

Net Profit of €274m, another excellent year
Total Shareholder Return of 20%

- Gross Rental Income of €271m, +17% (+7% Like-for-like)
- Financial Occupancy of 97%, +319 basis points
- Recurring Net Profit of €68m, +83%
- Gross Asset Value: €8,069m, +17% (+9% Like-for-like)
- Net Asset Value: 7.25€ per share, +18%

Barcelona, March 1st, 2017

Annual Results

2016 was an excellent year for the Colonial Group and its shareholders. *“The results are based on an approach of industrial value creation combined with an asset class specialization in prime offices in Barcelona, Madrid and Paris markets”* says Juan José Brugera, Chairman of Colonial.

The company has increased its rental revenues 17% vs. previous year and 7% in like for like terms, up to a total amount of €271m, with a 97% occupancy of its portfolio. The progress in rental income resulted in an increase of 24% in recurring EBITDA which, together with the improvement in financial costs, led to a net recurring profit of 83% up to €68m.

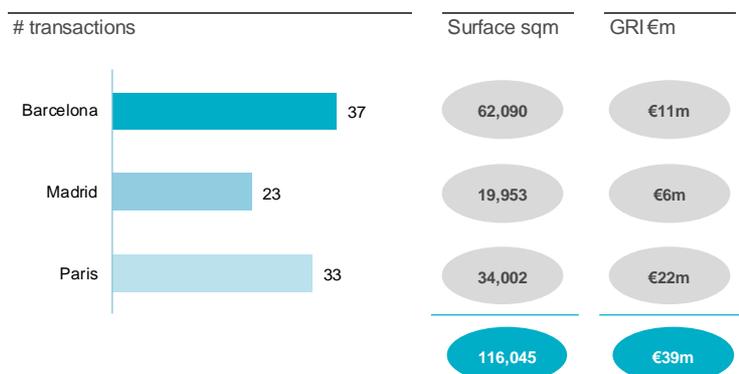
Colonial’s Group Gross Asset Value amounted to €8,069m at the close of 2016, resulting in an increase of +9.4% like-for-like, mainly due to a combination of property repositionings and increases in occupancy that have led to improved yields and rental income.

The Net Asset Value at 31 December 2016 amounted to €7.25 per share, resulting in an annual increase of 20%, including the dividend paid in July 2016. This return is among the highest in the sector in Spain and Europe.

The attributable net profit including the impact of the variance in fair value of assets and financial liabilities as well as the tax impacts amounted to €274m.

Letting performance

In a rental market with clients demanding increasingly higher standards, the Colonial Group signed 93 transactions corresponding a rental contract volume of 116,045 sq m with an annualized income of €39m.



The Colonial Group has been able to attract top tier clients that demand unique locations. This fact has resulted in signings with prices at the high end of the market, capturing an important increase in rents. Among the most important transactions of the year it is worth highlight the following:

- ✓ In Barcelona, pre-letting on more than 9,000 sq m with Schibsted Iberica for the Parc Glories project
- ✓ In Madrid, pre-letting of more than 4,200 sq m on the Serrano, 73 building (currently under refurbishment)
- ✓ In Paris, more than 9,400 sq m on the Washington Plaza building with various tenants and the commercialization of the entire #Cloud building, with almost 3,000 sq m signed with the global beauty leader Coty

Occupancy of 97%

The excellent letting performance has enabled Colonial to achieve and maintain very solid occupancy levels. At the close of 2016, Colonial's office portfolio reached a financial occupancy of 97% (319 basis points above that of the previous year) and much higher than the market average. These high occupancy levels clearly exceed those of the competitors in Spain, as well as in France, and significantly improve the negotiation position to obtain further rental price increases in the coming quarters.

Asset repositioning and projects

In 2016, the Group invested more than €86m in development projects and asset repositioning. It is worth highlighting the reorganization of common areas in the Cézanne Saint Honoré office complex and the refurbishment of various floors in Percier. In Spain, various reorganizations of common areas and floors have been carried out in the Berlín 38-48/Numància 46 and Via Augusta 21-23 buildings in Barcelona and in Castellana 52, José Abascal 45 and Miguel Ángel 11 assets in Madrid.

The significant commercial success of these assets with rental prices signed at the high end of the market is a direct consequence of the industrial Prime Factory strategy of the Colonial Group.

Acquisitions and Portfolio rotation

In 2016, the Colonial Group successfully executed its acquisition program.

Acquisitions 2016 – Alpha I

In the framework of the Alpha-I Project, three prime assets were acquired in Madrid, one project in Barcelona, and a 5.5%² stake in SFL. In addition, in November 2016, a 15.1% stake was acquired in Axiare for €12.5/share resulting in a significant discount to NAV. The volume of this investment program amounts to €580m (including future capex of development projects):

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|------------------|--------------------|---|---|------------------|--|
| BARCELONA | Prime Factory |  | 1 Parc Glories Project Barcelona 22@ Area | GLA : 24.551 sqm | Price: €77m ¹ Cash |
| MADRID | Core + Value added |  | 2 José Abascal Madrid Prime CBD | GLA : 5.326 sqm | Price: €35m Cash |
| | Core + Value added |  | 3 Serrano 73 Madrid Prime CBD | GLA : 4.242 sqm | Price: €48m New Col. shares |
| | Core + Value added |  | 4 Corporate HQ – Sta Hortensia 26-28 Madrid BD | GLA : 46.928 sqm | Price: €154m New Col. shares |
| PARIS | Core + Value added |  | 5 5.5% ² stake in SFL Paris | | Price: €130m New Col. shares + Cash |
| MADRID | Value added |  | 6 15.1% stake in Axiare Madrid | | Price: €136m |

