

REPORT BY THE BOARD OF DIRECTORS OF INMOBILIARIA COLONIAL, SOCIMI, S.A. ON THE CAPITAL INCREASE WITH A CHARGE TO MONETARY CONTRIBUTIONS, WITH THE DISAPPLICATION OF PREFERENTIAL SUBSCRIPTION RIGHTS AND PROVISION FOR INCOMPLETE SUBSCRIPTION, AS AUTHORISED AT THE GENERAL MEETING OF SHAREHOLDERS HELD ON 29 JUNE 2017.

1. PURPOSE OF THE REPORT

This report has been drawn up by the Board of Directors of Inmobiliaria Colonial, SOCIMI, S.A. ("**Colonial**" or the "**Company**") in relation to the capital increase with a charge to monetary contributions and disapplication of preferential subscription rights that the Board of Directors plans to carry out as authorised by the Company's General Meeting held on 29 June 2017, as item six on the agenda.

In this regard, the main terms of the capital increase are as follows:

- *Maximum nominal amount:* 107,118,250 euros.
- *Maximum number of new shares:* the maximum number of shares that may be issued under the capital increase shall be 42,847,300 (representing 10.92% of the current share capital).
- *Issue price:* The new shares shall be issued at a nominal value of 2.50 euros plus a share premium to be determined on the basis of the demand prospecting carried out as part of an Accelerated Bookbuild Offering. Nevertheless, the Board of Directors has opted to establish a minimum issue price, as described in paragraph b, section 5 of this report.
- *Placement mode:* The new shares shall be issued through an Accelerated Bookbuild Offering.
- *Preferential subscription rights:* Disapplication of shareholders' preferential subscription rights is stipulated, since reasons in the corporate interest justify and explain the need to carry out the capital increase through the Accelerated Bookbuild Offering, which, in turn, necessarily requires such disapplication.
- *Incomplete subscription:* The possibility of incomplete subscription of the capital increase is expressly provided for.

In accordance with Articles 286, 296, 297.1.b), 308, 504 and 506 of *Royal Legislative Decree 1/2010 of 2 July, approving the Revised Spanish Limited Liability Companies Law* (the "**Spanish Limited Liability Companies Law**") and related provisions of Commercial Registry Regulations, this report must be drawn up by the Board of Directors for the purposes of the aforesaid capital increase.

This report, along with the report by Ernst & Young, S.L. ("**Ernst & Young**"), an auditor other than the Company's auditor appointed to this end by the Madrid Commercial Registry, shall be made available to shareholders and submitted at the first General Meeting held following the capital increase resolution referred to in this report.

The report has been drawn up based on the advice of J.P. Morgan Securities PLC as the coordinator of the capital increase referred to in this report (the "**Advisory Bank**").

2. AUTHORISATION BY THE GENERAL MEETING OF SHAREHOLDERS TO THE BOARD OF DIRECTORS TO INCREASE THE SHARE CAPITAL.

At a meeting on 29 June 2017, the General Meeting of Shareholders resolved, under item six on the agenda, to authorise the Board of Directors, pursuant to the provisions of Article 297.1 b) of the

Spanish Limited Liability Companies Law, to increase the share capital through monetary contributions, within the maximum period of 5 years, up to half the amount of share capital, on one or several occasions, at the time and in the amount it deems appropriate. This resolution for authorisation granted the Board of Directors the additional power to disapply preferential subscription rights. This power was limited to a maximum nominal amount equal overall to 20% of share capital. In accordance with said authorisation, the increase in share capital with the disapplication of preferential subscription rights with the maximum stipulated must be agreed by the Board of Directors, with a vote in favour by two-thirds of the directors.

Also pursuant to the authorisation by the General Meeting, the Company's Board of Directors intends to carry out a capital increase equivalent to 10.92% of the Company's current share capital with disapplication of preferential subscription rights, the main terms and conditions of which are stipulated above. For this purpose, the Company's Board of Directors hereby certifies that (i) it has not made use of the aforementioned authorisation to date, (ii) the maximum nominal amount of the capital increase does not exceed 20% of share capital at the time of the authorisation and (iii) the resolution has been unanimously approved by all the Company's Directors.

Together with the mandatory report by the Board of Directors, the General Meeting's resolution is available to Company shareholders on Colonial's corporate website (www.inmocolonial.com).

