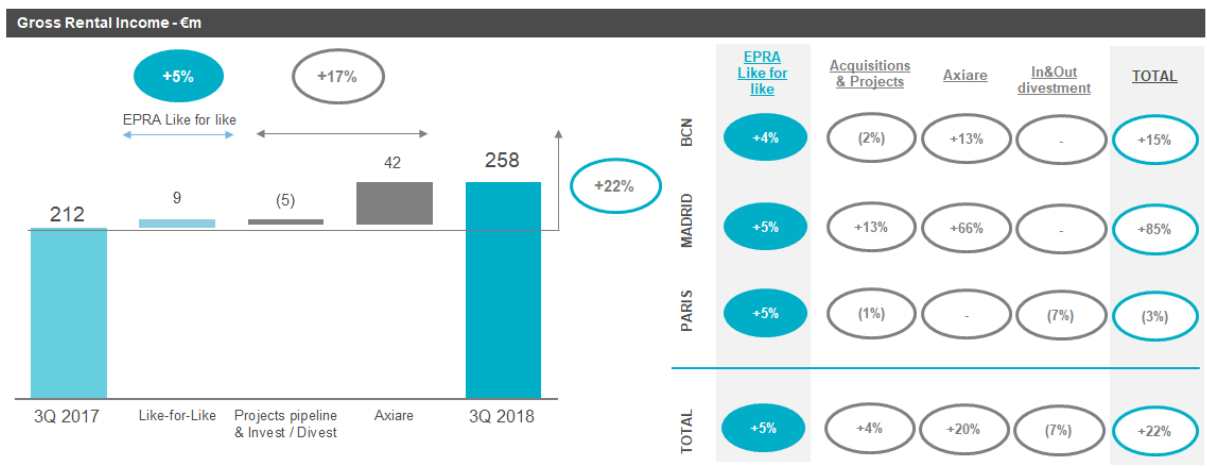
At the start of July, Colonial merged with Axiare, a transaction that consolidated Colonial Group's leadership in prime offices, allowing it to obtain very solid operating results. Colonial also completed the Alpha IV project at the beginning of October, which involved disposing of a series of mature assets, and acquired a 22% stake in SFL in November, as well as Diagonal 525 in Barcelona.

The cumulative recurring results at 30 September amounted to €68m (+15% vs previous year), boosted by a strong third quarter which registered €27m (+21% vs Q3 2017). This acceleration followed the recent completion of the Axiare merger in July 2018. Net profit for the period, including revaluation of assets made in June, amounted to €281m.

Solid fundamentals in all segments

Significant growth in rental income

Strong increase of Gross Rental Income of +22% based on the incorporation of Axiare, other acquisitions, as well as a strong like-for-like growth of +5%, one of the highest like-for-like growth rates in Spain and Europe.



Strong like-for-like growth in rental income was achieved in all markets in which the Group operates:

1. Madrid +5% boosted by rental increases and new leases signed in the Alfonso XII, Génova & José Abascal 45 properties.
2. Paris +5% due to rental increases and new leases signed in Washington Plaza, Cézanne Saint Honoré, 103 Grenelle & Percier.
3. Barcelona +4% due to rental increases across the whole portfolio.

Lettings with significant growth in rental prices

During the first nine months of 2018, Colonial Group signed 82 leases, corresponding to more than 154,000 sqm and an annual rental income of €37m. More than 97,000 sqm of the space signed related to the office portfolio, achieving significant rental uplift.

Strong price increases	3Q 2018		2018	
	% Var. vs ERV 12/17 ¹	Release Spread ²	% Var. vs ERV 12/17 ¹	Release Spread ²
Barcelona	+18%	+32%	+15%	+18%
Madrid	+12%	+32%	+9%	+30%
Paris	+4%	+13%	+5%	+13%
TOTAL OFFICES	+10%	+26%	+9%	+26%

(1) Rent signed vs market rent at 31/12/2017 (ERV 12/17)
 (2) Rent signed in renewals versus previous rents