(1) Including capex of the full development project

(2) 4.4% acquired in June 2016 and 1.1% in August 2016, in the equal terms as the June acquisition

Beginning of 2017 – Alpha II

Accelerating the fulfilment of growth objectives in the strategic plan, Colonial commenced 2017 with the execution of the Alpha II project, which includes the acquisition of four assets for an investment volume of almost €400m (total investment volume including future capex of development projects).

| | | | | | |
|------------------|---|---|---|---|--|
| MADRID |  | 1 Paseo de la Castellana, 163 Madrid Prime CBD |  | Value Added – Prime factory GLA: 10,910 sq m | Total Investment ¹ : €51m |
| |  | 2 Travessera de Gracia, 47-49 Barcelona Prime CBD |  | Core with value added potential GLA: 8,939 sq m | Total Investment ¹ : €41m |
| BARCELONA |  | 3 Plaza Europa, 46-48 Barcelona Plaza Europa |  | Value Added – Prime factory GLA: 14,000 sq m | Total Investment ¹ : €32m |
| |  | 4 112-122 Av. Emile Zola Paris South Center |  | Value Added – Prime factory GLA: 20,340 sq m | Total Investment ¹ : [€245m - €265m] |
| PARIS | | | | | |

¹ Acquisition price + total project capex

All of the acquisitions in 2016, as well as the Alpha II project in 2017, offer a substantial upside potential of industrial value creation based on: (1) the real estate transformation of the buildings into top quality products and (2) the location in market segments with solid fundamentals. Moreover, the acquisitions were made under very attractive terms, which shows the capacity of the Colonial Group to identify and capture opportunities of real estate value creation.

Asset Rotation

The Colonial Group reviews as a recurrent basis the potential of future value creation for each one of its assets in the portfolio. As a consequence of this analysis, the Ausias March, 148 asset was disposed for a price of €15m in September 2016. This transaction has permitted to capture an 11% on the latest appraisal value in a building without further value creation potential.

Value of the portfolio above €8,000m

Colonial's Group Gross Asset Value amounted to €8,069m at the close of 2016, resulting in an increase of +9.4% like-for-like in 12 months. The Gross Asset Value of the Group including transfer costs amounted to €8,478m.

The assets in Spain increased by 9.1% like-for-like in the last 12 months, mainly due to a combination of property repositionings and increases in occupancy that have led to improved yields and rental income. The portfolio in Madrid increased by 9.6% like-for-like in 12 months, and the Barcelona portfolio increased 8.4% like-for-like in 12 months.

The appraisal value of the portfolio in France increased 9.4% like-for-like in 12 months. This increase in value is a consequence of the progressive repositioning of the property portfolio with positive impacts on rents and yields, in the context of an investment market with a strong interest for prime offices in Paris.

Active Balance Sheet Management

On 28 October 2016, the Group carried out an issuance of senior unsecured notes for the nominal amount of €600m with a maturity of 8 years and an annual coupon of 1.45%. This issuance was very well received by the market with an over subscription ratio of almost three times, underwritten by high quality investors. In addition, on 10 November 2016, Colonial issued a private placement of €50m with a ten year maturity and an annual coupon of 1.875%. In parallel, Colonial launched a repurchase offer on its bonds maturing in 2019, which closed on 28 October with a final take up rate of 50%, successfully completing this process.

All of the transactions as a whole have implied:

1. Bond issuances with interest rates at historic lows
2. An optimization of the financial costs (from 2.27% to 1.96% in the Group)
3. An extension of the average debt maturities (from 5.0 to 6.0 years in Spain)
4. An increase in the liquidity of the company reaching €873 in cash and undrawn credit lines

Shareholder Return

Total Return & Net Asset Value

At the close of 2016, the EPRA NAV of the Colonial Group amounted to €7.25 per share, a year-on-year increase of 18% (+7% in 6 months).

The Total Shareholder Return in 2016, which is understood as NAV growth per share plus the dividend received in July 2016, amounted to 20%, positioning it among one of the highest returns in the listed sectors in Spain as well as in Europe

This high Total Shareholder Return relies on the industrial strategy of the Colonial Group, focused on the transformation and creation of prime offices in the centre of Paris, Madrid and Barcelona, which enables Colonial to obtain a value creation above market average.

It is important to highlight that these returns were obtained in a framework of maintaining a solid capital structure with a LTV close to 40% and an Investment Grade credit rating. Accordingly, Colonial offers a very attractive risk-adjusted return for its shareholders.

Share Price Performance

In a year 2016 characterized by volatile capital markets, Colonial's shares were revaluated by 3%, outperforming the benchmark indices and its main peers in Spain.

In September 2016, Colonial was rated for its excellence and transparency in the communication of capital market information with the "EPRA Gold Award – Financial Reporting" and the "EPRA Gold Award – Sustainability Reporting", being the only listed Spanish company with the highest rating in both categories.



"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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