

INMOBILIARIA COLONIAL, S.A.

Independent Expert Report on the Valuation of a Non-Monetary
Contribution

25 May 2016

INDEPENDENT EXPERT REPORT ON THE VALUATION OF A NON-MONETARY CONTRIBUTION

To the Board of Directors of Inmobiliaria Colonial, S.A.

In accordance with Article 67 of the Spanish Limited Liability Companies Law, as well as Articles 133 and 338 ff of the Commercial Register Regulations, on 27 January 2016 and subsequently through a resolution dated 28 April 2016, Ignacio Garmendia Rodríguez, a Commercial Registrar for Barcelona and the corresponding province, appointed Ernst & Young, S.L. as the independent expert to draft a report, corresponding to dossier number 3794/16, with regard to a non-monetary contribution to be made by Hofinac B.V. (Hofinac B.V., the Contributing Company or Contributor), consisting of shares held by Hofinac Real Estate, S.L. (Hofinac) which represent 100% of its share capital, to Inmobiliaria Colonial, S.A. (Colonial or the Beneficiary Company), contribution which is to increase the share capital of the latter as the beneficiary of the Contribution.

1. DESCRIPTION OF THE TRANSACTION

Pursuant to the request made to the Commercial Register by Pedro Viñolas Serra in the name and on behalf of Colonial, it is our understanding that this company intends to increase its share capital by issuing the corresponding shares, which will be fully subscribed by the Contributing Company and fully paid through a non-monetary contribution consisting of 24,943,470 shares of Hofinac, numbered consecutively from 1 to 24,943,470, both inclusive, and which are free of any liens and encumbrances and represent 100% of its share capital.

1.1 Contributing Company

Hofinac B.V. is a Dutch commercial company whose tax identification number is N0038152E and whose address is Herengracht, 466 (1017 CA) and which is registered in the Commercial Register of Amsterdam with number 60439157.

1.2 Beneficiary Company

Colonial is a Spanish commercial company whose registered address is Avenida Diagonal no. 532, 08006 Barcelona, with tax identification number A-28027399, and which is registered in the Barcelona Commercial Register, volume 39.608, folio 63, sheet B-347.795.

2. DESCRIPTION OF THE NON-MONETARY CONTRIBUTION

In accordance with the statements made by Colonial management, the non-monetary contribution to be made by the Contributing Company for the full subscription and payment of the shares issued by Colonial shall, as indicated above, consist of 24,943,470 shares of Hofinac, numbered consecutively from 1 to 24,943,470, both inclusive, free of any liens and encumbrances, and representing 100% of its share capital.

Hofinac was incorporated in Spain as part of the Finaccess Capital, S.A. Group on 15 September 2000 with the name Gic Real Estate España, S.L. The incorporation deed was executed before the Madrid notary public José Aristónico García Sánchez with 2703 of his notarial record book. Hofinac's registered offices are at Torre Picasso, Plaza Ruiz Picasso, 1. It was registered in the Madrid Commercial Register in volume 15.813, sheet 101, page M-266.935, and it holds taxpayer identification number B-82759242. The company's sole activity is holding and operating the following properties, which are free of liens and encumbrances (the "Properties"):

- a) 37 registered properties, composed of (i) an office building at Calle Serrano 73 in Madrid, and (ii) 36 parking spaces at the building at Paseo de la Castellana 44 (duplicate) in Madrid, all of which are duly registered at Madrid Property Register No. 1.
- b) 1 registered property on which a building is located, at the intersection of Calle Corazón de María and Calle Santa Hortensia in Madrid, registered at Madrid Property Register No. 21.

For these purposes, in accordance with the draft "Agreement on the Contribution of Shares of Sociedad Tenedora de Inmuebles" between Inmobiliaria Colonial, S.A. and Hofinac, B.V., 100% of the shares of Hofinac, free of any financial or non-financial liability, shall be contributed, and the latter's only assets shall be the Properties and cash.

