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HECHO RELEVANTE

Como continuación al Hecho Relevante publicado con fecha 23 de mayo de 2017 con número de registro 252384, Colonial remite documentación de soporte a la presentación a analistas e inversores relativa a la propuesta de acuerdo sobre el acogimiento de la Sociedad al régimen fiscal especial de las sociedades anónimas cotizadas de inversión en el mercado inmobiliario (SOCIMI) que se someterá a aprobación de la próxima Junta General de Accionistas. La presentación se celebrará hoy miércoles día 24 de mayo de 2017 a las 18:00 horas (CET) a través de un webcast.

Los datos de conexión a la conferencia se detallan a continuación:

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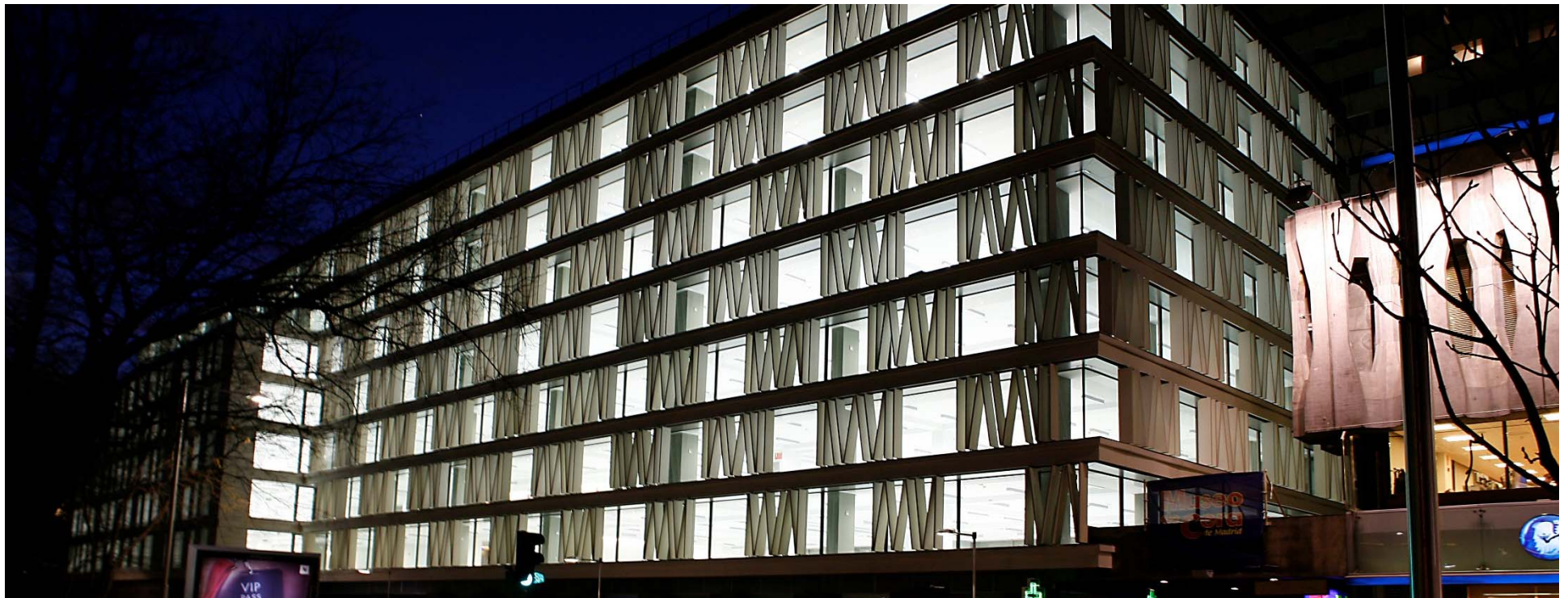
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La presentación online será visible a través del siguiente link:

<http://event.onlineseminarsolutions.com/r.htm?e=1430108&s=1&k=C975984898F778F884932379C4809D30>

Adicionalmente, la presentación estará disponible en la página web de la Sociedad.

En Barcelona, a 24 de mayo de 2017.



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Board decision to apply for SOCIMI status – May 24, 2017

The Board of Directors has agreed to propose to the next AGM the Company's submission to the Spanish tax regime for real estate investment listed companies (SOCIMI or Spanish REIT status)

> In the framework of the recent changes to the Royal Decree-Law 3/2016 in relation to Spanish tax legislation derived from, the Company has revisited the recurrent analysis regarding the optimal legal structure of Colonial, analyzing among other things, the SOCIMI status

> After analyzing in depth the potential election of Colonial for SOCIMI status, and with a favorable report of Colonial's Audit Committee, the Board of Directors has concluded favorably and agreed to propose to the next AGM the Company's submission to the SOCIMI status in 2017.

