

Colonial reaches occupancy levels of 97% and leads the rental price increase of the sector

Group Net Profit of 249M€, +17% vs previous year

- Gross Rental Income of 205M€, +21% vs. previous year (+8% like for like)
- Recurring EBITDA of 166M€, +29% vs. the previous year (+13% like-for-like)
- Recurring net profit of €51m, +86% vs. the previous year

Barcelona, 14th of November, 2016. Colonial presents today the third quarter results of 2016, showing a clear upward trend of gross rental income as a consequence of the growth strategy of the company, based on asset class specialization in prime offices and industrial value creation approach. Colonial is best positioned to capture the upward market cycle.

Record occupancy & rental price increases

The combination between Colonial supply and increase in take up of the prime office market has permit the Colonial Group to sign rental contracts of 73,160 sq m (more than 50,000 sq m in Spain) during the 9 first months of the year 2016. Colonial has been able to obtain rental price increases in the three markets where it operates.

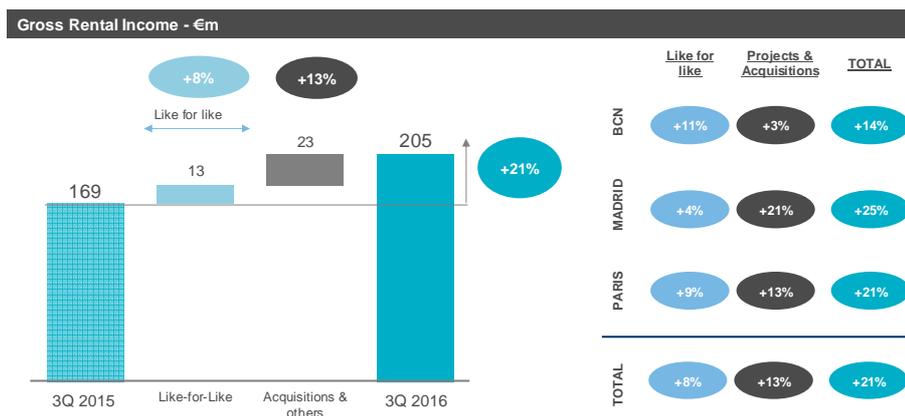
Good dynamics in new contracts has permit to reach and maintain almost full occupancy levels in all Colonial properties. At 30 September, Colonial's office portfolio reached an EPRA occupancy of 97%, up 221 basis points vs. the previous year. By cities, the office portfolio in Madrid reached an EPRA occupancy of 98% (+559 basis points), Barcelona 96% (+838 basis points) and Paris 96% (+144 basis points).

These high occupancy levels increased in all three cities vis-a-vis the same period of the previous year, show the Group's capacity to attract top tier clients and constitute a solid base to negotiate rental prices increases in the coming quarters.

Significant increase in gross rental income

The commercial success together with the good positioning of Colonial's buildings to capture the upwards rental cycle has resulted in an increase in gross rental income of 21% (8% like-for-like). This increase is mainly due to the following:

1. An 8% revenue increase in like-for-like terms, based on the prime portfolio's capacity to attract tenants, resulting in a solid improvement in occupancy.
2. A 13% increase in gross rental income has been achieved through the successful delivery of Prime Factory projects and new acquisitions.



The increase in gross rental income was obtained in all three markets in which Colonial operates, highlighting the significant 25% growth in the Madrid portfolio, thanks to the new acquisitions made in the last months. At the same time, the Barcelona and Paris portfolios have achieved very solid like-for-like growth of +11% and +9%, respectively.

The growth in gross rental income has enabled the Group to achieve an increase of 29% in the recurring EBITDA which, together with an improvement in financial costs, resulted in an increase in the recurring earnings of 86%.

The net profit attributable to the Group amounts to €249m, 17% higher than the results of the previous year.

Financial discipline and high returns

“Colonial’s growth policy is based on a clear commitment with a quality portfolio with acquisitions and repositioning of assets, through a deep understanding of the business and a complete financial discipline”, said Mr. Pere Viñolas, Colonial Chief Executive Officer. The success of this strategy has enabled to increase the recurring earnings to €51m, an increase of 86% compared to previous year. The net profit attributable to the Group amounts to €249m, a 17% higher than the results of the previous year. “This results prove that our industrial value creation strategy offers a high profitability with a low risk for our shareholders”, adds Mr. Viñolas.

New acquisitions and investments

In June 2016, Colonial executed the Alpha project which consisted of the acquisition of 4 buildings in Spain (3 in Madrid and 1 in Barcelona) and a stake of 4.4% in SFL. During 3Q2016, the Company has continued with the implementation of its growing plan and has recently acquired a 1% stake in SFL, increasing its position

to 58.5% and a 15.09% stake in Axiare Patrimonio Socimi, S.A. This acquisition is complementary to Colonial's strategy and offers attractive returns given the acquisition price.

High return and low risk

In the framework of maximizing value creation for shareholders, the Colonial Group is committed to an optimal capital structure and a solid credit profile. At 30 September 2016, the financial net debt of the Colonial Group stood at €3,195m with a Loan to Value (LTV) of 40.3%, and an investment grade rating.

In this context, the Group took advantage of an attractive window in the capital markets on 28 October 2016 and carried out an issuance of senior unsecured notes for a nominal amount of €600m, with a maturity of 8 years and an annual coupon of 1.45%. The issue was very well received by the market with an oversubscription of three times by top tier investors. In addition, Colonial issued on 10 November a private placement of €50m with a ten year maturity and a 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%.

Both transactions have implied:

- Bond issuances with interest rates at historic lows
- An optimization of the financial costs (from 2.10% to 1.99% in Spain)
- An extension of the average debt maturities (from 4.1 to 6.3 years in Spain)
- An increase in the liquidity of the company reaching €992 in cash and undrawn lines



"The information included in this document has not been verified or revised by the external auditors of Colonial. In this sense, the information is subject to and should be read together with all of the public information available, in all cases including the report corresponding to the 2016 first half results, registered by the Company and available on the Company's website www.inmocolonial.com."

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