3. REASONS FOR THE INCREASE

The purpose of the share capital increase addressed in this report is to secure and optimise the financing of the funds that shall be used for the consideration offered in connection with the takeover bid drawn up by the Company for all the shares of Axiare Patrimonio SOCIMI, S.A. ("**Axiare**") which are not owned by Colonial (the "**Bid**"), in the terms announced by the Company on 13 November 2017 in the "Regulatory Announcement" recorded as number 258425, while simultaneously maintaining the Company's capital structure in accordance with its growth plan.

Axiare is a Spanish corporation ("sociedad anónima"), with registered office in Madrid, Ortega y Gasset 29, 5^a, post code 28006, and tax number (N.I.F.) A-86.971.249. From the information publicly available at present, Axiare's share capital is 790,624,860.00 euros, divided into 79,062,486 shares with a nominal value of 10 euros each, fully subscribed and paid up. Axiare shares are represented by book entries in the accounting records of Iberclear and its participants, admitted for trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges and included in the Spanish Stock Exchanges' Interconnection System ("SIBE").

Acquisition of either 100% or a majority of Axiare's shares would make the company part of the Colonial group, consolidate its strategy, add first-rate assets to the portfolio, make its activities more competitive and create one of the leading players in the Spanish real estate market, specialising in the lease of prime office space.

Colonial is currently the direct holder of 22,762,064 Axiare shares, accounting for 28.79% of its share capital. In this regard, the Bid targets 100% of Axiare's share capital, although it excludes the shares already held by Colonial (22,762,064 shares, accounting for 28.79% of share capital). Thus, in accordance with the present number of Axiare shares outstanding, the Bid targets a total of 56,300,422 Axiare shares, accounting for 71.21% of share capital.

Drawing up the Bid leads to Colonial undertaking a maximum disbursement commitment equivalent to 1,033,675,748 euros. This commitment is in addition to the disbursement already paid out to purchase the Axiare shares, which secured 28.79% of the share capital for Colonial. If we take account

of these disbursements for the aforesaid acquisitions and also those arising from the maximum undertaking in connection with the Bid, Colonial's investment in Axiare would total more than 1,000 million euros.

To fund these disbursements, notwithstanding the bridge financing contracts entered into by Colonial in accordance with the usual practices for such operations, on 21 November 2017 the Company carried through a successful bond issue in the amount of 800,000,000 euros which covers a large portion of the consideration offered in connection with the Bid. Moreover, the capital increase addressed in this report seeks to increase shareholders' equity in such a way as to optimise the funding of the Bid.

Following the announcement of the Bid, credit rating agencies confirmed the Company's current rating ("BBB" by Standard & Poor's and "Baa2" by Moody's), with outlook stable in the case of Standard & Poor's and outlook negative until the final outcome of the Bid by Moody's. The capital increase addressed in this report confirms the Company's undertaking to maintain and boost a stable credit rating for its debt, preventing any immediate impact of the Bid on the Company's credit rating.

Through this structure to finance the Bid, the Company is taking diligent action to prevent any market risks arising from asymmetry between the volume of undertakings in connection with the Bid, standing at over 1,000 million euros, and the Company's ability to generate funds.

The Company also considers, on the basis of advice sought to the Advisory Bank, that the conditions are right at present to secure solid support for a capital increase by Colonial such as that proposed, and the accelerated bookbuild offering guarantees for the objective sought by the Company of securing and optimising funds for the Bid. In this regard, Company shareholders on the Board of Directors of Colonial, who are also qualified investors, have expressed their undertaking, in the context of funding for the Bid, to subscribe shares in relation to the capital increase addressed in this report in the effective amount of at least 250 million euros at a price of 7.89 euros per share.

Similarly, the Company rules out, in the context of funding for the Bid and subject to market conditions, to increase the placement of Company shares through the sale of treasury shares.

However, notwithstanding the fact that the corporate interest in the share capital increase is related to necessary funding for the Bid, should it eventually not be carried out, the Company has a number of investment alternatives other than the aforesaid operation to acquire Axiare, in such a way that the funds generated in the capital increase shall be put to a use that is fully coherent with the corporate interest of the Company, and therefore of its shareholders.

In view of the above, the Board of Directors considers that the share capital increase addressed in this report is in accordance with the corporate interest in that it guarantees full coverage for the Company, in the best possible conditions, of the necessary structure of funds for the Bid.

4. PROCEDURE FOR THE PLACEMENT

On the basis of the advice sought from the Advisory Bank, the Company's Board of Directors considers that the most effective and secure method for the Company to achieve its desired objective, providing access to alternative sources of funds through the qualified investors, is to issue the new shares through an Accelerated Bookbuild Offering, which justifies this method in the corporate interest.

