

INMOBILIARIA COLONIAL, S.A.

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

25 May 2016

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

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

In accordance with Article 67 of the Spanish Limited Liability Companies Law, as well as Articles 133 and 338 ff of the Commercial Register Regulations, on 21 January 2016 and subsequently through a resolution dated 28 April 2016, Ignacio Garmendia Rodríguez, a Commercial Registrar for Barcelona and the corresponding province, appointed Ernst & Young, S.L. as the independent expert to draft a report, corresponding to dossier number 3794/16, with regard to a non-monetary contribution to be made by Reig Capital Group Sàrl (Reig, or the Contributing Company), consisting of shares held by Société Foncière Lyonnaise (SFL) which represent 2.19% of its share capital, to Inmobiliaria Colonial, S.A. (Colonial, or the Beneficiary Company), contribution which is to increase the share capital of the latter as the beneficiary of the contribution.

1. DESCRIPTION OF THE TRANSACTION

Pursuant to the request made to the Commercial Register by Pedro Viñolas Serra in the name and on behalf of Colonial, it is our understanding that this company intends to increase its share capital by issuing the corresponding shares, which will be fully subscribed by the Contributing Company and fully paid through a non-monetary contribution consisting of 1,019,478 shares of SFL, which represent 2.19% of its share capital.

1.1 Contributing Company

Reig Capital Group Sàrl ("Reig") is a Luxembourg commercial company whose Spanish tax identification number is N0182062 and whose address is L-1331 Luxembourg, 65 Boulevard Grande Duchesse Charlotte.

1.2 Beneficiary Company

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

2. DESCRIPTION OF THE NON-MONETARY CONTRIBUTION

In accordance with the Report from the Board of Directors of Inmobiliaria Colonial, S.A. on this transaction, the non-monetary contribution to be made by the Contributing Company for the full subscription and payment of the shares issued by Colonial shall, as indicated above, consist of 1,019,478 fully paid shares of SFL, representing 2.19% of its share capital, of the same class and series, and recorded under the book-entry system.

SFL is a French company that is registered in the Register of Business and Companies of Paris with number 552 040 982 (NAF Code 6820 B) and which is domiciled at 42 Rue Washington (75008), Paris, France, and its shares are admitted to trading on "Euronext Paris - Compartiment A" of the Paris Stock Market. The company's legal standing is that of a listed real estate investment company (Société d'Investissement Immobilier Cotée, or SIIC) and it is a 53.14% investee of Colonial.

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

In accordance with the statements made by the management of Inmobiliaria Colonial on this transaction, as consideration for the non-monetary contribution, the share capital of Colonial is to be increased by a nominal amount of €22,701,480 through the issue and placing into circulation of 90,805,920 new ordinary shares with a par value of €0.25 each, of the same class and series as those currently outstanding and with a total share premium of €40,862,664, equivalent to €0.45 per share, bringing the total value of the capital increase plus the share premium to €63,564,144.

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

- According to the methods indicated in item 4 of the report, the 1,019,478 shares representing 2.19% of the share capital of SFL covered by the contribution were valued at €63,564,144, bringing the value of each share to be contributed to the equivalent of €62.35.
- Different methods were used to determine the number of Colonial shares to be delivered as consideration for the shares of SFL, including: (i) the current quoted price as well as the quoted price for the most recent month and the most recent quarter; (ii) the current consensus on Colonial's share price according to analyst reports; (iii) other comparison methods such as calculating expected NAV according to analyst reports and the comparable

multiples approach. The different approaches considered, which take into account the liquidity of Colonial's shares in the securities markets, revealed a price per share of €0.70. This amount has been adjusted in accordance with the dividends to be proposed at the General Shareholders' Meeting, in the amount of €0.015/share, inasmuch as said dividends will be distributed before the resolution described in this report is implemented.

Consequently, as indicated in item 4.3 of this report, the expected swap ratio is 89,071 shares of Colonial, with a par value of €0.25 each, for each share of SFL contributed by Reig.

4. VALUATION METHODS

4.1 Methods for valuing the projected non-monetary contributions

The directors determined the value of the SFL shares to be contributed in the transaction covered by this report by using the following methods:

- Discount of free cash flows;
- Comparable multiples;
- Share price; and,
- Net asset value (expected EPRA NNAV)

Given the low degree of liquidity of SFL shares in the secondary market and in light of the different methods described above, the Board of Directors considers that the 1,019,478 shares representing 2.19% of the share capital of SFL to be contributed have a value of €63,564,144.00, bringing the value of each share to be contributed to the equivalent of €62.35.

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

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

4.3 Proposed swap ratio

In accordance with valuations of SFL and Colonial detailed in items 4.1 and 4.2 above, the proposed swap ratio was approved by the Board of Directors and included in the report from the directors. The swap entails the delivery of 89,071 shares of Colonial, with a par value of €0.25 each, for each SFL share contributed.

Consequently, the directors of Colonial have proposed issuing, as consideration for the non-monetary contributions indicated above, a total of 90,805,920 shares with a par value of €0.25 and with an issue premium of €0.45 each, of the same class and series as those currently outstanding, to be fully subscribed and paid by Reig through the contribution of 1,019,478 of its shares in SFL. Therefore, the effective amount of the capital increase is €63,564,144.

