



INMOBILIARIA COLONIAL, S.A. BOARD OF DIRECTORS' REPORT ON PROPOSED AMENDMENTS TO THE REGULATIONS OF THE SHAREHOLDERS' MEETING, PRIMARILY TO BRING THEM INTO LINE WITH THE LATEST LEGISLATIVE CHANGES ENACTED IN 2015 (AGENDA ITEM SEVENTEENTH)

1. Purpose of the report

The Board of Directors of Inmobiliaria Colonial, S.A. ("**Colonial**" or the "**Company**") has agreed 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 seventeenth, the approval of the amendment of articles 5, 16 and 22 of the Company's Regulations of the Shareholders' Meeting.

In accordance with article 512 of *Royal Legislative Decree 1/2010 of 2 July, approving the Consolidated Text of the Spanish Limited Liability Companies Law* (the "**Spanish Limited Liability Companies Law**"), limited liability companies whose shares are listed on an official secondary securities market must have specific regulations governing their general meetings and such regulations must be approved by the shareholders in general meeting. The Board of Directors has prepared this report in accordance with the above article and so that the Company's shareholders may exercise their right to vote on the proposed amendment of the Regulations of the Shareholders' Meeting.

2. Justification of the proposals

The primary purpose of the amendments put forth for approval at the General Shareholders' Meeting is to bring the Company's Regulations of the Shareholders' Meeting into line with the modifications introduced in the *Spanish Limited Liability Companies Law* by *Law 5/2015 of 27 April, supporting business financing* ("**Law 5/2015**") and by *Voluntary Jurisdiction Law 15/2015 of 2 July* ("**Law 15/2015**").

To this end, the following is proposed:

- 1) Amendment of articles 5 ("*Powers*"), 16 ("*Constitution of the Shareholders' Meeting*") and 22 ("*Adoption of resolutions*") of the Company's Regulations of the Shareholders' Meeting, as a result of modification of article 406 of the Spanish Limited Liability Companies Law introduced through article 45 of Law 5/2015. In that regard, the prevailing law entrusts the governing body, except where otherwise regulated in the bylaws, with the power to approve the issue and admission to trading of bonds as well as to resolve to grant guarantees for the issue of bonds, provided that these are not bonds convertible into shares or bonds that attribute a share of the company's earnings to the bondholders.

The proposed amendment of articles 5, 16 and 22 aims to clarify that the reference made in said articles to the issue of bonds within the scope of the powers vested in the Shareholders' Meeting only extends to bonds that are convertible into shares and bonds that attribute a share of the Company's earnings to the bondholders.

Moreover, in accordance with the proposed amendments to the Regulations of the Shareholders' Meeting, under agenda item sixteenth, the shareholders are asked to consider the amendment of article 22 of the Company's Bylaws, concerning the issue of bonds, in order to attribute to the Board of Directors, as provided for in the current wording of the Spanish Limited Liability Companies Law, the power to resolve to issue and seek admission to trading of bonds, as well as

approve the granting of guarantees for bond issues, provided that these are not bonds convertible into shares or bonds that attribute a share of the Company's earnings to the bondholders.

Therefore, future issues of bonds, provided that these are not bonds convertible into shares or bonds that attribute a share of the Company's earnings to the bondholders, shall be performed upon a resolution by the governing body. Accordingly, the resolution taken at the Shareholders' Meeting of 24 April 2015, under agenda item eleventh, shall be rendered ineffective.

- 2) Amendment of article 8 ("*Court-ordered meetings*") of the Regulations of the Shareholders' Meeting, as a result of the modification, inter alia, of articles 169 and 170 of the Spanish Limited Liability Companies Law referring to court-ordered general shareholders' meetings, as introduced by the final provision 14.2 of Law 15/2015. This modification transferred the power to convene meetings, under certain circumstances, from a court judge to the court clerk and the Mercantile Registrar corresponding to a company's registered address.

The proposed amendment of article 8 of the Regulations of the Shareholders' Meeting aims to adapt the wording thereof to the procedure foreseen in the Spanish Limited Liability Companies Law for this manner of convening a general shareholders' meeting.

- 3) Modification of article 18 ("*Attendance list*") of the Regulations of the Shareholders' Meetings, to adapt its content to article 12 of that same regulation and to article 19 of the Bylaws, in respect of the right to attend the General Shareholders' Meetings.

3. **Proposed amendments**

The amendments proposed to adapt the Company's Regulations of the Shareholders' Meeting to the new wording of the Spanish Limited Liability Companies Law are as follows:

CURRENT WORDING	PROPOSED WORDING
<p>Article 5. Powers</p> <p>As the sovereign body of the Company, the shareholders at their General Meeting shall adopt all pertinent resolutions in accordance with prevailing legislation and the Company Bylaws. In particular, the shareholders in General Meeting are entrusted with deliberating and reaching resolutions on the following matters:</p> <ul style="list-style-type: none"> ▪ Approval of the Company's annual individual and consolidated financial statements, the distribution of profits or the application of losses, and approval of the Company's management ▪ Appointment and removal of directors, liquidators and, where applicable, the statutory auditors, bearing responsibility for the Company's actions vis-à-vis such individuals ▪ Amendment of the Company's Bylaws ▪ Capital increases or decreases, without prejudice to any powers delegated to the Board of Directors in that regard ▪ Removal or limitation of preferential subscription rights, without prejudice to any powers delegated to the Board of Directors in that regard ▪ Acquisition, disposal or contribution to another company of core assets. Assets are deemed to be core assets when the transaction amount exceeds 25% of the carrying amount of the assets on the last approved balance sheet. ▪ Transfer to subsidiaries of core activities previously carried out 	<p>Article 5. Powers</p> <p>As the sovereign body of the Company, the shareholders at their General Meeting shall adopt all pertinent resolutions in accordance with prevailing legislation and the Company Bylaws. In particular, the shareholders in General Meeting are entrusted with deliberating and reaching resolutions on the following matters:</p> <ul style="list-style-type: none"> ▪ Approval of the Company's annual individual and consolidated financial statements, the distribution of profits or the application of losses, and approval of the Company's management ▪ Appointment and removal of directors, liquidators and, where applicable, the statutory auditors, bearing responsibility for the Company's actions vis-à-vis such individuals ▪ Amendment of the Company's Bylaws ▪ Capital increases or decreases, without prejudice to any powers delegated to the Board of Directors in that regard ▪ Suppression or limitation of preferential subscription rights, without prejudice to any powers delegated to the Board of Directors in that regard ▪ Acquisition, disposal or contribution to another company of core assets. Assets are deemed to be core assets when the transaction amount exceeds 25% of the carrying amount of the assets on the last approved balance sheet.

CURRENT WORDING	PROPOSED WORDING
<p>by the Company, even while the latter retains full control of the former. Activities and operating assets are deemed to be core activities and operating assets, respectively, when the transaction amount exceeds 25% of total assets shown on the balance sheet.</p> <ul style="list-style-type: none"> ▪ Transformation, merger, spin-off or global transfer of assets and liabilities, and the relocation of the Company's registered offices to outside Spain ▪ Issue of bonds and other marketable securities, without prejudice to any powers delegated to the Board of Directors in that regard ▪ Authorisation to acquire treasury shares within the legal limits, except for cases of unrestricted acquisition foreseen in prevailing legislation ▪ Winding up of the Company ▪ Transactions that effectively add up to liquidation of the Company ▪ Approval of the final liquidation balance sheet ▪ The policy for remunerating Board members, in accordance with prevailing legislation ▪ Approval and amendment of these Regulations ▪ Any other matters determined by Law or the By-laws 	<ul style="list-style-type: none"> ▪ Transfer to subsidiaries of core activities previously carried out by the Company, even while the latter retains full control of the former. Activities and operating assets are deemed to be core activities and operating assets, respectively, when the transaction amount exceeds 25% of total assets shown on the balance sheet. ▪ Transformation, merger, spin-off or global transfer of assets and liabilities, and the relocation of the Company's registered offices abroad ▪ Issue of bonds convertible into shares or that attribute a share of the Company's earnings to the bondholders, without prejudice to any powers delegated to the Board of Directors in that regard ▪ Authorisation to acquire treasury shares within the legal limits, except for cases of unrestricted acquisition foreseen in prevailing legislation ▪ Winding up of the Company ▪ Transactions that effectively add up to liquidation of the Company ▪ Approval of the final liquidation balance sheet ▪ The policy for remunerating Board members, in accordance with prevailing legislation ▪ Approval and amendment of these Regulations ▪ Any other matters determined by Law or the By-laws
<p>Article 8. Court-ordered meetings</p> <p>In the event the Ordinary General Shareholders' Meeting is not convened within the period specific by law, a Commercial Court judge corresponding to the Company's registered address may convene the meeting at the request of the shareholders and after holding a hearing with the directors. The judge may also designate the individual to preside the meeting.</p> <p>The above also applies to the Extraordinary General Shareholders' Meeting, when so requested by the number of shareholders determined in article 6.3 of these Regulations.</p>	<p>Article 8. Court-ordered meetings Meeting ordered by the court or by the registry</p> <p>In the event the Ordinary General Shareholders' Meeting is not convened within the period specific by law, the Commercial Court judge clerk or the Mercantile Registrar corresponding to the Company's registered address may convene the meeting at the request of the shareholders and after holding a hearing with the directors. The clerk or registrar may also designate the individual to preside the meeting.</p> <p>The above also applies to the Extraordinary General Shareholders' Meeting, when so requested by the number of shareholders determined in article 6.3 of these Regulations.</p>
<p>Article 16. Constitution of the Shareholders' Meeting</p> <p>The General Shareholders' Meeting will be deemed validly convened on first call when shareholders present or represented hold at least 25% of subscribed share capital bearing voting rights. The General Shareholders' Meeting will be deemed validity convened on second call, regardless of the percentage of subscribed capital represented therein.</p> <p>Notwithstanding the provisions of the previous paragraph, which stipulates that for a General Meeting held at first call to pass valid resolutions on capital increases and decreases, amendments to the Bylaws, the issue of bonds, the removal of or limits to the pre-emptive rights to acquire new shares, as well as the conversion, merger, spin-off or division of the Company and the relocation of the registered office to outside Spain, or any other matter determined by Law, shareholders present or represented must hold at least 50% of the subscribed share capital with voting rights. If held at second call, the attendance of shareholders holding 25% of the capital shall be sufficient.</p> <p>The content of this article is without prejudice to the reinforced quorums for constitution or voting established by law or in the Bylaws.</p>	<p>Article 16. Constitution of the Shareholders' Meeting</p> <p>The General Shareholders' Meeting will be deemed validly convened on first call when shareholders present or represented hold at least 25% of subscribed share capital bearing voting rights. The General Shareholders' Meeting will be deemed validity convened on second call, regardless of the percentage of subscribed capital represented therein.</p> <p>Notwithstanding the provisions of the previous paragraph, which stipulates that for a General Meeting held at first call to pass valid resolutions on capital increases and decreases, amendments to the Bylaws, the issue of bonds that are convertible into shares or bonds that attribute a share in the Company's earnings to bondholders, the removal of or limits to the pre-emptive rights to acquire new shares, as well as the conversion, merger, spin-off or division of the Company and the relocation of the registered office to outside Spain, or any other matter determined by Law, shareholders present or represented must hold at least 50% of the subscribed share capital with voting rights. If held at second call, the attendance of shareholders holding 25% of the capital shall be sufficient.</p> <p>The content of this article is without prejudice to the reinforced</p>