For this purpose, an agreement shall be entered into with the Advisory Bank, by virtue of which, in its capacity as bookrunner, a private placement shall be made with the new shares for qualified investors exclusively.

This placement shall be accelerated because subscription and payment of the capital increase and admission to trading for the shares are likely to take place within a few days, subject to the practices and customs standard to these procedures, which are those appropriate to the purpose in the corporate interest sought by the Company by means of the capital increase addressed in this report.

On the basis of the Company's interest in the advantages of this increase procedure in view of its context and purpose, in accordance with practices consolidated in the market, the accelerated capital increase requires the disapplication of preferential subscription rights, as the timelines and arrangements for a capital increase permitting preferential subscription rights are incompatible with a rapid placement targeting the group of qualified investors, which guarantees the best possible funding objectives for the Bid. For the purposes of disapplication of preferential subscription rights and in accordance with the legislation applicable, section 5 of this report contains a detailed justification of the proposal and specifies the value of the shares and the consideration to be paid for the new shares (issue price), stating the persons to whom they are to be attributed.

The Board of Directors has established a minimum issue price as a price protection that may arise from this process, matching that which the major shareholders on the Board of Directors have undertaken to subscribe (see paragraph b of section 5 below).

When this phase has been completed, the Board of Directors shall carry out the capital increase and amend the article of the Company Bylaws concerned, stating the exact figure by which capital has been increased as a result of the Accelerated Bookbuild Offering.

For greater efficiency, the chairman and CEO shall be empowered as necessary to determine the terms and conditions of the capital increase after the demand prospecting process, including, but not limited to, the final issue price of the shares. The chairman and CEO shall also be empowered in such a way that either of them, indiscriminately and by means of their signature, may set the terms and conditions of the share placement procedure, establishing its start date, term and any other circumstances necessary for full implementation.

5. DISAPPLICATION OF PREFERENTIAL SUBSCRIPTION RIGHTS

The Accelerated Bookbuild Offering option, which necessarily disapplies the preferential subscription rights of the shareholders, may be justified from the point of view of the corporate interest due to the requirement of an optimum and necessary funding structure for the Bid through a procedure, which guarantees a rapid, effective share capital increase.

In accordance with the applicable system, for the disapplication of preferential subscription rights in the issue of new shares, the directors are required to produce a report specifying the value of the company shares and provide a detailed justification for the proposal and the consideration to be paid for the new shares, stating the persons to whom they are to be attributed. For this purpose, (a) justification of the corporate interest, (b) the issue price and (c) the recipients of the issue are set out below.

a) Justification of the corporate interest

Disapplication of preferential shareholder subscription rights requires that this be in the corporate interest of the Company, as already stated in this report. In this regard, the Company's Board of Directors considers that disapplication of preferential shareholder subscription rights is in full compliance with the substantive requirements laid down in Law and, in particular, with regard to the need for disapplication to be in the corporate interest. In particular, this is because (i) it permits an

operation (the Bid) that is advisable from the point of view of the corporate interest, (ii) the procedure is necessary and well suited to achieving the purpose sought with the capital increase and (iii) there is proportionality between the method chosen and the objective sought.

(i) Justification for the capital increase from the perspective of the corporate interest

The Company considers that the share capital increase addressed in this report is in accordance with the corporate interest in that it guarantees full coverage for the Company, in the best possible conditions, of the necessary funds for the Bid, all of which is in accordance with the Company's growth plan in that it enables it to acquire an asset of great interest to advance its corporate purpose.

Moreover, on the basis of the advice sought from the Advisory Bank, we have a potentially ideal window for carrying through this kind of share capital increase.

See section 3 above for a detailed justification of the proposal.

(ii) Suitability of the Accelerated Bookbuild Offering as a procedure to guarantee the objectives in the corporate interest pursued by the share capital increase.

On the basis of the advice sought from the Advisory Bank, the Board of Directors considers that to achieve the objective pursued it is necessary to issue the new shares through an Accelerated Bookbuild Offering, a procedure which is also the most effective to carry through this kind of share issue (see sections 4 and 5. b)).

In this regard, this technique is the most suitable in terms of the issue price of the new shares, the cost of securing funds and the execution risk for monetary capital increases, as is now intended. For this purpose, it is important to note that such transactions are routinely used by major issuers on international capital markets and have been used on many occasions by various Spanish listed companies, including Colonial, mainly due to their flexibility, efficiency and speed.

