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**REPORT BY THE BOARD OF DIRECTORS OF
AXIARE PATRIMONIO SOCIMI, S.A. ON THE MERGER BY ABSORPTION
OF AXIARE PATRIMONIO SOCIMI, S.A. (ACQUIRED COMPANY) BY
INMOBILIARIA COLONIAL, SOCIMI, S.A. (ACQUIRING COMPANY)**

In Madrid, on April 16, 2018

1. INTRODUCTION

- 1.1. In compliance with the provisions of Article 33 of Act 3/2009, of April 3, the Structural Modifications Act (the "**LME**"), the Board of Directors of Axiare Patrimonio SOCIMI, S.A. ("**Axiare**") submits this report (the "**Report**") in connection with the planned merger by absorption between Inmobiliaria Colonial, SOCIMI, S.A. ("**Colonial**") as the acquiring company and Axiare as the acquired company (the "**Merger**").
- 1.2. The purpose of this Report is to set out and justify the legal and financial aspects of the joint common draft terms of the Merger undertaken by the Boards of Directors of the two companies involved (the "**Common Draft Terms of the Merger**"), with particular reference to the exchange rate for the shares and any specific difficulties that might exist in respect of valuation, as well as the implications of the Merger for shareholders, creditors and employees.

2. DESCRIPTION OF THE STRUCTURE OF THE PLANNED MERGER

- 2.1. The planned Merger will consist of the merger by absorption of Axiare by Colonial, with the consequent wind-up of the acquired company without liquidation, and the block transfer of its assets to the acquiring company, which will acquire all those assets by means of universal succession and in turn increase its share capital in the terms set out below. As of the date of this Report, Colonial owns 68,674,633 shares of Axiare, representing 86.86% of its share capital.
- 2.2. As a result of the Merger, the minority shareholders of Axiare will receive shares of Colonial in consideration of their shares of Axiare, in accordance with the exchange rate established in the Common Draft Terms of the Merger. The Merger will mean that the shareholders of Axiare other than Colonial will become shareholders of Colonial through allocation to those

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shareholders of the shares in Colonial to which they are entitled in keeping with the exchange rate, in the terms established in the Common Draft Terms of the Merger.

- 2.3. The aforementioned universal succession will involve acquisition by Colonial, in a single transaction, of the assets and liabilities belonging to Axiare and therefore its rights and obligations vis-à-vis the latter's creditors.

3. JUSTIFICATION OF THE MERGER

- 3.1. In November 2017 Colonial made a bid for acquisition of all the shares of Axiare (the "**Bid**") that was authorized by the Spanish Securities Market Commission ("**CNMV**") on November 28, 2017. Following the pertinent term for acceptance, which expired on December 28, 2017, the Bid was successful as it was accepted by shareholders of Axiare owning 45,912,569 shares, representing 58.07% of its share capital, with the outcome that, upon settlement of the bid, Colonial's stake in Axiare reached 86.86% of the latter's share capital. As stated in the prospectus for the Bid, depending upon the outcome of the Bid, Colonial foresaw the possibility of commencing a process for merger of Colonial with Axiare, in which the resulting company would be Colonial.
- 3.2. In that regard, from the standpoint of Colonial, the objective of the planned Merger is the internal reorganization of Colonial and its Group, to, among other reasons, (i) consolidate Colonial's position in the prime offices sector, (ii) optimize the organizational and functional structure of the Colonial Group, and (iii) improve its financial structure.
- 3.3. From the standpoint of Axiare, its integration into Colonial is meant to generate significant synergies in integration, reduce operational and functional costs and develop a common management and strategy for the different assets owned by both companies. On the other hand, for the shareholders of Axiare, the planned Merger will allow them to become shareholders of Colonial, a leading real estate company on the European market for prime offices with a highly liquid value and forming part of the Ibx 35. That transformation of the shareholders of Axiare into shareholders of Colonial will allow them to position themselves as shareholders of a company whose shares are widely and very actively

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traded, thereby allowing them greater possibilities for increasing or divesting their stakes. Furthermore, the current capital structure of Axiare, with one shareholder holding a very dominant position, means that the share capital in circulation is very limited and the possibilities for trading of its securities have been considerably reduced.