3. DESCRIPTION OF THE VALUATION THAT WAS CARRIED OUT AND OF THE CONSIDERATION FOR THE CONTRIBUTION

In accordance with the report of the Board of Directors' of Inmobiliaria Colonial on this transaction, as consideration for the non-monetary contribution, the share capital of Colonial is to be increased by a nominal amount of €72,142,857.50 through the issue and placing into circulation of 288,571,430 new ordinary shares with a par value of €0.25 each, of the same class and series as those currently outstanding and with a

total share premium of €129,857,143.50, equivalent to €0.45 per share, bringing the total value of the capital increase plus the share premium to €202,000,001.00.

In accordance with items 3, 4 and 5 of the report of the Board of Directors, the Board considers that:

- According to the method indicated in item 4 of the report, the 24,943,470 shares representing 100% of the share capital of Hofinac covered by the contribution were valued at €202,000,001.00, bringing the value of each share to be contributed to the equivalent of €8.10.
- Different methods were used to determine the number of Colonial shares to be delivered as consideration for the shares of Hofinac, including: (i) the current quoted price as well as the quoted price for the most recent month and the most recent quarter; (ii) the current consensus on Colonial's share price according to analyst reports; (iii) other comparison methods such as calculating expected NAV according to analyst reports and the comparable multiples approach. The different approaches considered, which take into account the liquidity of Colonial's shares in the securities markets, revealed a price per share of €0.70. This amount has been adjusted in accordance with the dividends to be proposed at the General Shareholders' Meeting, in the amount of €0.015/share, inasmuch as said dividends will be distributed before the resolution described in this report is implemented.

Consequently, as indicated in item 4.3, the expected swap ratio is 11,569 shares of Colonial, with a par value of €0.25 each, for each share of Hofinac contributed by Hofinac B.V.

4. VALUATION METHODS

4.1 Methods for valuing the projected non-monetary contributions

Given that Hofinac's only assets are two properties, the net asset value method was used to determine the value of the Hofinac shares to be contributed by the Contributor. This method entails valuing a company's estimated assets at a given date and deducting from this amount any encumbrances against the assets as well as all other debts and obligations of the company to third parties. This procedure is in line with the recommendations of the European Public Real Estate Association (EPRA).

In particular, EPRA NAV, an approach commonly accepted by the international financial community, was taken into account to value Hofinac assets.

In May 2016, the independent consultant Savills Consultores Inmobiliarios, S.A. issued a valuation report on each of the properties, indicating an assessment value of €48,693,000.00 for the property located at Calle Serrano 73 and €155,633,000.00 for the property located at Calle Santa Hortensia 26-28.

Relying on the aforementioned method, the Board of Directors considers that the value of the 24,943,470 shares representing 100% of Hofinac's share capital, to be covered by the contribution, is €202,000,001.00, equivalent to €8.10 per share to be contributed.

4.2 Methods for valuing the Colonial shares to be issued as consideration for the projected non-monetary contributions

As indicated in item 3 of this report, the directors determined the number of shares to be delivered as consideration for the shares of Hofinac by using different methods, including: (i) the current quoted price as well as the quoted price for the most recent month and the most recent quarter; (ii) the current consensus on Colonial's share price according to analyst reports; (iii) other comparison methods such as calculating expected NAV according to analyst reports and the comparable multiples approach.

4.3 Proposed swap ratio

In accordance with the valuations of Hofinac and Colonial detailed in items 4.1 and 4.2 above, the proposed swap ratio was approved by the Board of Directors and included in the report from the directors. The swap entails the delivery of 11,569 shares of Colonial, with a par value of €0.25 each, for each Hofinac share contributed.

Consequently, the directors of Colonial have proposed issuing, as consideration for the non-monetary contributions indicated above, a total of 288,571,430 shares with a par value of €0.25 and with an issue premium of €0.45 each, of the same class and series as those currently outstanding, to be fully subscribed and paid by Hofinac B.V. contributing the 24,943,470 shares of Hofinac, which constitute 100% of the latter's share capital held by Hofinac B.V. Consequently, the effective amount of the capital increase is €202,000,001.00.