This is why the procedure is an established market practice habitually used by companies in the property sector, with disapplication of preferential subscription rights, as the timelines and arrangements are incompatible with a rapid placement targeting a group of qualified investors, as envisaged.

The Board of Directors has analysed other alternative methods of attracting new capital available to the Company such as (i) a monetary capital increase with preferential subscription rights; and (ii) a monetary capital increase with disapplication of preferential subscription rights to launch a public offering of shares.

In this regard, the main advantages of the structure proposed are as follows:

- *Speed of implementation:* Any alternative fundraising strategy other than the strategy proposed here would slow down the process, and this would lead to a major delay in obtaining the funds necessary to guarantee and optimise finance for the Bid, while simultaneously maintaining the Company's capital structure in accordance with its growth plan.

In this regard, diligent action by the Board of Directors requires optimum funding for the Bid as soon as possible, and certainly prior to the settlement of the Bid, notwithstanding the initial funds already raised by the Company through the financing contract entered into with J.P. Morgan Securities PLC.

In the case of a monetary capital increase with preferential subscription rights, it must be possible for these rights to be exercised over a period that cannot legally be less than 15 days following publication of the offer of subscription of the new shares in the Official Gazette of the Commercial Registry.

Also, in the case of a monetary capital increase with disapplication of preferential subscription rights to launch a public offering of shares, a period of almost two weeks is required between the announcement and establishment of the issue price, in both cases following the preparation and registration of the prospectus concerning the operation.

These periods contrast with those required to complete the subscription and payment of shares in an Accelerated Bookbuild Offering, which is limited to a period of a few days, which allows it to be carried out quickly and flexibly, thus considerably expanding the Company's room for manoeuvre and responsiveness to take advantage of market timing and carry out the operation in the best conditions available to the Company.

Also, since the maximum number of shares to be issued under the capital increase addressed in this report accounts for less than 10% of the number of Company shares admitted for trading, it would not be necessary to prepare and register a prospectus.

Therefore, none of the alternative fundraising strategies other than the strategy proposed here would be appropriate to achieve the objectives in the corporate interest, which require the capital increase to be carried out in such a short period of time. The schedule of the Bid and, therefore, the decision to carry out an accelerated bookbuild offering at the date of this report are also justified by the difficulty of postponing the placement at the end of the year to approach qualified investors via capital markets, and by the maintenance of the undertakings of major Company shareholders.

- *Less exposure to market volatility:* Any fundraising strategy other than the strategy proposed here would expose the operation to market volatility over a considerable period of time, which is incompatible with the purpose sought in the corporate interest.

In the event of a monetary capital increase with preferential subscription rights, in addition to the time factor, the value of the shares should be set at the beginning of the process, and thus the Company would be exposed to developments on the markets during the period to negotiate the rights.

Furthermore, in the case of a monetary capital increase with disapplication of preferential subscription rights to launch a public offering of shares, the duration of the process could again entail considerable market risk which, depending on developments on the markets, could hinder the necessary fundraising.

In this regard, in recent months equity markets have experienced some volatility which, in addition to the current political and economic backdrop, has led to a scenario calling for mechanisms to be used that reduce the uncertainty and volatility associated with the markets.

In general, as per the advice sought to the Advisory Bank, this volatility discourages fundraising that exposes the Company to a negative trend in the share's price listing over an extended period.

Therefore, none of the alternative fundraising strategies other than the strategy proposed here would achieve the Company's objectives efficiently, considering the inherent volatility of financial markets and the implementation time required to carry through any of the alternatives, jeopardising the corporate interest in securing and optimising the funding of the Bid, while simultaneously maintaining the Company's capital structure in order to continue its growth plan.

- *Smaller discount on the share price:* The issue price of the new shares using an Accelerated Bookbuild Offering generally gives a smaller discount on the share price. However, in this case, the minimum issue price shall be 7.89 euros per share, which represents a 1.81% premium on the closing price of the Company share on the Spanish Stock Exchanges' Interconnection System (Continuous Market) on the last trading day prior to the date of this report, i.e. on 7.75 euros.
- *Cost savings:* The costs of an Accelerated Bookbuild Offering are generally lower than those of a monetary capital increase with preferential subscription rights and also lower than those of a monetary capital increase with disapplication of preferential subscription rights to launch a public offering of shares, since most of the advertising and marketing costs are eliminated (no roadshows are required to present the transaction to investors) and, in general, the fees of bookrunners are lower.