4. LEGAL ASPECTS OF THE TRANSACTION FOR MERGER BY ABSORPTION

4.1. Procedure for merger by absorption

- 4.1.1. The Merger will be carried out in accordance with corporate law, as embodied in the LME and the Spanish Companies Act (the "**LSC**"), and with the provisions of the Rules and Regulations of the Commercial Registry approved under Royal Decree 1784/1996, of July 19, (the "**RRM**") and all other current applicable provisions. This Merger involves the circumstances provided for in Article 35 of the LME.
- 4.1.2. The Common Draft Terms of the Merger, which is held to be reproduced here in full, was drafted and signed jointly by all the directors of Axiare and Colonial on April 10, 2018 and it includes all the mentions required as a minimum under Article 31 of the LME. In compliance with the provisions of Article 31 of the LME, the Common Draft Terms of the Merger has been posted on the corporate web pages of Colonial (www.inmocolonial.com) and Axiare (www.axiare.es). That posting will be published in the Official Bulletin of the Commercial Registry in the terms provided for by law. Without prejudice to the foregoing, a copy of the Common Draft Terms of the Merger has been submitted for filing with the Madrid Commercial Registry. That filing and the date on which it is accomplished will be published in the Official Bulletin of the Commercial Registry. The Common Draft Terms of the Merger will be tabled for the necessary approval by the respective General Meetings of Shareholders of Axiare and Colonial, in accordance with the provisions of Article 40 of the LME.
- 4.1.3. The structure of the planned Merger and the legal effects resulting from that structure are set out in Section 2 of this Report, to which

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we refer back here in full.

4.2. Exchange of shares of Axiare for shares of Colonial

- 4.2.1. In respect of the exchange rate, it is noted that it has been calculated in accordance with actual value of the assets of Axiare and Colonial and that that valuation did not involve any particular difficulties. In application of that criterion, the exchange rate will be 1.8554 shares of Colonial with a par value of €2.50 each for each share of Axiare with a par value of €10.00 each. The analysis of the financial factors of the Merger leading to the determination of that exchange rate is set out in Section 5.
- 4.2.2. Likewise, as set out in the Common Draft Terms of the Merger, the valuation carried out determines that that no cash supplement whatsoever will have to be paid to the shareholders of Axiare.
- 4.2.3. As a result of the Merger, Colonial will increase its share capital by the amount necessary to cover the exchange, through the issue and delivery of ordinary shares of Colonial. Subscription of the new shares of Colonial will be restricted to the shareholders of Axiare and therefore the shareholders of Colonial will not have a pre-emptive subscription right, in accordance with the provisions of Article 304(2) of the LSC.
- 4.2.4. Consequently, Article 5 of the By-laws of Colonial will be amended to set out its new share capital.
- 4.2.5. The exchange of shares of Axiare for shares of Colonial will be accomplished once the following actions have been carried out: (i) approval of the Merger by the General Meetings of Shareholders of Axiare and Colonial, (ii) filing with the CNMV of the "equivalent document" in lieu of a prospectus in compliance with the provisions of Royal Decree 1310/2005, (iii) execution of the deed of record of merger and capital increase by Colonial, and (iv) entry of that deed of record on the Commercial Registry.
- 4.2.6. Given that the shares of Axiare and Colonial are represented by means of registered account entries, the exchange of shares of Axiare

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for shares of Colonial will be accomplished through the corresponding depository institutions, in accordance with the provisions of Royal Decree 878/2015, of October 2, and with the provisions of Article 117 of the LSC. As a result of the Merger, the shares of Axiare will be redeemed.

- 4.2.7. In order to facilitate the exchange of shares of Axiare for shares of Colonial, both those companies may designate an odd-lot agent to act as counterparty for the purchase of remainders or odd lots. Thus, any shareholder of Axiare who, in keeping with the established exchange rate and taking into account the number of shares of Axiare that they own, is not entitled to receive a whole number of shares of Colonial, may transfer their remaining shares of Axiare to the odd-lot agent, who will pay their value in cash.

