

Pursuant to Section 228 of the restated Spanish Securities Market Act (*Ley del Mercado de Valores*) approved by *Real Decreto Legislativo 4/2015, de 23 de octubre*, Inmobiliaria Colonial, SOCIMI, S.A. (“**Colonial**” or the “**Company**”) hereby discloses the following:

REGULATORY ANNOUNCEMENT (*HECHO RELEVANTE*)

Further to the regulatory announcements published during the last months regarding the merger between Colonial (as absorbing company) and Axiare Patrimonio Socimi, S.A. (“**Axiare**”) (as absorbed company) (the “**Merger**”), the Company hereby announces that today, after meeting all legal requirements, Colonial and Axiare have granted the pertinent Merger public deed, as per the terms approved by their respective General Shareholders’ Meetings.

In this regard, and in order to meet the Merger exchange ratio, Colonial has issued 19,273,622 new ordinary shares of EUR 2.50 nominal value each, of the same class and series of those currently trading, representing a 4.43% stake of Colonial’s share capital prior to the Merger, that will be delivered to the shareholders of Axiare according to the regime and exchange proceedings set forth in the announcement attached as an Annex to this regulatory announcement (*hecho relevante*).

July 2, 2018

ANNOUNCEMENT OF THE EXCHANGE OF SHARES IN AXIARE PATRIMONIO SOCIMI, S.A. FOR SHARES IN INMOBILIARIA COLONIAL, SOCIMI, S.A. AS A RESULT OF THE MERGER BETWEEN THESE TWO COMPANIES.

On account of the merger between Inmobiliaria Colonial, SOCIMI, S.A. (“**Colonial**”) (as the absorbing company) and Axiare Patrimonio SOCIMI, S.A. (“**Axiare**”) (as the absorbed company) (the “**Merger**”), we announce the system and procedure used to exchange the shares in Axiare for shares in Colonial.

1. Shares to be delivered by Colonial

Colonial will exchange the shares in Axiare in accordance with the exchange ratio foreseen in the common draft terms of the merger drawn up by Colonial’s and Axiare’s Boards of Directors on 10 April 2018 (the “**Common Draft Terms of the Merger**”) that was approved at Colonial’s General Meeting of Shareholders on 24 May 2018 and at Axiare’s General Meeting of Shareholders on 25 May 2018. For such purposes and as set forth in the Common Draft Terms of the Merger, the exchange ratio was set at 1.8554 Colonial shares of 2.50 euros par value for every Axiare share of 10 euros par value. No additional cash compensation was provided.

Colonial will exchange the Axiare shares based on the aforementioned exchange ratio by delivering newly-issued ordinary shares. In this regard, Colonial will increase its share capital by the amount required to carry through the exchange. The subscription of Colonial’s new shares will be reserved for Axiare shareholders and, as a result, there will be no preemptive subscription rights for Colonial’s current shareholders.

Pursuant to Article 26 of the Spanish *Law 3/2009 of 3 April on structural changes in trade companies*, Axiare shares held by Colonial and, where applicable, any treasury shares held by Axiare will not be exchanged, as these will be redeemed. In this respect, Colonial currently holds 68,674,633 shares in Axiare and Axiare does not have any treasury shares. Subject to the above, out of the 79,062,486 shares that make up Axiare’s share capital, 10,387,853 of Axiare’s ordinary shares with a par value of 10 euros each (in other words, the total amount minus 68,674,633 Axiare shares owned by Colonial) will be included in the exchange of the merger.

Taking into account the type of exchange mentioned above and the Axiare shares that will not be included in the exchange as set forth, Colonial should deliver 19,273,622.4562 newly-issued ordinary shares for the exchange of the Merger. Nevertheless, considering the indivisible nature of the shares and the impossibility of issuing or delivering share fractions, the companies involved in the Merger have agreed, subject to the Common Draft Terms of the Merger and the resolutions adopted at their respective General Meetings of Shareholders, upon a method designed to ensure that the number of Colonial shares to be delivered to Axiare shareholders is a whole number. This method entails appointing a financial entity as the “odd-lot broker” who, upon completion of the acquisition of odd lots as defined in section 2.3 below, will waive Colonial’s last share fraction they may be entitled to as an Axiare shareholder by virtue of the acquisition of odd lots.

In this respect, the entity appointed as “odd-lot broker” (see section 2.2 below) has waived the last share fraction of Colonial they may be entitled to as an Axiare shareholder by virtue of the odd lots they acquire under the procedure set forth in section 2.3 below (in other words, a fraction equal to 0.4562 shares of Colonial) in order to ensure that the number of Colonial’s ordinary shares to be issued and delivered to Axiare shareholders is a whole number (19,273,622 shares).