Therefore, alternative fundraising strategies other than those proposed here would be likely to entail higher costs for the Company.

Also, through the Accelerated Bookbuild Offering, the Company may participate in the process to assign shares in order to consolidate a shareholder base in keeping with the Company's interests, non-speculative and with a view to remaining on board in the medium and long term, and this is also compatible with the possibility of the Company placing treasury shares as part of the process.

In view of all the above, the Board of Directors considers that the structure of the Accelerated Bookbuild Offering constitutes the necessary and also the best possible process to guarantee and optimise finance for the Bid, while simultaneously maintaining the Company's capital structure to continue its growth plan.

(iii) Proportionality of the disapplication of preferential subscription rights

In the opinion of the Board of Directors, disapplication secures the proper proportionality that should exist between the advantages secured for the Company and the disadvantages that could be occasioned to shareholders whose expectations may be jeopardised due to the dilution inherent to any issue of shares without preferential subscription rights. This statement is borne out by (i) the advantages of the Accelerated Bookbuild Offering with respect to other fundraising alternatives to secure, as far as possible, the objectives in the corporate interest sought by the capital increase, as described in the preceding section; and (ii) the fact that, as the shares are issued at fair value (as explained below), this does not *a priori* entail an economic dilution or economic disadvantage to the shareholder, especially when the issue price is higher than the closing price of the Company share on the Spanish Stock Exchanges' Interconnection System (Continuous Market) on the last trading day prior to the date of this report.

In view of the foregoing, the Company's Board of Directors considers that the disapplication of preferential subscription rights in the capital increase referred to in this report is justified in relation to the funding of the Bid for reasons in the corporate interest, in that the benefits of the Accelerated Bookbuild Offering for the Company, in terms of price, structuring and results for the operation, offset and justify the accelerated private placement of the shares as a procedure to guarantee the objectives in the corporate interest pursued by the capital increase, a procedure which entails the necessary disapplication of preferential subscription rights.

b) Issue price

Under the Spanish Limited Liability Companies Law, the capital increase resolution with disapplication of preferential subscription rights by the Board of Directors is conditional on the nominal value of the shares to be issued plus, as appropriate, the amount of the share premium corresponding to the fair value arising from the report by the auditor other than the Company's auditor, appointed to this end by the Commercial Registry. In this regard, the Spanish Limited Liability Companies Law stipulates that listed companies' fair value shall be understood to be the market value, which, unless otherwise justified, shall be the value established by reference to the share price listing.

The Board of Directors has decided to establish a minimum issue price (nominal amount plus premium) of 7.89 euros per share (the "**Minimum Issue Price**"), which represents a 1.81% premium on the closing price of the Company share on the Spanish Stock Exchanges' Interconnection System (Continuous Market) on the last trading day prior to the date of this report, i.e. on 7.75 euros. Accordingly, the minimum price at which the new shares may be issued is 7.89 euros - 2.50 euros account for the nominal value, and 5.39 euros for the share premium.

Therefore, the issue price (nominal amount plus share premium) proposed for the capital increase ensures that it corresponds in any case to the fair value of the Company's shares, as stipulated in paragraph 4 of Article 506 of the Spanish Limited Liability Companies Law, *in fine*.

The Minimum Issue Price (7.89 euros per share) matches the undertaking by Company shareholders on Colonial's Board of Directors and who are qualified investors, in the context of funding for the Bid, to subscribe shares in the capital increase addressed in this report in the effective amount of at least 250 million euros.

This Minimum Issue Price proposed by the Board of Directors also matches the result of negotiations conducted by the Company with the Advisory Bank, on the price per share at which the Advisory Bank, prior to carrying out demand prospecting among institutional and qualified investors and in accordance with the undertakings of the major shareholders, considers there may be interest among investors to cover the capital increase at the Minimum Issue Price established by the Board of Directors.

Notwithstanding the foregoing, pursuant to the provisions of the Spanish Limited Liability Companies Law, Ernst & Young, in its capacity as auditor other than the Company's auditor appointed to this end by the Commercial Registry, must produce a report on the fair value of the shares, on the theoretical value of the preferential subscription rights for which fiscal year it is proposed to disapply, and on the reasonableness of the data set out in this report. As stated, said report and this report shall be made available to the shareholders and notified at the first General Meeting held after the capital increase resolution referred to in this report.

c) Recipients of the issue

As already mentioned, the Advisory Bank, in its capacity as bookrunner, shall conduct an Accelerated Bookbuild Offering with the new shares among qualified investors exclusively, including the Company's qualified shareholders. In this regard, Company shareholders on the Board of Directors of Colonial, who are also qualified investors, have expressed their undertaking, in the context of funding for the Bid, to subscribe shares in relation to the capital increase addressed in this report in the effective amount of at least 250 million euros at a price of 7.89 euros per share.