4.3. Labor contributions and ancillary contributions

- 4.3.1. As stated in the Common Draft Terms of the Merger, given that Axiare is a public limited company, it does not involve any labor contributions, and therefore no compensation for that item whatsoever will be forthcoming.
- 4.3.2. In respect of ancillary contributions, the By-laws of Axiare provide, in Article 9 ("Ancillary contributions") and Article 52 ("Special rules for distribution of dividends"), for certain obligations on the part of its shareholders (concerning reporting and indemnity) to allow Axiare to comply with the special tax system for Listed Investment Companies in the Real Estate Market (*Sociedades Anónimas Cotizadas de Inversión Inmobiliaria*, "**SOCIMI**" as for its Spanish initials) and to indemnify it for any damages that may be caused to it by the taxation of certain shareholders. In turn, Colonial likewise has articles in its By-laws with a content similar to that set out in the By-laws of Axiare, i.e. Article 8 bis ("Ancillary contributions") and Article 37 bis ("Special rules for distribution of dividends"). The purpose of those Articles is also to allow Colonial to comply with the special tax system for SOCIMI and to indemnify it for any damages that may be caused to it by the taxation of certain shareholders. Therefore, no irregularity whatsoever is foreseen and there is no need for the grant of any compensation for that item.

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4.3.3. As stated in the Common Draft Terms of the Merger, as a result of Colonial's stake in Société Foncière Lyonnaise ("**SFL**") and likewise for the purpose of allowing Colonial to comply with the special tax system for SOCIMI and to indemnify it for any damages that may be caused to it by the taxation of certain shareholders, the By-laws of Colonial provide for obligations for shareholders who are not individuals and who own at least 10% of its share capital. Taking into account that there are not at present any shareholders of Axiare that, in the event of approval of the Merger and given the established exchange rate, will as a result of the Merger hold a stake in Colonial exceeding 10% of its share capital (and there would be no such shareholder even in the event that all the shares of Axiare not owned by Colonial were in the hands by a single shareholder), the provisions set out in the By-laws of Colonial as a result of its stake in SFL will have no impact whatsoever for the shareholders of Axiare and Colonial, and so no compensation whatsoever need be provided for that item.

4.4. Special rights and securities

4.4.1. As stated in the Common Draft Terms of the Merger, there are no special shares of Axiare and there are no holders of securities other than those representing its share capital. Consequently, there is no need for the grant of any special right or for the offer of any type of option.

4.5. Advantages granted to independent experts and directors

4.5.1. As stated in the Common Draft Terms of the Merger, no sort of advantage will be granted to the independent expert who issues the corresponding report on the Common Draft Terms of the Merger or to the directors of Axiare or Colonial.

4.6. Amendments to the By-laws of Colonial

4.6.1. As a result of the Merger, Colonial foresees to increase its share capital as mentioned in section 4.2.3 above. Consequently, Article 5 of the By-laws of Colonial will be amended to set out that change in the amount of its share capital.

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4.7. Implications of the Merger for shareholders

- 4.7.1. Although Colonial will increase its share capital (as stated in section 4.2.3 above) as a result of the Merger, in accordance with the provisions of Article 304.2 of the LSC, there will be no entitlement to a pre-emptive subscription right for the shareholders of Colonial. That capital increase will be subscribed by the shareholders of Axiare as stated in section 4.7.2 below.
- 4.7.2. In accordance with the provisions of Article 24(1) of the LME, the shareholders of Axiare will become shareholders of Colonial, receiving a number of shares in proportion to their stakes in Axiare according to the exchange rate established in the Common Draft Terms of the Merger, as stated in section 4.2 above.
- 4.7.3. For the shareholders of Axiare, the Merger will involve attribution to them of the rights and duties corresponding to them by law and in keeping with the By-laws, due to their status as shareholders of Colonial under the same conditions as apply to the present shareholders of that company. In particular, the shareholders of Axiare who become shareholders of Colonial as a result of the Merger will be entitled to a share in the profits of Colonial from the date when the deed of record of the Merger is entered on the Commercial Registry.