CURRENT WORDING	PROPOSED WORDING
<p>Shareholders voting remotely, pursuant to the terms of the corresponding meeting notice, shall be considered in attendance for the purposes of constituting the General Meeting.</p> <p>Should shareholders leave the meeting once it has been deemed properly constituted, this will not affect the validity of the meeting.</p> <p>The Board of Directors need not be in attendance for the General Meeting to be deemed validly convened.</p>	<p>quorums for constitution or voting established by law or in the Bylaws.</p> <p>Shareholders voting remotely, pursuant to the terms of the corresponding meeting notice, shall be considered in attendance for the purposes of constituting the General Meeting.</p> <p>Should shareholders leave the meeting once it has been deemed properly constituted, this will not affect the validity of the meeting.</p> <p>The Board of Directors need not be in attendance for the General Meeting to be deemed validly convened.</p>
<p>Article 18. Attendance list</p> <p>Prior to addressing the agenda items, a list of attendees will be prepared, stating the nature or proxy representation of each person in attendance and the number of shares owned or represented thereby.</p> <p>The right to attend the meeting may be evidenced through the certificate issued by the entities entrusted with keeping book annotations for the Company's shares, provided the shareholder holds at least 50 shares and is duly entered into that register at least five days prior to the meeting date.</p> <p>Shareholders wishing to vote remotely, providing this possibility is foreseen in the meeting notice, must evidence their identity and shareholder status, as stipulated by the Board of Directors in the meeting notice.</p> <p>Shareholders or shareholder proxies arriving at the General Meeting place after the shareholders in attendance have already begun to examine and deliberate on the agenda items will not be included in the attendance list.</p> <p>Nevertheless, the Chairman may decide to delay the closure of the attendance list for a number of minutes, in order to allow for last-minute bottlenecks of arriving shareholders. In this case, the list may be provisionally closed in order to calculate whether a quorum has been reached to validly convene the General Meeting. In any event, the list must be definitively closed and the definitive quorum determined prior to beginning any debates on the agenda items.</p> <p>At the end of the list, the number of shareholders present or represented will be indicated, along with the amount of capital they own or represent, specifying the amount of shares that carry voting rights.</p> <p>The Secretary shall include the attendance list at the head of the minutes or attach the list thereto as an appendix, duly approved by the Chairman. If the minutes are taken by a notary public, the attendance list need only be attached to the minutes.</p> <p>The attendance list may also be included as an electronic file.</p>	<p>Article 18. Attendance list</p> <p>Prior to addressing the agenda items, a list of attendees will be prepared, stating the nature or proxy representation of each person in attendance and the number of shares owned or represented thereby.</p> <p>The right to attend the meeting may be evidenced through the certificate <u>corresponding attendance card or validly-issued certificate</u> issued by the entities entrusted with keeping book annotations for the Company's shares, provided the shareholder holds at least 50 shares and is duly entered into that register- <u>and by presenting the pertinent identity documents and, where applicable, ownership or proxy representation for the shares required,</u> at least five days prior to the meeting date.</p> <p>Shareholders wishing to vote remotely, providing this possibility is foreseen in the meeting notice, must evidence their identity and shareholder status, as stipulated by the Board of Directors in the meeting notice.</p> <p>Shareholders or shareholder proxies arriving at the General Meeting place after the shareholders in attendance have already begun to examine and deliberate on the agenda items will not be included in the attendance list.</p> <p>Nevertheless, the Chairman may decide to delay the closure of the attendance list for a number of minutes, in order to allow for last-minute bottlenecks of arriving shareholders. In this case, the list may be provisionally closed in order to calculate whether a quorum has been reached to validly convene the General Meeting. In any event, the list must be definitively closed and the definitive quorum determined prior to beginning any debates on the agenda items.</p> <p>At the end of the list, the number of shareholders present or represented will be indicated, along with the amount of capital they own or represent, specifying the amount of shares that carry voting rights.</p> <p>The Secretary shall include the attendance list at the head of the minutes or attach the list thereto as an appendix, duly approved by the Chairman. If the minutes are taken by a notary public, the attendance list need only be attached to the minutes.</p> <p>The attendance list may also be included as an electronic file.</p>
<p>Article 22. Adoption of resolutions</p> <p>Once all shareholders have finished their presentations, a vote will be held on the proposed resolutions on agenda item matters and on those matters not legally required to be stated on the agenda.</p>	<p>Article 22. Adoption of resolutions</p> <p>Once all shareholders have finished their presentations, a vote will be held on the proposed resolutions on agenda item matters and on those matters not legally required to be stated on the agenda.</p>