2. Exchange procedure

2.1. Allotment of Colonial shares

Any Axiare shareholders who have acquired their shares by 6 July 2018 will be entitled to the allotment of Colonial shares, subject to the exchange ratio set, provided that the relevant deed of the merger has been previously filed in the Commercial Registry (the “**Exchange Date**”) and that they are listed as Axiare shareholders in the records of the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal (“**Iberclear**”) on 10 July 2018, when Iberclear will determine the Axiare shares to be exchanged for Colonial shares (the record date). The Exchange Date will be the last day that Axiare shares will be listed on the Spanish Stock Exchanges (last trading date).

2.2. Agent Bank

The companies involved in the Merger have appointed CaixaBank, S.A. as the agent bank and the odd-lot broker for the purposes of the Merger (the “**Odd-Lot Broker**”). The parties will resort to the Odd-Lot-Broker to take any steps required, if appropriate, to ensure an optimum exchange under the terms of the Common Draft Terms of the Merger and this agreement.

2.3. Procedure to acquire odd lots

Axiare shareholders who hold a number of shares that do not entitle them to a whole number of Colonial shares under the exchange ratio may acquire or transfer shares in order to ensure that the resulting shares will entitle them to a whole number of Colonial shares under such exchange ratio. The decision to buy or sell shares for this purpose will be taken by each shareholder individually.

Notwithstanding the foregoing and by virtue of the Common Draft Terms of the Merger, Colonial and Axiare may appoint an odd-lot broker to act as counterparty for the purchase of remainders or odd lots. Consequently, any Axiare shareholder who, according to the exchange ratio and taking into account the number of shares held, was not entitled to receive a whole number of Colonial shares, may transfer his or her remaining Axiare shares or share fractions (these remaining shares or fractions will be considered an “odd-lot”) to the Odd-Lot Broker, who, in turn, will pay them the cash value.

The fundamental terms and conditions applied to this procedure to acquire odd lots are as follows:

- a) On the Exchange Date, at Axiare’s close of the trading session in the Spanish Stock Exchanges, every Axiare shareholder who, by applying the exchange ratio and according to their position in each of the securities accounts opened in the relevant participant, are not entitled to a whole number of shares in Colonial, will transfer their odd lots from Axiare to the Odd-Lot Broker. In this respect, it will be understood that every Axiare shareholder agrees to the method applied to acquire odd lots as set forth herein, with no need to send their orders to the relevant Iberclear participant, who will inform them of the outcome of the operation once it is completed.

- b) The price of each odd lot will be calculated by multiplying (i) the arithmetic mean of the weighted average exchange rate of the Axiare share in the Spanish Stock Exchanges' Interconnection System (Continuous Market) during Axiare's last three trading sessions in the Spanish Stock Exchanges (that should be the sessions on 4, 5 and 6 July 2018) by (ii) the number of excess shares or share fractions of Axiare that made up the odd lot, rounding off to the closest euro cent and if it is half a euro cent, rounded up to the next euro cent.
- c) The Odd-Lot Broker, acting on their own behalf, will acquire the odd lots left from the remaining positions at the close of Axiare's last trading session in the Spanish Stock Exchanges. The shares or share fractions acquired by the Odd-Lot Broker under this method will be exchanged for the corresponding number of Colonial shares based on the exchange ratio and under the same terms as all other Axiare shareholders.

2.4. *The exchange*

The exchange of Axiare shares for Colonial shares and the acquisition of odd lots by the Odd-Lot Broker will take place after the Exchange Date, after the close of the last trading session of Axiare shares in the Spanish Stock Exchanges and once Iberclear has completed the necessary actions for this type of transactions. Nevertheless, should the date or the terms for the exchange vary, this circumstance should be duly announced.

The exchange will be executed through the corresponding depository entities, in accordance with *Royal Decree 878/2015, of 2 October, on registration, clearing and settlement of transferable securities represented by book entries, on the legal framework for central securities depositories and central counterparties and on transparency requirements for issuers of securities admitted to trading on an official secondary market* and in accordance with Article 117 of the Spanish Limited Liability Companies Law.

The first trading day for the new Colonial shares in the Madrid and Barcelona Stock Exchanges is planned for Monday 9 July 2018. For more information on the time when the shares delivered by means of the exchange will be available to the beneficiaries, they should ask the Iberclear participant(s) acting as depository agents for their Axiare shares.

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