4.8. Implications of the Merger for creditors

- 4.8.1. The LME makes certain provisions for the benefit of creditors, particularly in Articles 43 and 44 of the LME, which are basically as follows:
 - (a) Once the resolution for merger is passed, it will be published in the Official Bulletin of the Commercial Registry and in one of the leading daily newspapers in Madrid. The announcement will state, among other particulars, the creditors' entitlement to obtain the full text of the resolution passed and the merger balance sheet, as well as their entitlement as creditors to oppose the Merger.
 - (b) The Merger cannot be completed until one month has passed from

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the date of publication of the last merger announcement (or, in the event of individual written notice, until notice has been given to the last of the shareholders and creditors). Within that term, any creditors of either company whose credits arose in advance of the date when the Common Draft Terms of the Merger was filed with the Commercial Registry and were not due and payable as of that date will be entitled to oppose the Merger until such time as their credits are secured. Any creditors whose credits are already sufficiently secured will not be entitled to that entitlement to oppose the Merger. These conditions are in accordance with the provisions of Article 44 of the LME.

- 4.8.2. In any event, in accordance with Articles 22 and 23 of the LME, Colonial will acquire the assets of Axiare through universal succession and consequently will acquire its rights and obligations vis-à-vis the creditors of that company. Therefore, all the legal relationships to which Axiare is a party, including its legal relationships with its creditors, will remain in force, although those relationships will be assumed by Colonial, except those relationships where the change of the involved party will result in termination of the relationship, which will cease to be effective. Colonial will therefore become the debtor in respect of the obligations that Axiare has undertaken with its creditors.

4.9. Implications of the Merger for Employees

- 4.9.1. As stated in the Common Draft Terms of the Merger, in accordance with Article 44 of the revised text of the Workers' Statute (the "**ET**"), approved by Royal Legislative Decree 2/2015, of October 23, regulating corporate succession, Colonial would be subrogated to Axiare's labor and social security rights and obligations. Colonial and Axiare will fulfil their obligations of information and, as required, consultation with the legal representatives of the employees of each, pursuant to the provisions of labor regulations. In addition, the appropriate public bodies will be notified of the planned Merger, particularly the General Treasury of the Social Security.
- 4.9.2. Following execution of the Merger, the labor rights of the employees of the participating companies shall be respected in accordance with

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the law. In like manner, the two entities are to undergo operational and functional integration, for which purpose Colonial is presently analyzing the labor structure resulting from the same. In any event, certain redundancies and inconsistencies may arise between the jobs in the two organizations. Hence, Colonial may implement in the coming months the necessary legal procedure with the aim of correcting them. In any event, Colonial will assess and propose measures designed to retain talent in order to maximize the value of the group resulting from integration with Axiare.

4.9.3. In any event:

- (a) As result of the employer succession, Colonial will assume all the employment rights and obligations pertaining to Axiare.
- (b) The legal representatives of the employees of Axiare and Colonial will be informed as to the circumstances provided for by labor law and in particular the circumstances provided for in Article 44 of the ET.
- (c) The documents specified in Article 39(1) of the LME will be placed at the disposal of the legal representatives of the employees, without prejudice to their entitlement, in accordance with Article 39(2) of the LME, to request that those documents be delivered or sent free of charge by any means permitted by Law.
- (d) In accordance with paragraph 1 of Additional Provision One of the LME, the foregoing will be understood without prejudice to the employees' entitlement to information and consultation as provided in labor law (in particular, Article 64 of the ET).
- (e) Notice of the planned Merger will be given to the appropriate public bodies and in particular to the General Treasury of the Social Security.