5. SCOPE OF THE PROCEDURES PERFORMED

The procedures that we carried out in preparing the expert report called for in Article 67 of the Limited Liability Companies Law relative to reviewing the valuation of Hofinac's shares as well as to analysing the reasonability of the proposed swap ratio consisted of:

- 5.1 Obtaining and conducting an overall analysis of the following information:
- Audited financial statements at 31 December 2014 of Hofinac Real Estate, S.L.
 - Unaudited financial statements at 31 March 2015 and 31 March 2016 of Hofinac Real Estate, S.L.
 - Audited consolidated financial statements of Inmobiliaria Colonial and subsidiaries at 31 December 2015 and unaudited statements at 30 April 2016.
 - Valuation reports prepared by Savills Consultores Inmobiliarios, S.A. in May 2016 of the registered real estate assets of Hofinac.
 - Other information considered necessary for our work.
 - Review of the Agreement on the Contribution of Shares of the company holding the properties between Inmobiliaria Colonial, S.A. and Hofinac, B.V.
- 5.2 Review of the report from the directors of the Beneficiary Company regarding the proposed capital increase.
- 5.3 Review and analysis, based on available information, of the valuation criteria and approaches used to determine the value of the non-monetary contribution.
- 5.4 Review and analysis of the valuation criteria and approaches used to determine the value of Colonial's share, primarily the stock market price and the consensus price of the share according to analyst reports.
- 5.5 Analysis and comparison of the results obtained using other valuation methodologies generally accepted by the Colonial Group.
- 5.6 Analysis of the swap ratio resulting from the capital increase.
- 5.7 Reading and analysis of the fairness opinion issued by Morgan Stanley confirming that in its judgement the terms and conditions for the acquisition of the shares of Hofinac covered by the contribution and the resulting swap ratio are reasonable.
- 5.8 Holding of various meetings with the management of Inmobiliaria Colonial, S.A. and its financial advisers in the context of this transaction in order to gather useful information for our work.

- 5.9 Review the financial information for the first quarter of 2016 published on Colonial's webpage.
- 5.10 Reading of the minutes of the Board of Directors' meetings and General Shareholders' Meetings and of other significant meetings of the Beneficiary Company's management committees.
- 5.11 Posing of questions to the Company's management on significant events that might have a material effect on the value of Hofinac or the Colonial Group, and, where applicable, corroborating such values.
- 5.12 Obtaining a letter of statements signed by the management of Inmobiliaria Colonial, S.A. indicating us that the information provided for the conducting of this work, the contents thereof, as well as any additional documentation or confirmation made available to us do not, in the opinion of management, constitute material errors, and include all the information required for a proper understanding of the valuation and the most important risks that might affect it, as well as stating that they have made available to us all material information of which they are aware and that might have a significant effect on the results of our work.

Our work has consisted exclusively of evaluating and verifying the application of the criteria used to value the shareholdings covered by the non-monetary contribution, the details of which are included in section 3 of this report, and valuing the shares issued by Colonial as consideration, as well as in evaluating the criteria used in verifying said assets. For this reason, in conducting our work we have not applied specific procedures to ascertain the ownership of the shareholdings covered by the contribution or other issues outside of the scope described in this report.

It should be noted that, in addition to objective factors, any valuation work entails other, subjective factors involving a judgement, and that the resulting values therefore primarily constitute a point of reference for the parties involved in the transaction. Consequently, we are unable to ensure that third parties will necessarily agree with the conclusions of our report.

In addition, the value of a company, business or asset is dynamic over time. Hence, our conclusions, which we have reached with reference to the current date, could differ from conclusions obtained on a prior or subsequent date.

Consequently, in conducting our work, we have not applied specific procedures to determine the existence of other assets and liabilities that might exist and are not included in the statements made by Colonial's management, or to verify the physical

existence and ownership of and liens on the assets contributed. Moreover, our analyses and verifications were not intended to ascertain compliance with any legal or formal obligation (relative to approval, submission of documents, advertising, liens and encumbrances on the assets covered by the contribution, deadlines, etc.) other than those provided for in Article 67 of the consolidated Limited Liability Companies Law .

6. CONCLUSION

In our professional opinion, and in light of the considerations described in this report, we consider that:

- The combined value attributed to the shareholdings of Hofinac that make up the planned non-monetary contribution corresponds, at least, to the number, the par value and the share premium of the shares that Inmobiliaria Colonial, S.A. plans to issue as consideration, for a total amount of €202,000,001.00, corresponding to a share-capital increase of €72,142,857.50 through the issue and placing into circulation of 288,571,430 new shares with a par value of €0.25 each, plus a total share premium of €129,857,143.50, equivalent to €0.45 per share.
- The methods used by the directors to establish the type of swap are adequate and the resulting swap ratio is reasonable for the objectives being sought.