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<p>Adoption of a resolution at the General Shareholders' Meeting requires the favourable vote of a simple majority of the shareholders present or represented therein. A resolution will be considered adopted when more votes are cast in favour than against, out of the capital present or represented.</p> <p>For a General Meeting to pass valid resolutions on capital increases and decreases, amendments to the Bylaws, the issue of bonds, the removal of or limits to the pre-emptive rights to acquire new shares, as well as the conversion, merger, spin-off or division of the Company and the relocation of the registered office to outside Spain, or any other matter determined by Law, a resolution may be taken by an absolute majority vote, providing the capital present or represented exceeds 50% of all subscribed capital. However, the favourable vote of shareholders holding two-thirds of the share capital attending the meeting in person or by proxy will be required when, on second call, at least 25% but less than 50% of the subscribed share capital with voting rights is in attendance.</p> <p>Each share carries the right to one vote.</p> <p>Separate votes should be taken at the General Meeting on materially separate items, so shareholders can express their preferences in each case. In any event, even if listed as the same agenda item, separate votes should be taken on the following matters: (i) the appointment, ratification, re-appointment or removal of each director; (ii) when amending the Bylaws, each article or group of articles that can be considered independently; and (iii) those matters for which separate voting is required by Law or the By-laws.</p> <p>Entities duly registered as shareholders through book annotations but that act on behalf of different individuals, may split their vote and exercise it in conflicting senses, in order to comply with any contradictory voting instructions received.</p> <p>These intermediaries may also delegate their vote to each of the indirect owners or third parties designated thereby, without a limit to the number of delegations granted.</p>	<p>Adoption of a resolution at the General Shareholders' Meeting requires the favourable vote of a simple majority of the shareholders present or represented therein. A resolution will be considered adopted when more votes are cast in favour than against, out of the capital present or represented.</p> <p>For a General Meeting to pass valid resolutions on capital increases and decreases, amendments to the Bylaws, the issue of bonds that are convertible into shares or bonds that attribute a share in the Company's earnings to bondholders, the removal of or limits to the pre-emptive rights to acquire new shares, as well as the conversion, merger, spin-off or division of the Company and the relocation of the registered office to outside Spain, or any other matter determined by Law, a resolution may be taken by an absolute majority vote, providing the capital present or represented exceeds 50% of all subscribed capital. However, the favourable vote of shareholders holding two-thirds of the share capital attending the meeting in person or by proxy will be required when, on second call, at least 25% but less than 50% of the subscribed share capital with voting rights is in attendance.</p> <p>Each share carries the right to one vote.</p> <p>Separate votes should be taken at the General Meeting on materially separate items, so shareholders can express their preferences in each case. In any event, even if listed as the same agenda item, separate votes should be taken on the following matters: (i) the appointment, ratification, re-appointment or removal of each director; (ii) when amending the Bylaws, each article or group of articles that can be considered independently; and (iii) those matters for which separate voting is required by Law or the By-laws.</p> <p>Entities duly registered as shareholders through book annotations but that act on behalf of different individuals, may split their vote and exercise it in conflicting senses, in order to comply with any contradictory voting instructions received.</p> <p>These intermediaries may also delegate their vote to each of the indirect owners or third parties designated thereby, without a limit to the number of delegations granted.</p>
<p>For each agenda item, the proposed resolutions formulated by the Board of Directors shall be put to vote and, subsequently and where applicable, a vote will be held for any other proposals put forward, in the order they were made. In any event, once a proposed resolution is adopted, all other proposals on that same matter that are incompatible with the adopted resolution shall be automatically dismissed and no votes shall be taken thereon.</p> <p>The Secretary will not be required to set out or read those proposed resolutions whose texts had been made available to the shareholders prior to the General Meeting, except where, for all or some of the proposals, such a reading is requested, either in part or in full, by any shareholder, or where the Chairman deems that such a reading is advisable. In any event, the shareholders will be informed of the agenda item corresponding to the proposed resolution being voted on.</p> <p>The Secretary may set out or read a summary of the proposed resolutions whose texts have been made available to the shareholders prior to the General Meeting.</p>	<p>For each agenda item, the proposed resolutions formulated by the Board of Directors shall be put to vote and, subsequently and where applicable, a vote will be held for any other proposals put forward, in the order they were made. In any event, once a proposed resolution is adopted, all other proposals on that same matter that are incompatible with the adopted resolution shall be automatically dismissed and no votes shall be taken thereon.</p> <p>The Secretary will not be required to set out or read those proposed resolutions whose texts had been made available to the shareholders prior to the General Meeting, except where, for all or some of the proposals, such a reading is requested, either in part or in full, by any shareholder, or where the Chairman deems that such a reading is advisable. In any event, the shareholders will be informed of the agenda item corresponding to the proposed resolution being voted on.</p> <p>The Secretary may set out or read a summary of the proposed resolutions whose texts have been made available to the shareholders prior to the General Meeting.</p>