4.10. Independent expert's report

4.10.1. In accordance with the provisions of Article 34 of the LME, Colonial

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has requested the Madrid Commercial Registry (corresponding to the place where both companies have their registered offices) to appoint an expert to draft the mandatory report on the Common Draft Terms of the Merger and on the assets contributed by Axiare, with the consequent appointment by the Madrid Commercial Registry of BDO Auditores, S.L.P. Axiare in turn requested the Madrid Commercial Registry to appoint BDO Auditores, S.L.P. to draft a single report, in accordance with the provisions of the second paragraph of Article 34(1) of the LME.

4.11. Resources and terms foreseen for repayment by Colonial of the debts acquired for acquisition of control of the assets belonging to Axiare (Article 35 of the LME)

4.11.1. The Common Draft Terms of the Merger states the resources and terms foreseen for repayment of the debts acquired by Colonial for acquisition of control of Axiare.

4.12. General Shareholders Meetings. Announcement and information

4.12.1. The Boards of Directors of Axiare and Colonial will submit the Merger for approval by their respective General Shareholders Meetings so that they may deliberate and resolve on the Merger, from the date of the Common Draft Terms of the Merger, in accordance with the provisions of Article 30(3) of the LME. The Common Draft Terms of the Merger, this Report and the pertinent report drafted by the Board of Directors of Colonial, along with all the other documents mentioned in Article 39 of the LME will be placed at the disposal of the shareholders and the workers' representatives of the two companies for examination at their registered offices. There are no bondholders or holders of special rights.

4.13. Impact of the tax system

4.13.1. In accordance with the provisions of Article 89 of Act 27/2014, of November 27, the Corporate Income Tax Act ("**Act 27/2014**"), the Merger will be accomplished under the special tax system provided for in Chapter VII of Title VII and in Additional Provision Two of Act 27/2014.

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5. FINANCIAL ASPECTS OF THE MERGER BY ABSORPTION

5.1. Exchange rate

- 5.1.1. As stated in the Common Draft Terms of the Merger and in section 4.2.1 of this Report, the exchange rate will be 1.8554 shares of Colonial with a par value of €2.50 each for each share of Axiare with a par value of €10 each, and that exchange rate has been based upon the actual value of the assets of the two companies.
- 5.1.2. The EPRA NAV calculated as of December 31, 2017 and adjusted for relevant events occurring subsequent to that date has been taken into account. In particular, in connection with the EPRA NAV for Colonial, the following factors have been taken into account: (i) the impact of the outcome of the Bid, settled as of February 7, 2018, (ii) reversal of the allowances for settlement of the incentives plan and indemnity for the staff of Axiare that Colonial adjusted in its NAV published in December 2017, and (iii) the supplementary dividend included in the proposal for distribution of income for 2017 stated in the annual accounts drafted by the former Board of Directors of Axiare, attributable to the stake held by Colonial in Axiare, which will be paid in advance of the date of registration of the Merger, as well as the dividend proposed in the annual accounts of Colonial amounting to €0.18 per share and forecast to be paid in advance of the date of registration of the Merger. In respect of the EPRA NAV for Axiare, the following factors have been taken into account: (i) settlement of the long-term incentives plan, in accordance with the notice of relevant event published by the CNMV on January 24, 2018 (registration number 260962), (ii) the indemnity payable to the management team as resolved by the former Board of Directors of Axiare, (iii) the supplementary dividend included in the proposal for distribution of income for 2017 stated in the annual accounts drafted by the former Board of Directors of Axiare, attributable to the stake held by Colonial in Axiare, which will be paid in advance of the date of registration of the Merger, and (iv) the revenue from sale of the treasury stock held by Axiare within the framework of the Bid.
- 5.1.3. For the purpose of verification of the fairness of the exchange rate, Axiare has requested the opinion of Credit Suisse International, which

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issued an opinion on April 10, 2018 addressed to the Board of Directors of Axiare in which it considered that, as of that date, and based on the elements, limitations and assumptions contained in the opinion itself, the proposed exchange ratio is financially reasonable (fair) for Axiare's shareholders.