In accordance with express instructions from the management of Inmobiliaria Colonial, S.A. the conclusions that we have given above include, in addition to that which is required by Article 67 of the Limited Liability Companies Law, a statement on the fairness of the proposed swap ratio in the transaction in question. Nevertheless, our special report has been prepared solely for the purposes established in Article 67 of the Limited Liability Companies Law and of Article 133 of the Commercial Register Regulations and should not be used for any other purpose.

ERNST & YOUNG, S.L.

Joan Tubau Roca

25 May 2016



APPENDIX

**Report of the Board of Directors of Inmobiliaria Colonial, S.A. on a proposed
capital increase through non-monetary contributions**



REPORT OF THE BOARD OF DIRECTORS OF INMOBILIARIA COLONIAL, S.A. ON THE PROPOSED CAPITAL INCREASE THROUGH NON-MONETARY CONTRIBUTIONS CONSISTING OF HOFINAC, B.V.'S ENTIRE SHAREHOLDING IN HOFINAC REAL ESTATE, S.L., ALLOWING FOR AN INCOMPLETE SUBSCRIPTION (AGENDA ITEM EIGHT)

1. Purpose of the report

The Board of Directors of Inmobiliaria Colonial, S.A. ("**Colonial**" or the "**Company**") has resolved to call an Ordinary General Shareholders' Meeting to be held on 27 June 2016 on first call and on 28 June 2016 on second call, and to propose at said meeting, as agenda item 8, the approval of a capital increase through non-monetary contributions.

Pursuant to Articles 286, 296 and 300 of *Royal Legislative Decree 1/2010, of 2 July, approving the Consolidated Spanish Limited Liability Companies Law* (the "**Limited Liability Companies Law**") and the related provisions of *Royal Decree 1784/1996, of 19 July, approving the Commercial Register Regulations*, the aforementioned proposed resolution submitted to the General Shareholders' Meeting requires that the Board of Directors prepare the following supporting report.

2. Justification for the proposal

The objective of the capital increase through non-monetary contributions to be proposed at the General Shareholders' Meeting is to issue the Colonial shares needed to acquire, through non-monetary contributions, 100% of the share capital of Hofinac Real Estate, S.L. ("**Hofinac**") owned by Hofinac, B.V. (the "**Contributor**"). The sole activity of Hofinac B.V. is to own and operate the following properties, which are free of any encumbrances and liens (the "**Properties**"):

- a) 37 registered properties, composed of (i) 1 building used for offices and parking located at Calle Serrano 73 in Madrid, and (ii) 32 parking spaces and 4 communication spaces at the building at Paseo de la Castellana 44 (duplicate) in Madrid, all of which are duly registered at Madrid Property Register No. 1.

This building is located in one of **Madrid's** prime areas, and has a leasable area of 4,242 m², of which 784 m² are retail premises.

- b) One registered property on which a building is located, at the intersection of Calle Corazón de María and Calle Santa Hortensia in Madrid, registered at Madrid Property Register No. 21.

This building is one of the largest office buildings in Madrid's downtown core, with a leasable area of 46,928 m² and 946 parking places.

For these purposes, Hofinac's only assets will be the Properties, and it will not have any liabilities.

The acquisition of the Properties through the shareholding in Hofinac will allow the group of which Colonial is the parent (the "**Group**") to increase its Madrid real estate asset

portfolio by **21%**.

With regard to the transaction, Morgan Stanley & Co. International plc has provided the Board of Directors with a fairness opinion, confirming that, in its judgement, the terms and conditions of the acquisition of Hofinac B.V.'s shareholding in Hofinac and the resulting swap ratio are reasonable.