CURRENT WORDING	PROPOSED WORDING
<p>As a general rule to ensure smooth functioning of the General Meeting, resolutions will be voted on in accordance with the following procedure, on the understanding that any shareholder leaving the meeting room prior to a vote without indicating his or her intention to leave and the agenda item at which the absence occurred effectively votes in favour of the proposals presented or assumed by the Board of Directors in connection with the agenda items during the absence:</p> <p>a) In the case of resolutions on matters included in the agenda, the votes of all shareholders in attendance or represented, as indicated in the attendance list, will be considered to be in favour of the proposal presented or assumed by the Board and subject to vote, less: 1) those votes corresponding to shares whose owners or proxy representatives had indicated to the Secretary, or to the individual designated thereby, that they were leaving the meeting prior to the vote; 2) any votes against; 3) abstentions; and 4) scratch ballots.</p> <p>For the purposes of the vote, the Chairman, or the person designated thereby, will call for the votes against and subsequently for any abstentions. Therefore, it is unnecessary to call for any votes in favour.</p> <p>Scratch ballots will only be taken into account when the casting shareholder expressly requests as much. In this case, the Chairman, or the person designated thereby, may not raise any questions in that regard.</p>	<p>As a general rule to ensure smooth functioning of the General Meeting, resolutions will be voted on in accordance with the following procedure, on the understanding that any shareholder leaving the meeting room prior to a vote without indicating his or her intention to leave and the agenda item at which the absence occurred effectively votes in favour of the proposals presented or assumed by the Board of Directors in connection with the agenda items during the absence:</p> <p>a) In the case of resolutions on matters included in the agenda, the votes of all shareholders in attendance or represented, as indicated in the attendance list, will be considered to be in favour of the proposal presented or assumed by the Board and subject to vote, less: 1) those votes corresponding to shares whose owners or proxy representatives had indicated to the Secretary, or to the individual designated thereby, that they were leaving the meeting prior to the vote; 2) any votes against; 3) abstentions; and 4) scratch ballots.</p> <p>For the purposes of the vote, the Chairman, or the person designated thereby, will call for the votes against and subsequently for any abstentions. Therefore, it is unnecessary to call for any votes in favour.</p> <p>Scratch ballots will only be taken into account when the casting shareholder expressly requests as much. In this case, the Chairman, or the person designated thereby, may not raise any questions in that regard.</p>
<p>b) In the case of resolutions on matters not included in the agenda or on proposals not assumed by the Board, the votes of all shareholders in attendance or represented, as indicated in the attendance list, will be considered to be votes against, less: 1) those votes corresponding to shares whose owners or proxy representatives had indicated to the Secretary, or to the individual designated thereby, that they were leaving the meeting prior to the vote; 2) any votes for; 3) abstentions; and 4) scratch ballots.</p> <p>Nevertheless, when any shareholder duly exercises the right to add to the agenda or to present new proposed resolutions prior to the General Meeting date, all such items or alternative proposals must be subject to a vote, applying the same voting rules as for those items or proposals put forth by the Board of Directors, in particular including the assumptions or deductions of votes for and against.</p> <p>For the purposes of the vote, the Chairman, or the person designated thereby, will call for the votes in favour and subsequently for any abstentions. Therefore, it is unnecessary to call for any votes against.</p> <p>Scratch ballots will only be taken into account when the casting shareholder expressly requests as much. In this case, the Chairman may not raise any questions in that regard.</p> <p>A shareholder or proxy representative leaving the meeting room must inform the Secretary, or the person designated thereby, through a written, signed notice, indicating the number of shares owned and/or represented and the next agenda item to be voted on after the shareholder or proxy leaves the room. To that end, the written vote card given to the shareholder or proxy representative upon registering for the attendance list may be used.</p>	<p>b) In the case of resolutions on matters not included in the agenda or on proposals not assumed by the Board, the votes of all shareholders in attendance or represented, as indicated in the attendance list, will be considered to be votes against, less: 1) those votes corresponding to shares whose owners or proxy representatives had indicated to the Secretary, or to the individual designated thereby, that they were leaving the meeting prior to the vote; 2) any votes for; 3) abstentions; and 4) scratch ballots.</p> <p>Nevertheless, when any shareholder duly exercises the right to add to the agenda or to present new proposed resolutions prior to the General Meeting date, all such items or alternative proposals must be subject to a vote, applying the same voting rules as for those items or proposals put forth by the Board of Directors, in particular including the assumptions or deductions of votes for and against.</p> <p>For the purposes of the vote, the Chairman, or the person designated thereby, will call for the votes in favour and subsequently for any abstentions. Therefore, it is unnecessary to call for any votes against.</p> <p>Scratch ballots will only be taken into account when the casting shareholder expressly requests as much. In this case, the Chairman may not raise any questions in that regard.</p> <p>A shareholder or proxy representative leaving the meeting room must inform the Secretary, or the person designated thereby, through a written, signed notice, indicating the number of shares owned and/or represented and the next agenda item to be voted on after the shareholder or proxy leaves the room. To that end, the written vote card given to the shareholder or proxy representative upon registering for the attendance list may be used.</p>