- 5.1.4. At the same time, JP Morgan Securities plc, as informed by Colonial, issued an opinion on April 10, 2018 addressed to the Board of Directors of Colonial in which it considered that, as of that date, and based on the elements, limitations and assumptions contained in the opinion itself, the proposed exchange ratio for the Merger is, at the time of such opinion, financially reasonable (fair) for Colonial.
- 5.1.5. By virtue of the foregoing, the Board of Directors of Axiare considers that the exchange rate for the Merger proposed in the Common Draft Terms of the Merger is sufficiently justified and is fair for the current shareholders of Axiare taking into account the prevailing market conditions as of the date of this Report.

5.2. Valuation of the assets and liabilities of Axiare

- 5.2.1. The assets and liabilities comprising the equity of Axiare, which will be block transferred to Colonial through universal succession, are assessed at their book value in accordance with the provisions of the Spanish General Chart of Accounts approved under Royal Decree 1514/2007, of November 16 (the "**Spanish General Chart of Accounts**") and in particular its Rule 19 and 21.

5.3. Particular difficulties for valuation

- 5.3.1. No particular difficulties were encountered for valuation of either of the companies involved in the Merger.

5.4. Merger balance sheets

- 5.4.1. In accordance with the provisions of the first paragraph of Article 36(1) of the LME, the merger balance sheet for Axiare (the "**Merger Balance Sheet for Axiare**") is the balance sheet included in the

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annual accounts of that company for the year ended as of December 31, 2017. Those accounts, drafted as of February 14, 2018 and duly audited, will be approved in advance of approval of the Merger under a resolution to be passed by the General Shareholders Meeting of Axiare. On the other hand, the merger balance sheet for Colonial (the "**Merger Balance Sheet for Colonial**") is the balance sheet included in the annual accounts of that company for the year ended as of December 31, 2017. Those accounts, duly audited, will be approved in advance of approval of the Merger under a resolution to be passed by the General Shareholders Meeting of Colonial. For the purposes of this Report the Merger Balance Sheet for Axiare and the Merger Balance Sheet for Colonial will be referred to jointly as the "**Merger Balance Sheets**".

- 5.4.2. Likewise, in keeping with the provisions of Article 37 of the LME, it is noted that the Merger Balance Sheets have been audited, along with the respective annual accounts, by PricewaterhouseCoopers Auditores, S.L., the auditor for both companies.

5.5. Important dates provided for in the Common Draft Terms of the Merger

- 5.5.1. In accordance with the Spanish General Chart of Account and in particular with its Rule 21, the effective date for the purposes of accounting will be the date of the acquisition, i.e. February 2, 2018.
- 5.5.2. The Common Draft Terms of the Merger states that the new shares in Colonial to be issued to cover the exchange for shares of Axiare will confer entitlement to a share in corporate income from the date of entry of the deed of record of the merger on the Commercial Registry.

5.6. Events subsequent to execution of the Common Draft Terms of the Merger

- 5.6.1. Colonial has notified Axiare and publicly announced on April 11, 2018 that it will issue standard non-convertible debentures for the amount of €650,000,000 in keeping with the conditions that have been announced publicly. Notice of that issue has been given to the

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independent expert appointed to give their opinion on the exchange rate for the Merger, BDO Auditores, S.L.P. so as to take it into consideration for the issuance of the report.

6. MAIN MILESTONES FOR THE MERGER

6.1. The main milestones for the planned Merger are set out below:

(a) Approval and publication of the Common Draft Terms of the Merger. In compliance with the provisions of Article 30 et seq. of the LME, on April 10, 2018, all the directors of Colonial and Axiare signed the Common Draft Terms of the Merger. That Common Draft Terms of the Merger will be made publicly available on the occasion of the call for the General Shareholders Meeting of Axiare that will be called upon to approve the Merger.

(b) Report by the Board of Directors on the Common Draft Terms of the Merger. In accordance with the provisions of Article 33 of the LME, the Board of Directors of Axiare has drafted this Report, which will be made publicly available on the occasion of the call for the General Shareholders Meeting of Axiare that will be called upon to approve the Merger.