The Company and the Contributor have signed a share-contribution agreement according to the standard terms and conditions for this type of transactions. This agreement includes clauses allowing either of the parties to terminate the agreement in the event of a change of control of force majeure, which shall arise, among other circumstances, if between 20 June and 27 June 2016, both inclusive, the end-of-day close of the IBEX 35 index in any of the stock market sessions is 7,500 points or below. In addition, the agreement sets forth that the Contributor may terminate the agreement in the event, under certain conditions, of sales by the significant shareholders of Colonial with representation on the Colonial's Board of Directors in the seven days prior to the holding of the General Shareholders' Meeting.

The primary purpose of this capital increase through non-monetary contributions is to pay Hofinac, B.V., in Colonial shares, the consideration for the former's shares in Hofinac. Hofinac has expressed its intention to be a stable shareholder of the Company. Consequently, the Contributor has undertaken not to dispose of the shares received for a term of 90 calendar days.

3. Description of the projected contribution Identification of the Contributor

The projected contribution consists of 24,943,470 shares in Hofinac, numbered consecutively from 1 to 24,943,470, both inclusive. These shares are free of any liens and encumbrances and represent 100% of Hofinac's share capital.

Hofinac was incorporated in Spain on 15 September 2000 as part of the Finaccess Capital, S.A. Group, under the name Gic Real Estate España, S.L. The incorporation deed was executed before the Madrid notary José Aristónico García Sánchez with number 2703 of his notary record book. Hofinac's registered offices are at Torre Picasso, Plaza de Pablo Ruiz Picasso 1. It was registered in the Madrid Commercial Register in volume 15,813, sheet 101, page M-266.935, and it holds taxpayer identification number B82759242. The company's activity is the sale and purchase, holding, lease and management of all types of real estate properties.

The capital increase covered by this resolution involves the issue of new shares to be delivered exclusively to Hofinac B.V., a Dutch company holding tax identification number N0038152E, as consideration for the contribution. The company's registered offices are at Herengracht 466, Amsterdam (1017 CA), Netherlands, and it is registered in the Amsterdam Commercial Register with number 60439157.

4. Valuation of the projected contribution and criteria used

Given that Hofinac's only assets are the Properties described in section 2, the net asset value method was used to determine the value of the Hofinac shares to be contributed. This method entails valuing a company's estimated assets at a given date and deducting from this amount any encumbrances against the assets as well as all other debts and

obligations the company may have to third parties, in accordance with EPRA recommendations (expected EPRA NAV).

In particular, EPRA NAV, an approach commonly accepted by the international financial community, was taken into account to value Hofinac assets.

In May 2016, the independent consultant Savills Consultores Inmobiliarios, S.A. issued a valuation report on the Properties, indicating an assessment value of €48,693,000.00 for the property located at Calle Serrano 73 and €155,633,000.00 for the property located at Calle Santa Hortensia 26-28. As indicated above, with regard to the transaction, Morgan Stanley & Co. International plc has provided the Board of Directors with a fairness opinion, confirming that, in its judgement, the terms and conditions of the acquisition of Hofinac B.V.'s shareholding in Hofinac and the resulting swap ratio are reasonable.

Relying on the aforementioned method and the reports received, and in light of the fact that the only assets of Hofinac are the properties referred to above, the Board of Directors considers that the value of the 24,943,470 shares representing 100% of Hofinac's share capital, to be covered by the contribution, is €202,000,001.00, equivalent to €8.10 per share to be contributed.

In accordance with the criteria detailed above, the Board of Directors considers that the valuation of the shares described above is appropriate.

5. *Number and par value of the shares to be issued as consideration*

Different methods were used to determine the number of Colonial shares to be delivered as consideration for the shares of Hofinac, including: (i) the current quoted price as well as the quoted price for the most recent month and the most recent quarter; (ii) the current consensus on Colonial's share price according to analyst reports; (iii) other comparison methods such as calculating expected NAV according to analyst reports and the comparable multiples approach. The different methods considered, which take into account the liquidity of Colonial shares in the securities markets, revealed a price per share of €0.70. This amount has been adjusted for the dividends to be proposed at the General Shareholders' Meeting, inasmuch as the dividends will be distributed before this agreement is implemented. For these purposes, in the aforementioned share agreement entered into by the Company and the Contributor, the parties accepted that, irrespective of the date of performance of this agreement, the Contributor shall not have the right to receive, for the shares that Colonial receives through the performance of this agreement, dividends to be charged to 2015 profit.