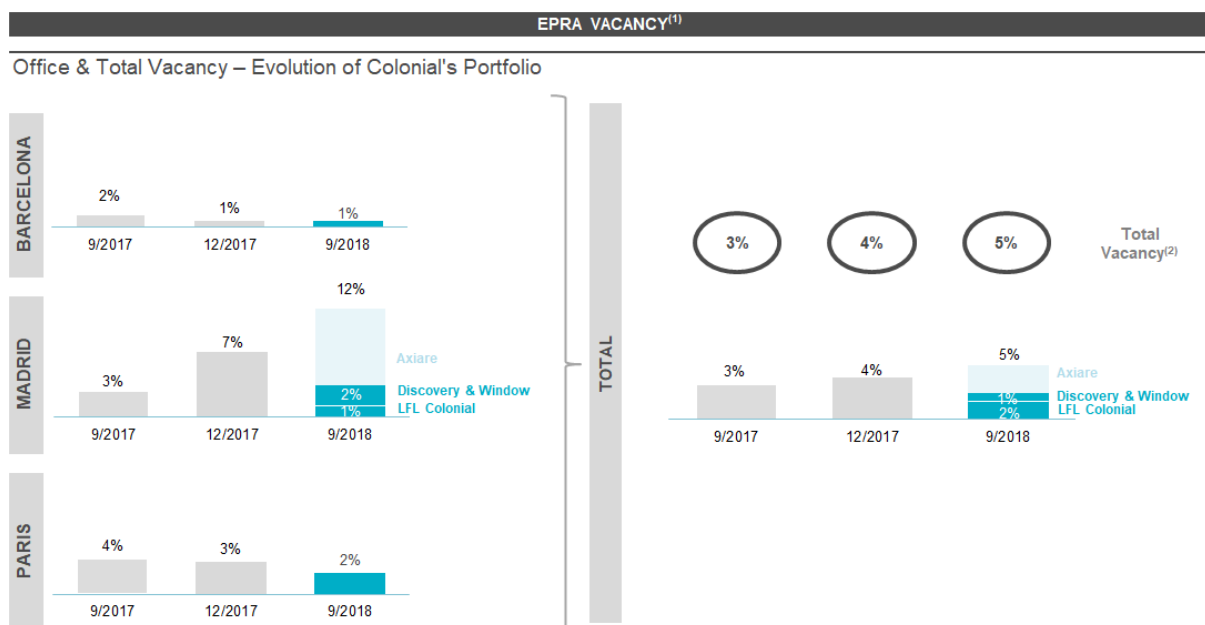
Compared with the market rent (ERV) at December 2017, signed rents in Q3 2018 increased by +10%. In Barcelona, rents were signed +18% above market rents, while in the Madrid and Paris portfolios, they were signed +12% and +4% above respectively. Release spreads have been double digit in the third quarter: Barcelona +32%, Madrid +32% and Paris +13%.

Colonial's total letting activity is spread across the three markets the company operates in. In Q3 2018, almost 34,000 sqm were signed across 16 leases in the Spanish portfolio. Particularly noteworthy in Madrid was the renewal of 16,000 sqm with Iberia in the Martínez Villergas property, as well as over 9,000 sqm signed with various tenants (Utopic_us, Novo Banco, TMF Group and Fibonad) in the recently delivered Príncipe de Vergara (The Window) project, and the signing of more than 2,500 sqm in Discovery Building. In Barcelona, of note is the renewal of 2,000 sqm with Accenture in the Sant Cugat property.

In the Paris portfolio, more than 11,000 sqm were signed across 11 leases. Of special interest are the renewals of over 1,400 sqm in the Washington Plaza building, as well as over 800 sqm in the Percier property. In terms of new leases, we would note the over 4,700 sqm let in the Washington Plaza building and 3,300 sqm in the Cézanne Saint Honoré building.

Solid occupancy levels

The total vacancy of Colonial Group's portfolio (including all uses: offices, retail and logistics) stood at 5% at the end of Q3 2018, with the Barcelona and Paris office portfolios registering particularly noteworthy low vacancy ratios of 1% and 2%, respectively. The Madrid office portfolio's vacancy rate stood at 12%, with 8.6% corresponding to the Axiare portfolio and 2% to the recent deliveries of the Discovery Building and The Window projects, both of which are generating strong interest in the lettings market. The rest of the Madrid portfolio has a vacancy rate of 1%.



(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])

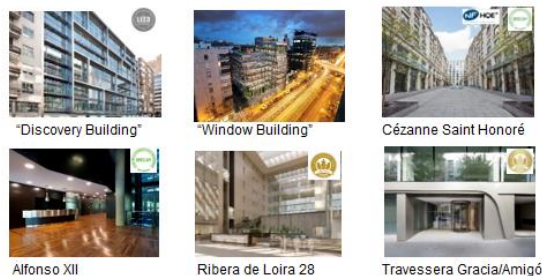
(2) Total portfolio including all uses: offices, retail and logistics

At the close of Q3 2018, Colonial Group's logistics portfolio had a vacancy rate of 5%.

The Group currently has over 55,000 sqm of office space available, equating to an EPRA vacancy rate of 5% for the entire office portfolio. The available space in the Axiare portfolio, combined with the vacant space in the Discovery Building and The Window offers an extremely high quality supply for a Madrid market which is clearly lacking Grade-A product. Therefore, these assets offer a significant rental reversion potential in the coming quarters.