(c) Independent expert's report on the Common Draft Terms of the Merger. In accordance with the provisions of Article 34 of the LME, Colonial applied to the Madrid Commercial Registry for appointment of an independent expert to draft the pertinent report. On March 7, 2018, Madrid Commercial Registry appointed BDO Auditores, S.L.P. as that independent expert, and that company accepted its appointment on March 7, 2018. In turn, Axiare applied to the Madrid Commercial Registry for appointment of that same independent expert to draft a single report. On April 16, 2018, the Madrid Commercial Registry also appointed BDO Auditores, S.L.P. as independent expert for Axiare.

BDO Auditores, S.L.P. will issue its mandatory report on the Common Draft Terms of the Merger and that report will be placed publicly at the disposal of the shareholders of Axiare.

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- (d) Call for a General Shareholders Meeting for Axiare.** The Merger will be submitted for approval by the General Shareholders Meetings of Axiare and Colonial. In that regard, the Board of Directors of Axiare resolved today to call a General Shareholders Meeting for May 25, 2018 at first call and for May 28, 2018 at second call.

With the public announcement of the call for a General Shareholders Meeting of Axiare, the documents specified in Article 39(1) of the LME will be available on the web page of Axiare.

- (e) Resolutions for merger and publishing of announcement.** In accordance with Article 40 of the LME, the Common Draft Terms of the Merger will require approval by the General Shareholders Meetings of Axiare and Colonial, strictly in accordance with the terms set out in that Terms. The resolutions for approval of the Merger passed by the General Shareholders Meetings of both companies will be published in the Official Bulletin of the Commercial Registry and in a leading daily newspaper in Madrid.

- (f) Execution and registration of the deed of record of Merger.** Once all the actions and transactions set out above have been accomplished and once the term for opposition by creditors provided for by law has expired, the deed of record of Merger and of capital increase by Colonial will be executed and subsequently entered on the Commercial Registry. Likewise, the registry page of Axiare with the Commercial Registry will be cancelled ex officio with all its entries, by means of a single entry, with the literal transfer of all the entries that must remain in force to the registry page of Colonial, in keeping with the provisions of the Rules and Regulations of the Commercial Registry.

- (g) Performance of the exchange.** Once the deed of record of Merger has entered on the Commercial Registry, the exchange of shares of Axiare for shares of Colonial will be accomplished in the terms established in the Common Draft Terms of the Merger. In that regard, Colonial will increase its share capital in the amount necessary to carry out the exchange, through the issue and delivery of ordinary shares of Colonial.

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- (h) Document equivalent to the prospectus.** By virtue of the provisions of Royal Decree 1310/2005, of November 4, for partial implementation of Act 24/1998, of July 28, the Securities Market Act, Colonial will draft a document and file it with the official registry of the CNMV setting out the information that that body considers equivalent to the information given by a prospectus, insofar as may be required in accordance with current applicable law.

Colonial will apply for the new shares issued to cover the exchange to be admitted to trading on the Madrid and Barcelona Stock Exchanges and on all other markets where the shares of Colonial are traded at the time of performance of the pertinent agreement, and for those shares to be included in the Continuous Market System.

7. CONCLUSIONS

- 7.1. In respect of all the content of this Merger Report, the members of the Board of Directors of Axiare believe:
- i. That the exchange rate for shares of Axiare in exchange for the new shares of Colonial, based upon the actual value of the equity of the two companies, is justified and fair for the shareholders of Axiare.
 - ii. That the interests of the shareholders of Axiare will be served by accomplishment of the Merger, from the standpoint of both business activity and stock market trading.

Based upon the considerations set out above and repeating insofar as necessary the content of the Common Draft Terms of the Merger, in accordance with the provisions of Article 33 of the LME, the Board of Directors of Axiare signs this Report on the Merger of the companies concerned, for the appropriate legal purposes.

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Joaquín García Romanillos Valverde

Jesús Quijano González

Pascual Fernández Martínez

María Segimón de Manzanos

Eduardo Trueba Cortés