In light of the valuation of the shares of Colonial as well as of the shares of Hofinac in accordance with the criteria described above, a swap ratio of 11,569 shares of Colonial, with a par value of €0.25 each, for each share of Hofinac is proposed.

Consequently, it is proposed that a total of 288,571,430 new shares with a par value of €0.25 and a share premium of €0.45 each be issued. All shares are to be of the same class and series as those currently in circulation, and to be fully subscribed and paid by the Contributor through the contribution of 24,943,470 shares it holds in Hofinac, representing 100% of the latter's share capital. Consequently, the effective amount of the capital increase is €202,000,001.00.

The new shares would carry the same voting and dividend rights as the Company's shares currently in circulation, as from the date on which they are entered, in the owners' name, in the corresponding accounting records.

6. *Capital increase amount*

As consideration for the projected contribution, it is proposed that Colonial's share capital be increased by a nominal amount of €72,142,857.50, through the issue and circulation of 288,571,430 new ordinary shares with a par value of €0.25 each. All of these shares are of the same class and series as those currently in circulation.

In accordance with the aforementioned criteria, the Board of Directors considers that the total issue price is appropriate, in light of the market conditions prevailing at the date of this directors' report.

7. *Amendment of Article 5 of the by-laws*

The Board proposes that the Board of Directors be entrusted with the authority to amend the wording of the article of the by-laws relating to the share capital, in order to reflect the capital effectively subscribed and paid as consideration for the Hofinac shares effectively contributed.

8. *Incomplete subscription*

In accordance with Article 311 of the Limited Liability Companies Law, the possibility of an incomplete subscription of the capital increase subject to this resolution is expressly provided for. Consequently, the capital increase (up to the ceiling established herein) will be limited to the amount corresponding to the par value of the new Colonial shares effectively subscribed and paid as consideration for the Hofinac shares effectively contributed.

9. *Guarantees adopted*

In view of the nature of the assets to be contributed, no special guarantees have been adopted. Nevertheless, there is a commitment by Hofinac, B.V. to contribute the shares referred to in section 3.

10. *Preferential subscription right*

In light of Article 304 of the Limited Liability Companies Law and given that the capital increase is through non-monetary contributions, the Company's shareholders will not be entitled to preferential subscription rights over the shares to be issued as part of the capital increase through non-monetary contributions covered by the proposed agreement.

11. *Independent expert*

The Board of Directors has asked the Commercial Register to appoint an independent expert to issue a report describing and valuing the contribution and expressing the criteria used and whether the contribution corresponds to the par value and the share premium for the shares to be issued as consideration. The foregoing is in keeping with

Article 67 of the Limited Liability Companies Law.

Hence, Ernst & Young has been appointed as the independent expert. This firm's report will be made available to the shareholders on the Company's website (www.inmocolonial.com), from the call to the General Shareholders' Meeting until the meeting date.

PROPOSED NON-MONETARY CAPITAL INCREASE RESOLUTION TO BE SUBMITTED AT THE INMOBILIARIA COLONIAL, S.A. GENERAL SHAREHOLDERS' MEETING

Capital increase paid with non-monetary contributions for a nominal amount of €72,142,857.50, through the issue and circulation of 288,571,430 new ordinary shares, with a par value of €0.25 each, the consideration for which consists of all the shares of Hofinac Real Estate, S.L. owned by Hofinac, B.V. Delegation of powers.

The General Shareholders' Meeting of Inmobiliaria Colonial, S.A. ("**Colonial**" or the "**Company**") hereby resolves to increase the Company's share capital through non-monetary contributions in accordance with the terms and conditions established below, in order to issue the Colonial shares needed to acquire, as consideration for the contributions, all the shares in Hofinac Real Estate, S.L. ("**Hofinac**") owned by Hofinac, B.V.

For the purposes of this resolution, all the words beginning with a capital letter and not expressly defined herein will have the same meaning as in the Board of Directors' report giving rise to the present resolution.