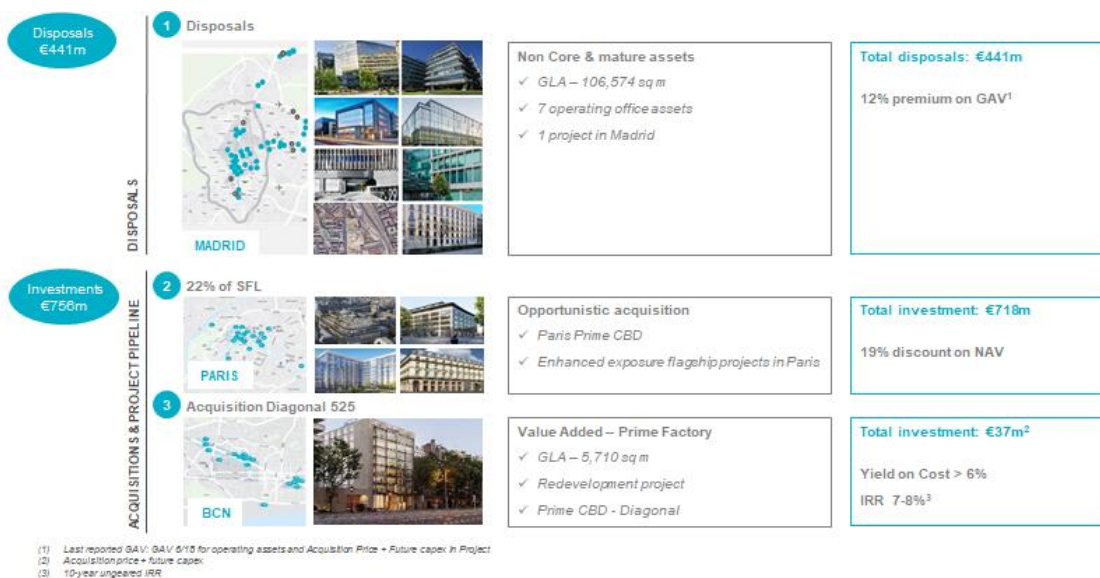
Vacancy surface of offices					
Surface above ground (sq m)	Entries into operation ⁽¹⁾	BD area and others	CBD area	2018	EPRA Vacancy Offices
Barcelona	0	333	1,544	1,877	1%
Madrid	20,688	11,143	13,499	45,330	12%
Paris	0	6,026	2,250	8,275	2%
TOTAL	20,688	17,501	17,293	55,482	5%

(1) Projects and refurbishments that have entered into operation



Alpha IV delivered

In mid-November 2018, Colonial Group completed the Alpha IV project, which involved the disposal of non-core assets and mature product outside of the CBD for €441m, and the acquisition of prime assets for a total of €756m.



1. Disposals: In the third quarter, Colonial sold 7 office buildings and a turnkey project in Madrid for a total of €441m. The disposals were closed on very favourable terms for the Company, achieving a premium of +12% on the previous valuation¹. The assets sold were non-strategic and mature properties and/or are located outside of the CBD, with a gross lettable area of more than 106,000 sqm.

2. Acquisition of 22% of SFL: In November, Colonial and Qatar Investment Authority (QIA) reached an agreement in which Colonial will control up to 81% of its French subsidiary SFL. The transaction will be carried out through the contribution of 22.2% of the SFL's shares from QIA (13.6% held by Qatar Holding LLC and 8.6% held by DIC Holding LLC) to Colonial.

The transaction was completed on very favourable terms for Colonial, at an average price of €69.6 per share, resulting in an average discount of 19% over the last reported NAV.

The acquisition has an accretive impact of +10% on the recurring profit per share and a +4% increase on the EPRA NAV, reaching €9.44/share (pro-forma estimate based on the NAV and recurring profits reported at June 2018).

With this transaction, the Spanish Company has made significant step ahead simplifying the Group's shareholding structure by strengthening its shareholder base with long-term investors.

3. Acquisition of a prime asset in Barcelona – Diagonal 525: Colonial has acquired a 5,710 sqm above-ground office building on Barcelona's prime Avenida Diagonal. The building is currently 100% let to a single tenant, although it is expected to undergo a full-scale refurbishment in 2019 and become an iconic office building in the area. The total cost of the project, including the estimated CAPEX, will be €37m corresponding to €6,460/sqm, significantly below recent comparable transactions in this part of Diagonal.

The Alpha IV project has allowed the company to leverage on a strong momentum in investment markets to dispose of non-strategic mature products at attractive prices and reinvest the funds in off-market acquisitions offering with strong value creation potential at very attractive acquisition terms for Colonial.

The completion of the Alpha IV project has allowed to accelerate Colonial's credit rating upgrade with Standard & Poor's revising upwards the rating from BBB up to BBB+. This credit rating is the highest ever reached by a Spanish real estate company and improves the conditions of the bonds of the Colonial Group.

Active management of the capital structure

In 2018, the Colonial Group actively managed its debt, this has enable Colonial to optimised the Group's financial structure, in terms of Loan to Value (LTV), cost of debt as well as average maturity.

It is worth mentioning that the acquisition of 22% of SFL and the high quality of its assets, resulted in Standard & Poor's upwardly revising its credit rating to BBB+ with a stable outlook.

Colonial shares increased +7% YTD outperforming its peers in Spain and France, as well as the benchmark EPRA and IBEX 35 indices. The share price performance is strongly correlated with the achievement of key milestones in Colonial's Business Plan, showing Capital Markets support for the strategy of the Colonial Group.

2018 Guidance confirmed

Pere Viñolas, CEO of Colonial, says “these excellent quarterly results reveal solid fundamentals in every business segment and proves Colonial’s capacity to deliver above market returns thanks to its specialization on prime offices in Barcelona, Madrid and Paris”.

Furthermore, the guidance of €0.22 of Recurring EPS announced to the market in the latest investor day has been confirm.



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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“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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