

**SUPPLEMENT DATED 19 OCTOBER 2016
TO THE BASE PROSPECTUS DATED 5 OCTOBER 2016**



INMOBILIARIA COLONIAL, S.A.

(incorporated as a limited liability company (*sociedad anónima*) in the Kingdom of Spain)

€3,000,000,000

Euro Medium Term Note Programme

This base prospectus supplement (the “**Supplement**”) has been prepared by Inmobiliaria Colonial, S.A. (the “**Issuer**” or “**Colonial**” and together with its consolidated subsidiaries, “**we**”, “**us**”, “**our**” or the “**Group**”, unless otherwise indicated or the context otherwise requires) in connection with the Issuer's Euro Medium Term Note Programme (the “**Programme**”) for the issuance of up to EUR3,000,000,000 in aggregate nominal amount of notes (the “**Notes**”).

This Supplement has been approved by the Central Bank of Ireland (the “**Central Bank**”) as competent authority under Directive 2003/71/EC (the “**Prospectus Directive**”). The Central Bank only approves this Supplement as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive.

This Supplement comprises a base prospectus supplement for the purposes of Article 16 of the Prospectus Directive. The Supplement is supplemental to, and should be read in conjunction with, the base prospectus dated 5 October 2016 prepared by the Issuer in relation to the Programme (the “**Base Prospectus**”). Capitalised terms used, but not otherwise defined in this Supplement, shall have the meanings ascribed thereto in the Base Prospectus. To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in or incorporated by reference in the Base Prospectus, the statement in (a) above will prevail.

The purpose of this Supplement is to supplement the sections entitled “*Information on the Issuer and the Group*” and “*Risk Factors*” following the acquisition by the Issuer of 15.09% of the share capital of Axiare Patrimonio SOCIMI, S.A..

IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

Save as disclosed in this Supplement, no other significant new factor, material mistake or inaccuracy relating to the information included in the Base Prospectus which is capable of affecting the assessment of the Notes issued under the Programme has arisen or been noted, as the case may be, since the date of publication of the Base Prospectus.

Copies of this Supplement and the Base Prospectus can be viewed on the website of (i) the Central Bank of Ireland at www.centralbank.ie; and (ii) the Issuer at www.inmocolonial.com.

The distribution of this Supplement and the Base Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Supplement, the Base Prospectus or any Final Terms come are required by the Issuer, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. persons (as defined in the Securities Act). For a description of certain restrictions on offers and sales of Notes and on distribution of this Base Prospectus, see “*Subscription and Sale*” in the Base Prospectus.

Any websites referred to herein do not form part of this Supplement.

AMENDMENTS TO THE BASE PROSPECTUS

RISK FACTORS

With effect from the date of this Supplement, the information appearing on page 11 of the Base Prospectus under the heading “*Risk Factors—Risks Relating to the Group and its Business*” shall be amended in the manner described below.

By virtue of this Supplement, the risk factor entitled “*There may be risk associated with our subsidiaries*” shall be deleted and replaced in its entirety by the following:

“There may be risks associated with our subsidiaries and/or minority investments

We have in the past and may in the future act through subsidiaries that we completely or partially own and control. We could ultimately incur responsibility through our management of the subsidiary, as well as from claims in relation to outstanding obligations or defective construction or materials of properties owned or developed by the Company which it transferred to a subsidiary or due to the subsidiary forming part of our tax Group, including in relation to subsidiaries that we transferred out of the Group.

We may also enter into a variety of acquisition structures in which we acquire less than a 100% interest in a particular asset or entity with the remaining ownership interest being held by one or more third parties. For example, on 14 October 2016, and as described under “*Information on the Issuer and the Group—Recent Developments*”, we acquired a minority stake in Axiare Patrimonio SOCIMI, S.A. (“**Axiare**”), a listed Spanish real estate investment company. The management and control of such an asset or entity may entail risks associated with multiple owners and decision makers, including the risks that:

- other shareholders or investment partners have economic or other interests that are inconsistent with the Group’s interests and are in a position to take or influence actions contrary to the Group’s interests and plans; or
- disputes develop between the Group and other shareholders or investment partners, resulting in the Group incurring litigation or arbitration costs and distracting the Board of Directors and/or senior management from their other managerial tasks.

In addition, it may be more difficult for the Group to dispose of a minority stake in an asset or entity on acceptable terms or at all than would be the case if the Group were to dispose of a controlling stake.

Any of the above could have a material adverse effect on our financial condition, business, prospects and results of operations.”

INFORMATION ON THE ISSUER AND THE GROUP

With effect from the date of this Supplement, the information appearing on page 75 of the Base Prospectus under the heading “*Information on the Issuer and the Group*” shall be amended in the manner described below.

By virtue of this Supplement, a new sub-section entitled “*Recent Developments*” shall be inserted immediately before the sub-section “*Description of Operations*” as follows:

“Recent Developments

On 14 October 2016, the Issuer acquired 10,846,541 shares of Axiare, representing 15.09% of Axiare’s share capital at a price of €12.50 per share (a 4% discount to Axiare’s EPRA NAV as at 30 June 2016, according to publicly available information disclosed by Axiare). Axiare is an internally-managed Spanish real estate investment company (SOCIMI), which is listed on the Madrid Stock Exchange. According to publicly available information disclosed by Axiare, Axiare’s portfolio of real estate assets had a gross asset value of €1,049 million as at 30 June 2016 and mainly comprises offices and, to a lesser extent, logistics and other assets, in Madrid and, to a lesser extent, in Barcelona and other cities. The total investment of €135.6 million was financed by the Issuer through debt. The acquisition is complementary to the Issuer’s investment strategy and its capacity to create value and return for its shareholders.”