In this regard, the issue shall exclusively target qualified investors, as defined (i) in Spain, in Article 39 of *Royal Decree 1310/2005 of 4 November partially implementing Securities Market Law 24/1988 of 28 July, concerning the admittance for trading of securities on official secondary markets, public offers of sale or subscription and the required prospectus for these purposes*; (ii) in the other Member States of the European Union, in the related regulations transposing Directive 2003/71/EC of 4 November 2003; and (iii) in other countries, investors with such status or equivalent category in accordance with the law applicable in each jurisdiction such that, in accordance therewith, the capital increase addressed in this report does not require any registration or approval vis-à-vis the competent authorities. Notwithstanding the foregoing, the new shares have not been registered and shall not be registered in accordance with the law on securities in the United States of America (the “**U.S. Securities Act of 1933**”), or with any authority regulating securities in any state or other jurisdiction of the United States of America. The new shares may only be offered, sold or transferred outside the United States of America through offshore transactions, as these are defined in and pursuant to “Regulation S” in the *U.S. Securities Act of 1933*.

6. INDEPENDENT EXPERT

For the disapplication of preferential subscription rights, the Spanish Limited Liability Companies Law requires an independent expert, other than the auditor of the Company’s financial statements and appointed to this end by the Commercial Registry to produce a report on its responsibility concerning the fair value of the company’s shares, on the theoretical value of the preferential subscription rights of the fiscal year it is proposed to disapply or limit, and on the reasonableness of the data in the report by the directors.

In this regard, the Commercial Registry has appointed Ernst & Young as the independent expert, and its report and this report shall be made available to the shareholders and notified at the first General Meeting held after the capital increase resolution referred to in this report.

MOTION TO INCREASE CAPITAL WITH THE DISAPPLICATION OF PREFERENTIAL SUBSCRIPTION RIGHTS.

Capital increase with the disapplication of preferential subscription rights through an accelerated bookbuild process.

The Board of Directors of Inmobiliaria Colonial, SOCIMI, S.A. ("**Colonial**" or the "**Company**") resolves, as authorised by the Company's General Meeting of Shareholders on 29 June 2017 and in accordance therewith, to carry out a capital increase with a charge to monetary contributions with the disapplication of preferential subscription rights, in the terms and conditions set out below.

For the purposes of the provisions of this resolution, all words beginning with a capital letter and not specifically defined shall have the same meaning as that established for these words in the report by the directors from which this resolution arises.

1. SHARE CAPITAL INCREASE

It is resolved to increase the Company's share capital by a maximum nominal amount of 107,118,250 euros, through the issue and circulation of a maximum of 42,847,300 new ordinary shares with a nominal value of 2.50 euros each, of the same class and series as those currently existing, and the consideration for the new shares to be issued shall consist of monetary contributions.

The chairman and CEO are expressly delegated, in compliance with the powers for substitution granted by the General Meeting, to enable either of them by means of their signature to define the final amount of the capital increase within the maximum amount of shares, at the end of the demand prospecting process to be carried out in connection with the Accelerated Bookbuild Offering.

2. LIMIT OF AUTHORISATION

In keeping with good governance tendencies and recommendations, the General Meeting of Shareholders limited the Board of Directors' powers to increase capital with the disapplication of preferential subscription rights to a maximum of 20% of the share capital at the time of authorisation and, in addition, by way of a condition for the disapplication of preferential subscription rights, the resolution was required to be adopted with a vote in favour by two-thirds of the members of the Board of Directors. In this regard the Company's Board of Directors notes that (i) no use has been made of this authorisation to date; (ii) the maximum nominal amount of the capital increase is less than the sum of 196,235,028 euros accounting for 20% of the Company's share capital at the date of authorisation by the General Meeting of Shareholders held on 29 June 2017; and (iii) the resolution was approved unanimously by all Directors of the Company.

3. ISSUE PRICE

The issue price of the new shares shall be the nominal value of the Company shares outstanding (2.50 euros) plus the share premium to be determined on the basis of the demand prospecting carried out as part of the Accelerated Bookbuild Offering.

