



REPORT PREPARED BY THE BOARD OF DIRECTORS OF INMOBILIARIA COLONIAL, S.A. ON THE PROPOSED RESOLUTION RELATING TO THE APPOINTMENT OF MR CARLOS FERNÁNDEZ GONZÁLEZ (ITEM 13 ON THE AGENDA).

1. Report from the Board

The Board of Directors of Inmobiliaria Colonial, S.A. (“**Colonial**” or the “**Company**”) resolved to call an Annual General Meeting to be held on 27 June 2016 on first call and on 28 June 2016 on second call and to submit for approval by the shareholders, under item 13 on the agenda, the appointment for a bylaw-stipulated four-year period of Mr Carlos Fernández González as a proprietary director.

2. Justification for the Motion

For the purpose of preparing the proposed appointment, the Board assessed the favourable report issued by the Appointments and Remuneration Committee after having analysed the Board's current composition, its needs and the Company's shareholder structure, evaluating the conditions to be met by the directors for the discharge of their duties. The Board of Directors endorses the conclusions reached in that report, which are reproduced in this report.

In this regard, this proposal results from the agreement between Colonial and Hofinac B.V. under which Hofinac B.V. will become a holder of approximately 8% of the Company's share capital subsequent to execution of the resolution for the non-monetary capital increase, which is submitted for approval by the shareholders under item eight on the agenda. As a result of this appointment, Hofinac B.V. will have a representative on the Board of Directors, which, in the opinion of the Board of Directors, entails appropriate representation based on the Company's shareholder structure.

The Board of Directors assessed the skills, merits and experience of Mr Carlos Fernández González as a result of his appointment, based on his academic history and professional career:

An industrial engineer, he has followed senior management programmes at Instituto Panamericano de Alta Dirección de Empresa.

For more than 30 years he has held positions of substantial responsibility, complexity and skills in the management of companies in various sectors. He was CEO (1997-2013) and Chairman of the Board of Directors (2005-2013) of the Modelo Group, of which remains a director. Following his appointment as CEO up until 2013, this Group consolidated its position as the leading brewery in Mexico, the seventh group worldwide and the largest beer exporter in the world.

Also, he has been a director at international and Spanish companies, including, inter alia, Anheuser Busch (US), Emerson Electric Co. (US), Seeger Industrial (Spain), Televisa Group (Mexico), Crown Imports, Ltd. (US), Inbursa (Mexico) and Bolsa Mexicana de Valores. In addition, he has been a member of the international advisory council of Banco Santander, S.A. and director of Grupo Financiero Santander México S.A.B de C.V.

He is currently Chairman of the Board of Directors and general manager of Grupo Finaccess S.A.P.I. de C.V. -a company which he founded- which is present in Mexico, Spain and the US. He is also an independent director of Banco Santander, S.A.

Mr Carlos Fernández González's professional career, described in the foregoing paragraphs, shows that he has extensive knowledge of and experience at Spanish and international level so as to join the Board of Directors.

Therefore, the Board of Directors considers that Mr Carlos Fernández González is a person who has a track record of professional and business repute, leaves no doubt as to his ability to perform a sound and prudent management of the Company and brings the experience and merits required so as to propose to the shareholders at the Company's Annual General Meeting his appointment as a member of Colonial's Board of Directors, with the category of proprietary director for the bylaw-stipulated four-year period.

PROPOSED RESOLUTION TO APPOINT MR CARLOS FERNÁNDEZ GONZÁLEZ AS DIRECTOR

Appointment of Carlos Fernández González as Director of the Company, with the category of proprietary director.

It is agreed, following the proposal by the Board of Directors and prior report from the Appointments and Remuneration Committee to appoint Carlos Fernández González as Member of the Board of Directors of Inmobiliaria Colonial, S.A. with the category of proprietary director for the statutory term of four years, counted from the date adoption of the present resolution.

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