> The decision is subject to AGM approval (the SOCIMI status would be effective as of January 1, 2017)

Main benefits of Colonial applying for Spanish SOCIMI status

1. **Reduction of tax rate from 25% to 0% in Spain**
2. **Improvement of company cash flow and fundamental value**
 - > Increase of FFO per share¹
 - > Increase of EPS¹
3. **Positive impact in consolidated Group Equity and Profit & Loss accounts**
 - > One-off reversion of 2016 tax provisions of approx. €72m²
4. **Current benefits from use of tax credits remain fully in place subject to legal limitations**
 - > As of December 31, 2016, the Colonial Group has off balance tax credits in an amount of €1.3bn (not accounted for in the balance sheet or Net Asset Value)
 - > Tax credits can be used to offset taxes on historical capital gains³
 - > Tax credits are a competitive advantage in sourcing and structuring acquisitions in Spain

EPS enhancement



One-off positive profit impacts in 2017



Benefits from use of tax credits remain fully in place



Colonial's strategy and business plan remains unchanged

¹ EPS: Earnings per Share

² Accounting impact in the consolidated accounts related to withholding tax with regard to latent capital gains in France (see details in appendix)

³ Historical capital gains understood as capital gains before obtaining the SOCIMI status: value before obtaining the SOCIMI status – historical acquisition cost

Main benefits of Colonial applying for Spanish SOCIMI status

5. Enhanced visibility in capital markets

- > Colonial's current institutional shareholders could deploy additional money coming from "REIT pockets"
- > Access to "REIT-only funds" that currently would not be able to invest in Colonial, increasing liquidity on the stock
- > Globally accepted and well understood "REIT status" increasing Colonial's visibility

6. Driver to improve liquidity of a valuation of the Company

- > Access to a broader institutional investor universe
- > Increased liquidity with potential positive impacts on cost of capital
- > Research suggests that REIT's trade with lower discounts to NAV than Non-REIT's

Colonial's strategy and business plan remains unchanged

¹ FFO: Funds From Operations / EPS: Earnings per Share

² Accounting impact in the consolidated accounts related to withholding tax with regard to latent capital gains in France (see details in appendix)

³ Historical capital gains understood as capital gains before obtaining the SOCIMI status: value before obtaining the SOCIMI status – historical acquisition cost

Implementation of SOCIMI status straightforward

- > Colonial already complies with the SOCIMI requirements
 - No changes on business plan and strategy
 - Current benefits of tax shield remain in place allowing for active asset allocation
 - Election of Spanish SOCIMI status does not trigger any exit tax

- > Final decision subject to AGM approval (to be held in June 2017)

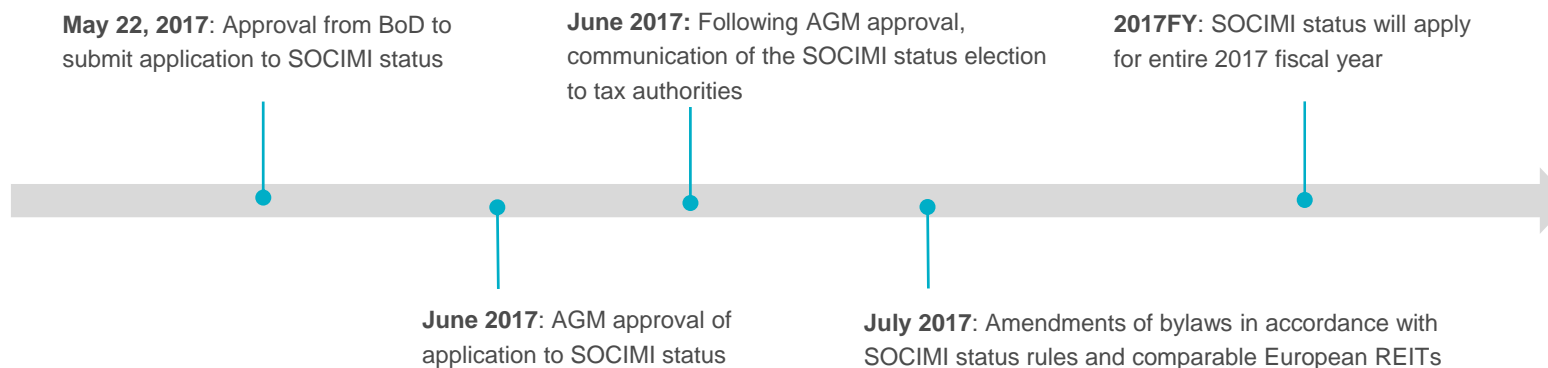
- > SOCIMI status election to be communicated to tax authorities after AGM approval

- > Bylaws will be amended according to the SOCIMI status rules and implementing practices of other REITs in Europe

- > The SOCIMI status will be applied to the full 2017 financial year (from January 1, 2017 to December 31, 2017) and subsequent years

- > Dividend guidance for 2017 remains at 0.165 €/share with no change expected in dividend policy

Tentative timetable





Appendices



Positive impact in consolidated Group Equity and Profit & Loss accounts in the event of SOCIMI Status

> Illustrative example with Proforma 2016 results in the event of SOCIMI status election

- Proforma 2016 Net Profit of the Group increases up to approx. €374m
- Proforma EPS 2016 increases by approx. 36% (up to approx. 1.05 €/share)

(unaudited)	Adjustments			2016 Pro forma
	2016	Spain SIIC-4		
Profit before tax and noncontrolling interests	665	-	-	665
Income tax	(105)	28	72	(5)
Non-controlling interests	(286)	-	-	(286)
Net profit attributable to the Group	274	28	72	374
Earning per share (EUR/share)	0.77			1.05

> Impacts: One-off reversion of 2016 tax provisions of approx. €72m and tax impact on asset revaluation in Spain of €28m

- Spain: reversion related to the tax effect, calculated at a rate of 18.75%, of the asset revaluation recognized in 2016.
- SIIC-4: reversion of the deferred tax relating to the revaluation of the assets included in SFL's SIIC regime. This one-off reversion will be recorded in the year of the SOCIMI election

Colonial



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