The price to be determined on the basis of the aforementioned demand prospecting carried out as part of the Accelerated Bookbuild Offering corresponds to the fair value of the shares, as justified in the report by the directors and as expected to be confirmed by the report by Ernst & Young in accordance with Article 308 of *Royal Legislative Decree 1/2010 of 2 July approving the Revised Spanish Limited Liability Companies Law* (the "**Spanish Limited Liability Companies Law**"), in its capacity as auditor other than the auditor of the Company appointed to this end by the Commercial Registry.

Notwithstanding the foregoing, it has been decided to establish a minimum issue price (nominal amount plus premium) of 7.89 euros per share (the “**Minimum Issue Price**”), which represents a 1.81% premium on the closing price of the Company share on the Spanish Stock Exchanges’ Interconnection System (Continuous Market) on the last trading day prior to the date of this resolution, i.e. on 7.75 euros. Accordingly, the minimum price at which the new shares may be issued is 7.89 euros - 2.50 euros account for the nominal value, and 5.39 euros for the share premium.

In this respect, the chairman and CEO are expressly delegated, according to the powers for substitution granted by the General Meeting, to enable either of them by means of their signature, in due adherence to the aforementioned Minimum Issue Price, to establish the issue price of the new shares, following the demand prospecting carried out in connection with the Accelerated Bookbuild Offering.

4. RECIPIENTS OF THE CAPITAL INCREASE

The issue exclusively targets qualified investors, as defined (i) in Spain, in Article 39 of *Royal Decree 1310/2005 of 4 November, partially implementing Securities Market Law 24/1988 of 28 July concerning the admittance for trading of securities on official secondary markets, public offers of sale or subscription and the required prospectus for these purposes (“Royal Decree 1310/2005”)*; (ii) in the other Member States of the European Union, in the related regulations transposing Directive 2003/71/EC of 4 November 2003; and (iii) in other countries, investors with such status or equivalent category in accordance with the law applicable in each jurisdiction such that, in accordance therewith, the capital increase addressed in this report does not require any registration or approval vis-à-vis the competent authorities. Notwithstanding the foregoing, the new shares have not been registered and shall not be registered in accordance with the law on securities in the United States of America (the “*U.S. Securities Act of 1933*”), or with any authority regulating securities in any state or other jurisdiction of the United States of America. The new shares may only be offered, sold or transferred outside the United States of America through offshore transactions, as these are defined in and pursuant to “Regulation S” in the *U.S. Securities Act of 1933*.

5. DISAPPLICATION OF PREFERENTIAL SUBSCRIPTION RIGHTS

As noted above, the resolution for authorisation to increase the share capital conferred by the Company’s General Meeting of Shareholders on 29 June 2017 granted the Board of Directors the additional power to disapply preferential subscription rights up to a maximum nominal amount equal overall to 20% of the share capital at the time of the authorisation.

In this regard, it has been resolved to disapply preferential subscription rights based on the report by the directors and the report by the auditor stipulated in Articles 506 and 308 of the Spanish Limited Liability Companies Law, such that all the shares issued pursuant to this resolution are subscribed by the recipients of the capital increase referred to in section 4.

6. RIGHTS OF THE NEW SHARES

The new shares shall entitle their holders to the same voting and dividend rights as the shares of the Company currently outstanding as of the date on which they are registered in their name in the accounting records. Also, as regards dividend rights, the new shares shall entitle holders to interim and final dividends, the distribution of which is agreed as of that date.

7. REPRESENTATION OF THE NEW SHARES

The newly issued shares shall be represented by book entries registered by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal (IBERCLEAR) and its participants.

8. PLACEMENT PROCEDURE

The placement procedure shall be that known in market practice as an Accelerated Bookbuild Offering. For this purpose, an agreement shall be entered into with the Advisory Bank, whereby a private placement of the new shares shall be made with qualified investors, including, in their status as such, the Company's qualified shareholders.

The chairman and CEO are expressly delegated, in compliance with the powers of substitution granted by the General Meeting, to enable either of them, indiscriminately by means of their signature, to establish the terms and conditions of the share placement procedure, decide its start date, duration and any other circumstances necessary for its complete implementation.

9. INCOMPLETE SUBSCRIPTION

In accordance with Article 311 of the Spanish Limited Liability Companies Law, the possibility of incomplete subscription of the capital increase addressed in this resolution is expressly provided for. Consequently, the increase in share capital (with the limit established herein) shall be limited to the amount corresponding to the nominal value of the new Company shares effectively subscribed and paid up.