1. CAPITAL SHARE INCREASE

A resolution is hereby taken to increase Colonial's share capital by a nominal amount of €72,142,857.50 through the issue and circulation of 288,571,430 new ordinary shares with a par value of €0.25 each, all of the same class and series as those currently in circulation. The consideration for the new shares to be issued consists of non-monetary contributions, specifically 24,943,470 shares in Hofinac, numbered consecutively from 1 to 24,943,470, both inclusive. These shares are free of all encumbrances and liens and represent 100% of the share capital.

2. DESCRIPTION OF THE NON-MONETARY CONTRIBUTION AND IDENTIFICATION OF THE CONTRIBUTOR

The contribution consists of 24,943,470 shares in Hofinac, numbered consecutively from 1 to 24,943,470, both inclusive. These shares are free of any liens and encumbrances and represent 100% of Hofinac's share capital.

Hofinac was incorporated in Spain on 15 September 2000 under the name Gic Real Estate España, S.L. The incorporation deed was executed before the Madrid notary public José Aristónico García Sánchez with number 2703 of his notary record book. Hofinac's registered offices are at Torre Picasso, Plaza de Pablo Ruiz Picasso 1. It was entered in the Madrid Commercial Register in volume 15.813, sheet 101, page M-266.935, and it holds taxpayer identification number B-82759242. The company's activity is the sale and purchase, holding, lease and management of all types of real estate properties, and it is the owner of the Properties referred to in the Board of Directors' report giving rise to this resolution.

The capital increase covered by this resolution involves the issue of new shares to be delivered exclusively to Hofinac B.V., a Dutch company holding tax identification number N0038152E, as consideration for the contribution. The company's registered offices are

at Herengracht 466, Amsterdam (1017 CA), Netherlands, and it is registered in the Amsterdam Commercial Register with number 60439157 (the “Contributor”).

3. NUMBER OF NEW SHARES TO BE ISSUED

As consideration for the non-monetary contribution consisting of 24,943,470 shares in Hofinac, a resolution is hereby taken to issue a total of 288,571,430 new shares with a par value of €0.25 and a share premium of €0.45 each. All shares are of the same class and series as those currently in circulation, and will be fully subscribed and paid by the Contributor through the contribution of 24,943,470 shares it holds in Hofinac, representing 100% of the latter's share capital. Consequently, the effective amount of the capital increase is €202,000,001.00.

The swap ratio is 11,569 Colonial shares, with a par value of €0.25 each, for each share of Hofinac.

4. TYPE OF ISSUE

The new Colonial shares will be issued at a par value of €0.25 each plus a share premium of €0.45 per share. Consequently, the total issue price of the shares is set at €0.70 per share.

5. SUBSCRIPTION AND PAYMENT

The new Colonial shares will be subscribed by the Contributor, and the par value and share premium will be fully paid at the time the capital increase deed is signed.

6. INCOMPLETE SUBSCRIPTION

In accordance with Article 311 of *Royal Legislative Decree 1/2010, of 2 July, approving the consolidated Limited Liability Companies Law* (the "**Limited Liability Companies Law**"), the possibility of an incomplete subscription of the capital increase covered by this resolution is expressly provided for. Consequently, the capital increase (up to the ceiling established herein) will be limited to the amount corresponding to the par value of the new Colonial shares effectively subscribed and paid as consideration for the Hofinac shares effectively contributed.

7. NON-EXISTENCE OF PREFERENTIAL SUBSCRIPTION RIGHTS

In light of Article 304 of the Limited Liability Companies Law and given that, the capital increase is through non-monetary contributions, the Company's shareholders will not be entitled to preferential subscription rights over the shares to be issued as part of the capital increase through non-monetary contributions covered by this resolution.

8. RIGHTS CARRIED BY THE NEW SHARES

The new shares will carry the same voting and dividend rights as the Company's shares currently in circulation, as from the date on which they are entered, in the owners' name, in the corresponding accounting records. In particular with respect to the dividend rights, the new shares will entitle the shareholder to receive the interim and final dividends approved for distribution in the future.

9. REPRESENTATION OF THE NEW SHARES

The newly issued shares will be represented through book-entries managed by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (“Iberclear”) and its member entities.

10. ADMISSION TO TRADING OF NEW SHARES

A resolution is hereby taken to request the admission to trading of Colonial's new shares on the Madrid and Barcelona stock exchanges and/or on any other Spanish or foreign market on which the Company's shares may be listed when this resolution is implemented, and their incorporation into the Spanish Stock Market Interconnection System (SIBE).

