

*Total shareholder return of 21%*

## **Net profit of €437m, an increase of +90%**

- Net Asset Value of €8.07 per share, +11% in 6 months
- Financial occupancy of 96%
- Gross rental income of €141m, +3% like for like
- Recurring Net Profit of €37€, +19%
- Agreement for the disposal of In/Out with premium on the appraisal value
- Gross Asset Value of €8.666m, +7% like-for-like in 6 months

**Barcelona, 31 July 2017**

### **First half results 2017**

The results of the first half of 2017 further consolidate the positive trend of previous years. The industrial real estate strategy of the Colonial Group, together with a unique prime office portfolio, have generated again, very attractive, returns for our shareholders.

1. The EPRA Net Asset Value at the close of the first half amounted to 11%, reaching €8.07/share, generating a Total Shareholder Return<sup>1</sup> of +14% in 6 months (+21% year-on-year).
2. The recurring net profit per share and the cash flow (FFO<sup>2</sup>) per share of the company amount to +15% and +7%, respectively.
3. All of the operative parameters show positive signs:
  - > EPRA vacancy at minimum levels:4%
  - > Significant increase in signed rental contract prices (+16% release spread)
  - > Increase in rental income of +2.7% (+3.3% “like-for-like”)
4. The asset value increased +7% like-for-like in 6 months reaching €8,666m.
5. The net profit attributable to the Group amounted to €437m (+90% compared to the previous year), boosted by the increase in the recurring result, the value creation in the asset portfolio and the one-off positive impact of becoming a SOCIMI.

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

(2) Net recurring results excluding amortizations and the accrual of the incentive plan

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### **Increase in the recurring results**

The recurring result amounted to €37m, an increase of 19%, compared to the first half of the previous year mainly due to three factors:

1. A solid 3% increase year-on-year in rental income
2. The reduction in financial expenses based on an active management of the balance sheet
3. A higher attributable results coming from Paris due to a larger stake in SFL

### **Growth in rental income**

The Colonial Group achieved a 3% like-for-like growth in gross rental income compared to the first half of the previous year, which is among the highest increases in the sector.

In Spain, the rental income increased 4% like-for-like, thanks to the strong performance of the Barcelona portfolio with an increase of 10% like-for-like. The Paris portfolio increased 3% like-for-like, with contracts signed on the Edouard VII, #Cloud and Cézanne Saint Honoré buildings.

### **Real estate value creation**

At the close of the first half of 2017, the asset value of the Colonial Group amounted to €8,666m (€9,103m including transfer costs), an increase of +7% like-for-like in 6 months (+11% like-for-like in 12 months).

The value of the assets in Spain increased by +7% like-for-like in the last 6 months, (+11% year-on-year growth). It is worth highlighting the portfolio in Barcelona with an increase of +9% like-for-like in 6 months (+13% year-on-year). The Madrid portfolio increased +6% like-for-like in 6 months (+10% year-on-year).

The asset value of the portfolio in Paris increased +7% like-for-like in the last 6 months (+11% in 12 months).

The increase in asset value is a consequence of three factors:

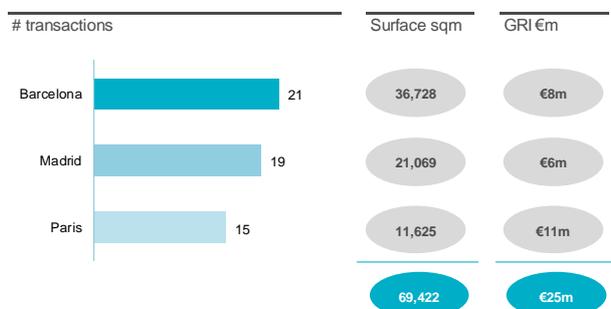
1. A growing interest by investors in prime assets, driving down yields.
2. Rental price increases captured in recent quarters by Colonial's portfolio in the three markets.
3. The Group's industrial approach that permits superior value creation through portfolio repositioning and the successful execution of real estate transformation projects.