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<p>Notwithstanding the above, if the Chairman deems appropriate, any other voting system may be established, provided it indicates that the number of favourable votes needed for approval were issued and allows the result of the vote to be cited in the minutes. This includes written votes using ballots provided at the General Meeting, employing the tables and systems used for recording attendance, or any technical means available for voting at a general meeting. In any case and independently of the voting system used, any shareholder may have his or her opposition to a resolution noted in the minutes. If the vote was not verbal, the shareholder must expressly indicate this desire to the Secretary and to any notary public in attendance for keeping the minutes.</p> <p>In the event two shareholder tellers were not previously designated by the shareholders in General Meeting, the Chairman and the Secretary shall be responsible for counting the votes.</p> <p>For each proposed resolution, the number of shares against which valid votes were issued will be calculated, along with the portion of total capital represented by these votes, the total number of valid votes, the number of votes for and against each proposal and any abstentions.</p>	<p>Notwithstanding the above, if the Chairman deems appropriate, any other voting system may be established, provided it indicates that the number of favourable votes needed for approval were issued and allows the result of the vote to be cited in the minutes. This includes written votes using ballots provided at the General Meeting, employing the tables and systems used for recording attendance, or any technical means available for voting at a general meeting. In any case and independently of the voting system used, any shareholder may have his or her opposition to a resolution noted in the minutes. If the vote was not verbal, the shareholder must expressly indicate this desire to the Secretary and to any notary public in attendance for keeping the minutes.</p> <p>In the event two shareholder tellers were not previously designated by the shareholders in General Meeting, the Chairman and the Secretary shall be responsible for counting the votes.</p> <p>For each proposed resolution, the number of shares against which valid votes were issued will be calculated, along with the portion of total capital represented by these votes, the total number of valid votes, the number of votes for and against each proposal and any abstentions.</p>

PROPOSED RESOLUTIONS TO AMEND THE COMPANY'S REGULATIONS OF THE SHAREHOLDERS' MEETING

Seventeenth Amendments to the Regulations of the Shareholders' Meeting, primarily to adapt them to the latest legislative changes carried out in 2015

17.1 Amendment to articles 5, 16 and 22 of the Company's Regulations of the Shareholders' Meeting, to adapt them to *Royal Legislative Decree 1/2010 of 2 July, approving the Consolidated Text of the Spanish Limited Liability Companies Law* following the modifications introduced by *Law 5/2015 of 27 April, supporting business financing*

In order to adapt the content of the Company's Regulations of the Shareholders' Meeting to the latest reforms of *Royal Legislative Decree 1/2010 of 2 July, approving the Consolidated Text of the Spanish Limited Liability Companies Law*, and in particular, to incorporate into those Regulations the latest measures introduced through *Law 5/2015 of 27 April, supporting business financing*, it is hereby resolved to approve the amendment of the text of articles 5, 6 and 22 of the Company's Regulations of the Shareholders' Meeting, to read as follows:

“Article 5: Powers

As the sovereign body of the Company, the shareholders at their General Meeting shall adopt all pertinent resolutions in accordance with prevailing legislation and the Company Bylaws. In particular, the shareholders in General Meeting are entrusted with deliberating and reaching resolutions on the following matters:

- *Approval of the Company's annual individual and consolidated financial statements, the distribution of profits or the application of losses, and approval of the Company's management*
- *Appointment and removal of directors, liquidators and, where applicable, the statutory auditors, bearing responsibility for the Company's actions vis-à-vis such individuals*

- *Amendment of the Company's Bylaws*
- *Capital increases or decreases, without prejudice to any powers delegated to the Board of Directors in that regard*
- *Removal or limitation of preferential subscription rights, without prejudice to any powers delegated to the Board of Directors in that regard*
- *Acquisition, disposal or contribution to another company of core assets. Assets are deemed to be core assets when the transaction amount exceeds 25% of the carrying amount of the assets on the last approved balance sheet.*
- *Transfer to subsidiaries of core activities previously carried out by the Company, even while the latter retains full control of the former. Activities and operating assets are deemed to be core activities and operating assets, respectively, when the transaction amount exceeds 25% of total assets shown on the balance sheet.*
- *Transformation, merger, spin-off or global transfer of assets and liabilities, and the relocation of the Company's registered offices to outside Spain*
- *Issue of bonds convertible into shares or that attribute a share of the Company's earnings to the bondholders, without prejudice to any powers delegated to the Board of Directors in that regard*
- *Authorisation to acquire treasury shares within the legal limits, except for cases of unrestricted acquisition foreseen in prevailing legislation*
- *Winding up of the Company*
- *Transactions that effectively add up to liquidation of the Company*
- *Approval of the final liquidation balance sheet*
- *The policy for remunerating Board members, in accordance with prevailing legislation*
- *Approval and amendment of these Regulations*
- *Any other matters determined by Law or the By-laws"*

"Article 16: Constitution of the Shareholders' Meeting

The General Shareholders' Meeting will be deemed validly convened on first call when shareholders present or represented hold at least 25% of subscribed share capital bearing voting rights. The General Shareholders' Meeting will be deemed validity convened on second call, regardless of the percentage of subscribed capital represented therein.