10. AMENDMENT OF ARTICLE 5 OF THE COMPANY BYLAWS

The chairman and CEO are expressly delegated, in compliance with the powers of substitution granted by the General Meeting, to enable either of them, indiscriminately by means of their signature, to reword Article 5 of the Company Bylaws based on the shares that have been subscribed and paid up.

11. ADMISSION FOR TRADING

It is resolved to request admission for trading of the new shares on the Madrid and Barcelona Stock Exchanges and on any other markets in which the Company's shares are traded at the time of implementation of this resolution, and for them to be included on the Spanish Stock Exchanges' Interconnection System ("SIBE").

It is expressly stated that, in the event a request is subsequently made for the Company's shares to be delisted, such delisting shall be adopted in accordance with the procedures and requirements of the current legislation.

12. DELEGATION OF POWERS

Pursuant to the powers of substitution conferred by the General Meeting, and notwithstanding the delegations of specific powers stipulated above (which, it must be understood, have been conferred with express powers of substitution of the persons stipulated herein), it has been resolved to empower the chairman, Mr Juan José Brugera Clavero, and the CEO, Mr Pere Viñolas, and the corporate general manager, Ms Carmina Ganyet, with the broadest scope required in Law, to enable any of them, indiscriminately by means of their signature, to take any action that is necessary or advisable to carry through this resolution, and specifically, although the following is for information purposes and is not exhaustive, to:

- i. Expand and implement this resolution, setting the terms and conditions of the issue in all matters not provided for herein. In particular, without limitation, determine the start date of the placement, set the amount of the increase within the maximum determined, the exact issue price of the capital increase within the limit set by the Board of Directors, set the deadline and procedure for subscription and payment, appoint the entities involved in the placement and, in general, determine any other circumstances necessary to carry out the capital increase and issue of shares in exchange for monetary contributions.
- ii. Draw up, sign and submit, where appropriate, to the Spanish Securities Market Commission (the "CNMV") or any other supervisory authorities in relation to the issue and admission for trading of the new shares issued as a result of the capital increase, any documentation that may be necessary or advisable, including, if necessary, a prospectus and any supplements thereto that may be required, undertaking responsibility for same, and any other documents and information required in compliance with *Royal Legislative Decree 4/2015 of 23 October approving the Revised Spanish Securities Market Law* and with Royal Decree 1310/2005, to the extent that same are applicable.
- iii. Take any action, make any statements or carry out any procedure, draw up, sign and submit any additional or supplementary documentation or information that may be necessary for the CNMV, the Stock Market Governing Companies, Iberclear or any other competent public or private, domestic or foreign entity, authority or registry for the authorisation, verification and subsequent implementation of the capital increase and admission for trading of the new shares on Spanish Stock Exchanges.
- iv. Draw up, sign and submit, as necessary or advisable, an international prospectus in order to facilitate the disclosure of information concerning the capital increase to international investors and shareholders, undertaking responsibility for the contents of same on behalf of the Company.
- v. Negotiate and sign, as applicable, in the terms deemed most appropriate, any contracts that may be necessary for proper implementation of the capital increase, including the agency agreement and, as appropriate, any placement and underwriting agreements that may be necessary or advisable.
- vi. Declare implementation of the capital increase, issuing the new shares subscribed and paid up, and reword the article in the Company Bylaws relating to capital, voiding any portion of the capital increase not subscribed and paid up in the terms established.
- vii. For the purposes of the provisions of Commercial Registry Regulations, state the amount drawn with respect to the limit set in the authorisation by the General Meeting of Shareholders to increase share capital, and the amount not yet drawn.
- viii. Request admission for trading on the Spanish Stock Exchanges and any other markets in which the Company's shares are traded at the time of implementation of this resolution, and

permission for them to be included in the Spanish Stock Exchanges' Interconnection System ("SIBE").

- ix. Draw up on behalf of the Company any public or private documents that are necessary or advisable for the issue of the new shares addressed in this resolution and for their admission for trading and, in general, make any arrangements required for the implementation thereof and rectify, clarify, interpret, specify or supplement the resolutions adopted, and in particular any defects, omissions or errors, in substance or in form, arising from verbal or written instructions, that may prevent the entry of the resolutions and their consequences in the Commercial Registry, the official CNMV registries or any others.

This report was drawn up and unanimously approved by those taking part in the vote, in Barcelona on 28 November 2017.

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