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## Highlights of the rental portfolio

### Performance of the contract portfolio

In a rental market where clients demand increasingly higher standards, in the first half of the year, the Colonial Group signed 55 rental transactions corresponding to a rental contract volume of 69,422 sq m with an annualized income of €25m.



The Colonial Group has been able to attract top tier clients that demand unique locations. This has resulted in the signing of rental prices which represent a high increase compared to December 2016 ERVs and a +16% increase in renewals compared to previous rental prices.

### Portfolio Occupancy

The excellent letting performance has enabled Colonial to achieve and maintain very solid occupancy levels, clearly higher than the market average in the three cities in which the Group operates.

The portfolio in Spain reached 97% of financial occupancy, with Barcelona at 98% and Madrid at 97%. It is worth highlighting the improvement in occupancy in the Madrid portfolio in the last quarter, thanks to the transaction signed on the Alfonso XII building. The Paris portfolio reached an occupancy ratio of 96% at 30 June 2017, an increase of 91 bps in a quarter.

### Asset rotation

The Colonial Group continuously reviews the potential for future value creation for each one of its assets in the portfolio.

As a consequence of this analysis, a “promise of sale” has been signed for the disposal of the In&Out asset in Paris, after the close of the first half of the year. This transaction will enable the Group to capture a significant premium on the appraisal value at 31 December 2016 on a building without further value creation potential through real estate management, and located in a secondary area of the French capital.

The transaction is expected to be formalized in the second half of 2017.

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## Active balance sheet management

### Solid financial structure

The Colonial Group has a capital structure with an LTV of 36% at 30 June 2017 and a solid level of “Investment Grade” credit rating:

1. The **Standard and Poor’s** ratings agency has revised the Colonial Group’s rating upwards to **BBB with a stable outlook**.
2. **Moody’s** ratings agency issued a credit rating of **Baa2 with a stable outlook**.

These ratings position Colonial among the companies with the best credit rating in the Spanish real estate sector. Both ratings agencies have positively assessed the high quality and resilience of the prime office portfolio of the Group, as well as its diversification in three markets: Paris Madrid and Barcelona, in combination with a solid capital structure.

### Conversion to a SOCIMI

The General Shareholders’ Meeting 2017 approved to adopt the Spanish REIT regime (SOCIMI) with retroactive effect from 1 January 2017.

The conversion to a SOCIMI has the following benefits:

1. A reduction in the effective tax rate to 0%
2. An improvement in the cash flow of the company
3. An immediate and one-off positive impact of €72m in equity and consolidated profits
4. The possibility to continue using the tax shield of the Group to structure investment and disposal transactions
5. Better access to capital, being able to attract additional institutional investors with a possible increase in the liquidity of Colonial’s share price

### Successful capital increase and inclusion in the IBEX35

At the beginning of May, the Colonial Group successfully completed a capital increase for an amount of €253m. The transaction consisted in the issuance of 35,646,657 new shares at a price of €7.1/share. The capital increase was executed through an accelerated bookbuild process and was 3x oversubscribed by top tier investors. The transaction was carried out with a minimum discount over the share price and neutral over the last reported NAV.

Additionally, on 19 June, the Colonial Group was included in the IBEX 35, the benchmark index for the Spanish Stock Exchange, which increases visibility of the company for institutional investors. To date, the market capitalization of the company amounts to approximately €3,000m with a free-float of 65% and an average daily trading volume of more than €19m in the last month. The share price has increased 16% YTD outperforming the IBEX and EPRA indices.

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During the first half of 2017, MSCI rated Colonial as the best performing specialist fund for Spain. In particular, MSCI highlighted that Colonial had obtained the highest total annualized return in the last 3 years as at 31 December 2016 compared to the property sector benchmark.



“These set of results consolidate the positive trend started three years ago, pursuing a growth strategy based on quality and financial discipline. Our industrial approach as office specialist allows us to offer attractive returns above market average” says Pere Viñolas, CEO of Colonial

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## About Colonial

Colonial is a Spanish listed REIT company, 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 €8.6bn



“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](http://www.inmocolonial.com).”

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