Notwithstanding the provisions of the previous paragraph, which stipulates that for a General Meeting held at first call to pass valid resolutions on capital increases and decreases, amendments to the Bylaws, the issue of bonds that are convertible into shares or bonds that attribute a share in the Company's earnings to bondholders, the removal of or limits to the pre-emptive rights to acquire new shares, as well as the conversion, merger, spin-off or division of the Company and the relocation of the registered office to outside Spain, or any other matter determined by Law, shareholders present or represented must hold at least 50% of the subscribed share capital with voting rights. If held at second call, the attendance of shareholders holding twenty-five per cent of the capital shall be sufficient.

The content of this article is without prejudice to the reinforced quorums for constitution or voting established by law or in the Bylaws.

Shareholders voting remotely, pursuant to the terms of the corresponding meeting notice, shall be considered in attendance for the purposes of constituting the General Meeting.

Should shareholders leave the meeting once it has been deemed properly constituted, this will not affect the validity of the meeting.

The Board of Directors need not be in attendance for the General Meeting to be deemed validly convened."

"Article 22: Adoption of resolutions

Once all shareholders have finished their presentations, a vote will be held on the proposed resolutions on agenda item matters and on those matters not legally required to be stated on the agenda.

Adoption of a resolution at the General Shareholders' Meeting requires the favourable vote of a simple majority of the shareholders present or represented therein. A resolution will be considered adopted when more votes are cast in favour than against, out of the capital present or represented.

For a General Meeting to pass valid resolutions on capital increases and decreases, amendments to the Bylaws, the issue of bonds that are convertible into shares or bonds that attribute a share in the Company's earnings to bondholders, the removal of or limits to the pre-emptive rights to acquire new shares, as well as the conversion, merger, spin-off or division of the Company and the relocation of the registered office to outside Spain, or any other matter determined by Law, a resolution may be taken by an absolute majority vote, providing the capital present or represented exceeds 50% of all subscribed capital. However, the favourable vote of shareholders holding two-thirds of the share capital attending the meeting in person or by proxy will be required when, on second call, at least 25% but less than 50% of the subscribed share capital with voting rights is in attendance.

Each share carries the right to one vote.

Separate votes should be taken at the General Meeting on materially separate items, so shareholders can express their preferences in each case. In any event, even if listed as the same agenda item, separate votes should be taken on the following matters: (i) the appointment, ratification, re-appointment or removal of each director; (ii) when amending the Bylaws, each article or group of articles that can be considered independently; and (iii) those matters for which separate voting is required by Law or the By-laws.

Entities duly registered as shareholders through book annotations but that act on behalf of different individuals, may split their vote and exercise it in conflicting senses, in order to comply with any contradictory voting instructions received.

These intermediaries may also delegate their vote to each of the indirect owners or third parties designated thereby, without a limit to the number of delegations granted.

For each agenda item, the proposed resolutions formulated by the Board of Directors shall be put to vote and, subsequently and where applicable, a vote will be held for any other proposals put forward, in the order they were made. In any event, once a proposed resolution is adopted, all other proposals on that same matter that are incompatible with the adopted resolution shall be automatically dismissed and no votes shall be taken thereon.

The Secretary will not be required to set out or read those proposed resolutions whose texts had been made available to the shareholders prior to the General Meeting, except where, for all or some of the proposals, such a reading is requested, either in part or in full, by any shareholder, or where the Chairman deems that such a reading is advisable. In any event, the shareholders will be informed of the agenda item corresponding to the proposed resolution being voted on.

The Secretary may set out or read a summary of the proposed resolutions whose texts have been made available to the shareholders prior to the General Meeting.

As a general rule to ensure smooth functioning of the General Meeting, resolutions will be voted on in accordance with the following procedure, on the understanding that any shareholder leaving the meeting room prior to a vote without indicating his or her intention to leave and the agenda item at which the absence occurred effectively votes in favour of the proposals presented or assumed by the Board of Directors in connection with the agenda items during the absence:

- a) *In the case of resolutions on matters included in the agenda, the votes of all shareholders in attendance or represented, as indicated in the attendance list, will be considered to be in favour of the proposal presented or assumed by the Board and subject to vote, less: 1) those votes corresponding to shares whose owners or proxy representatives had indicated to the Secretary, or to the individual designated thereby, that they were leaving the meeting prior to the vote; 2) any votes against; 3) abstentions; and 4) scratch ballots.*

For the purposes of the vote, the Chairman, or the person designated thereby, will call for the votes against and subsequently for any abstentions. Therefore, it is unnecessary to call for any votes in favour.

Scratch ballots will only be taken into account when the casting shareholder expressly requests as much. In this case, the Chairman, or the person designated thereby, may not raise any questions in that regard.

- b) *In the case of resolutions on matters not included in the agenda or on proposals not assumed by the Board, the votes of all shareholders in attendance or represented, as indicated in the attendance list, will be considered to be votes against, less: 1) those votes corresponding to shares whose owners or proxy representatives had indicated to the Secretary, or to the individual designated thereby, that they were leaving the meeting prior to the vote; 2) any votes for; 3) abstentions; and 4) scratch ballots.*

Nevertheless, when any shareholder duly exercises the right to add to the agenda or to present new proposed resolutions prior to the General Meeting date, all such items or alternative proposals must be subject to a vote, applying the same voting rules as for those items or proposals put forth by the Board of Directors, in particular including the assumptions or deductions of votes for and against.