It is hereby expressly noted that if the de-listing of the Company is subsequently requested, such de-listing will be adopted in compliance with the formalities and requirements of the legislation in force.

11. GUARANTEES FOR THE NON-MONETARY CONTRIBUTIONS

In view of the nature of the assets to be contributed, no special guarantees have been adopted. Nevertheless, there is a commitment by the Contributor to contribute the shares referred to in section 2.

12. AMENDMENT TO ARTICLE 5 OF THE BY-LAWS.

The Board of Directors is expressly entrusted with drafting the new wording of Article 5 of the Company's by-laws to reflect the shares actually subscribed and paid.

13. DELEGATION OF POWERS

Without prejudice to the specific delegation of powers established in the preceding sections (which are to be understood to constitute express powers to delegate to the persons indicated herein), a resolution is hereby taken to grant the Board of Directors the broadest powers that may be required by law, and expressly to empower it to delegate this power to the Chairman of the Board of Directors, the Chief Executive Officer, the Secretary or the Deputy Secretary, so that any of them, without distinction and solely with his/her signature, may carry out this resolution within a term of one year from the date of the present General Shareholders' Meeting, after which period, if this resolution has not been put into effect, it will become null and void. In particular, this includes but is not limited to the following:

- Declaring that the share capital covered by the capital increase has been subscribed and fully paid, including in the event of an incomplete subscription as foreseen in Article 311 of the Limited Liability Companies Law, in which case the Board may declare the capital increase to be closed at the amount of the subscriptions effectively made. Adopting, to that end, all resolutions legally necessary to formalise the resolution(s) to execute the capital increase, as well as the corresponding amendments to the final article of the by-laws relating to the Company's share capital;

- Extending and implementing this resolution, setting the terms and conditions for all aspects of the issue not expressly foreseen herein, including but not limited to establishing the date on which the capital increase will be carried out;
- Drafting, signing and filing the following, as applicable, before the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores, “**CNMV**”) and/or any other relevant supervisory authority, in respect of the issue and admission to trading of new shares issued by virtue of this resolution: (i) as many prospectuses and supplements thereto as may be necessary, assuming liability therefor; and (ii) as many documents and disclosures as may be required to comply with *Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC*, in *Royal Legislative Decree 4/2015 of 23 October, approving the consolidated Securities Market Law*, in *Royal Decree 1310/2005 of 4 November, on the admission to trading of securities in official secondary markets, public offerings or public subscription offers and the related prospectuses* and in any other legislation, national or foreign, applicable to the performance of this resolution; as well carrying out, in the name of the Company, any action, statement or measure required by the CNMV, IBERCLEAR, the governing bodies of the stock exchanges or any other public or private body, entity or registry, whether Spanish or foreign, in order to obtain authorisation, verification and the subsequent execution of the share capital increase covered by this resolution, and the admission to trading of the new shares on the Madrid and Barcelona stock exchanges and on any other Spanish or foreign market on which the Company's shares are listed at the moment this resolution is carried out, as well as their incorporation into the Spanish Stock Market Interconnection System (SIBE);
- Negotiating and signing, as applicable and in accordance with the terms deemed most suitable, any contracts needed to successfully carry out the capital increase covered by this resolution;
- Requesting the admission to trading of the shares on the Madrid and Barcelona stock exchanges and/or on any other Spanish or foreign market on which the Company's shares are listed when this resolution is implemented, and their incorporation into the Spanish Stock Market Interconnection System; and
- Executing, in the name of the Company, as many public or private documents as may be considered necessary or appropriate for the issue of the new shares under this resolution and their admission for trading, and, in general, carrying out any procedures required for the implementation of the resolution, such as rectifying, clarifying, interpreting, specifying or complementing the resolutions adopted at the General Shareholders' Meeting and, in particular, any defects, omissions or errors, of substance or procedure, cited in the verbal or written assessment, that may prevent these resolutions and the consequences thereof from being placed on record at the Commercial Register, the CNMV Official Registries, or any other registries.

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This report was prepared and approved by the Board of Directors at the meeting held in Madrid on 23 May 2016.