For the purposes of the vote, the Chairman, or the person designated thereby, will call for the votes in favour and subsequently for any abstentions. Therefore, it is unnecessary to call for any votes against.

Scratch ballots will only be taken into account when the casting shareholder expressly requests as much. In this case, the Chairman may not raise any questions in that regard.

A shareholder or proxy representative leaving the meeting room must inform the Secretary, or the person designated thereby, through a written, signed notice, indicating the number of shares owned and/or represented and the next agenda item to be voted on after the shareholder or proxy leaves the room. To that end, the written vote card given to the shareholder or proxy representative upon registering for the attendance list may be used.

Notwithstanding the above, if the Chairman deems appropriate, any other voting system may be established, provided it indicates that the number of favourable votes needed for approval were issued and allows the result of the vote to be cited in the minutes. This includes written votes using ballots provided at the General Meeting, employing the tables and systems used for recording attendance, or any technical means available for voting at a general meeting. In any case and independently of the voting system used, any shareholder may have his or her opposition to a resolution noted in the minutes. If the vote was not verbal, the shareholder must expressly indicate this desire to the Secretary and to any notary public in attendance for keeping the minutes.

In the event two shareholder tellers were not previously designated by the shareholders in General Meeting, the Chairman and the Secretary shall be responsible for counting the votes.

For each proposed resolution, the number of shares against which valid votes were issued will be calculated, along with the portion of total capital represented by these votes, the total number of valid votes, the number of votes for and against each proposal and any abstentions."

17.2 Amendment to article 8 of the Company's Regulations of the Shareholders' Meeting, to adapt them to Royal Legislative Decree 1/2010 of 2 July, approving the Consolidated Text of the Spanish Limited Liability Companies Law, following the modifications introduced by Voluntary Jurisdiction Law 15/2015 of 2 July

In order to adapt the content of the Company's Regulations of the Shareholders' Meeting to the latest reforms of Royal Legislative Decree 1/2010 of 2 July, approving the Consolidated Text of the Spanish Limited Liability Companies Law, and in particular, to incorporate into those Regulations the latest measures introduced through Voluntary Jurisdiction Law 15/2015 of 2 July, it is hereby resolved to approve the amendment of the text of article 8 of the Company's Regulations of the Shareholders' Meeting, to read as follows:

"Article 8. Meeting ordered by the court or by the registry

In the event the Ordinary General Shareholders' Meeting is not convened within the period specific by law, the Commercial Court clerk or the Mercantile Registrar corresponding to the Company's registered address may convene the meeting at the request of the shareholders and after holding a hearing with the directors. The clerk or the registrar may also designate the individual to preside the meeting.

The above also applies to the Extraordinary General Shareholders' Meeting, when so requested by the number of shareholders determined in article 6.3 of these Regulations."

17.3 Amendment to article 18 of the Company's Regulations of the Shareholders' Meeting, to adapt its content to the provisions of several articles of the Regulations of the Shareholders' Meeting and the Company Bylaws in relation to the right to attend the General Shareholders' Meeting

In order to bring the content of article 18 of the Regulations of the Shareholders' Meeting into line with article 12 of that same text and with article 19 of the Bylaws, in relation to the right to attend the

General Shareholders' Meeting, it is hereby resolved to approve the amendment of the text of article 18 of the Company's Regulations of the Shareholders' Meeting, to read as follows:

“Article 18: Attendance list

Prior to addressing the agenda items, a list of attendees will be prepared, stating the nature or proxy representation of each person in attendance and the number of shares owned or represented thereby.

The right to attend the meeting may be evidenced through the corresponding attendance card or validly-issued certificate and by presenting the pertinent identity documents and, where applicable, ownership or proxy representation for the shares required, at least five days prior to the meeting date.

Shareholders wishing to vote remotely, providing this possibility is foreseen in the meeting notice, must evidence their identity and shareholder status, as stipulated by the Board of Directors in the meeting notice.

Shareholders or shareholder proxies arriving at the General Meeting place after the shareholders in attendance have already begun to examine and deliberate on the agenda items will not be included in the attendance list.

Nevertheless, the Chairman may decide to delay the closure of the attendance list for a number of minutes, in order to allow for last-minute bottlenecks of arriving shareholders. In this case, the list may provisionally be closed in order to calculate whether a quorum has been reached to validly convene the General Meeting. In any event, the list must be definitively closed and the definitive quorum determined prior to beginning any debates on the agenda items.

At the end of the list, the number of shareholders present or represented will be indicated, along with the amount of capital they own or represent, specifying the amount of shares that carry voting rights.

The Secretary shall include the attendance list at the head of the minutes or attach the list thereto as an appendix, duly approved by the Chairman. If the minutes are taken by a notary public, the attendance list need only be attached to the minutes.

The attendance list may also be included as an electronic file.”

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This report was prepared and approved by the Board of Directors in Madrid, during its session on 23 May 2016.