5. SCOPE OF THE PROCEDURES PERFORMED

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

5.1 Obtaining and conducting an overall analysis of the following information:

- Audited consolidated financial statements at 31 December 2015 and unaudited consolidated financial statements at 30 April 2016 of Société Foncière Lyonnaise and subsidiaries and of Inmobiliaria Colonial and subsidiaries.
- Valuation reports prepared by third parties of the registered real estate assets of the SFL Group and the Colonial Group at 31 December 2015 and 30 June 2015.
- Analysis of changes in the market value of the property assets ("gross asset value", or "GAV") of the SFL Group from 31 December 2012 until 31 December 2015.
- Other information considered necessary for our work.

5.2 Review of the report from the directors of the Beneficiary Company regarding the proposed capital increase.

5.3 Review and analysis, based on available information, of the valuation criteria and approaches used to determine the value of the non-monetary contribution,

specifically, review of the discounted cash flow (DCF) of SFL prepared by the management of Colonial.

- 5.4 Review and analysis of the valuation criteria and approaches used to determine the value of Colonial's share, primarily the stock market price and the consensus price of the share according to analyst reports.
- 5.5 Analysis and comparison of the results obtained using other valuation methodologies generally accepted by the SFL Group.
- 5.6 Telephone calls with the appraisers of SFL assets.
- 5.7 Analysis and comparison, where applicable, of the results obtained using other valuation methodologies generally accepted by the Colonial Group.
- 5.8 Reading and analysis of the fairness opinion issued by Morgan Stanley confirming that in its judgement the terms and conditions for the acquisition of the shares of SFL covered by the contribution and the resulting swap ratio are reasonable.
- 5.9 Holding of various meetings with the management of Inmobiliaria Colonial, S.A. and its financial advisers in the context of this transaction in order to gather useful information for our work.
- 5.10 Review of the financial information for the first quarter of 2016 published on Colonial's and SFL's webpages.
- 5.11 Reading of the minutes of the Board of Directors' meetings and General Shareholders' Meetings and of other significant meetings of the management committees of the Beneficiary Company and of SFL.
- 5.12 Posing of questions to the Company's management on significant events that might have a material effect on the value of the SFL Group or the Colonial Group, and, where applicable, corroborating such values.
- 5.13 Obtaining a letter of statements signed by the management of Inmobiliaria Colonial, S.A. indicating us that the information provided for the conducting of this work, the contents thereof, as well as any additional documentation or confirmation made available to us do not, in the opinion of management, constitute material errors, and include all the information required for a proper understanding of the valuation and the most important risks that might affect it, as well as stating that they have made available to us all material information of

which they are aware and that might have a significant effect on the results of our work.

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

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

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

Given the uncertainties inherent to any information regarding the future, some assumptions used in preparing future estimates might not materialise as posited herein, and unforeseen events could occur. Therefore, the estimated results of the business for the projection period might not prove to be, in the future, as posited herein, which would affect the validity of our conclusions.

Consequently, in conducting our work, we have not applied specific procedures to determine the existence of other assets and liabilities that might exist and are not included in the statements made by Colonial's management, or to verify the physical existence and ownership of and liens on the assets contributed. Moreover, our analyses and verifications were not intended to ascertain compliance with any legal or formal obligation (relative to approval, submission of documents, advertising, liens and encumbrances on the assets covered by the contribution, deadlines, etc.) other than those provided for in Article 67 of the consolidated Limited Liability Companies Law .

6. CONCLUSION

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

- The combined value attributed to the shares of SFL that make up the planned non-monetary contribution corresponds, at least, to the number, the par value

and the share premium of the shares that Inmobiliaria Colonial, S.A. plans to issue as consideration, for a total amount of €63,564,144, corresponding to a share-capital increase of €22,701,480 through the issue and placing into circulation of 90,805,920 new shares with a par value of €0.25 each, plus a total share premium of €40,862,664, equivalent to €0.45 per share.

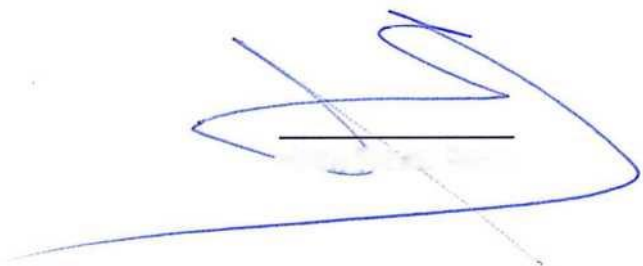
- The methods used by the directors to establish the type of swap are adequate and the resulting swap ratio is reasonable for the objectives being sought.

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

ERNST & YOUNG, S.L.

Joan Tubau Roca

25 May 2016



APPENDIX

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



REPORT OF THE BOARD OF DIRECTORS OF INMOBILIARIA COLONIAL, S.A. ON A PROPOSED CAPITAL INCREASE THROUGH NON-MONETARY CONTRIBUTIONS, CONSISTING OF THE SHARES OF REIG CAPITAL GROUP LUXEMBOURG SÀRL IN SOCIÉTÉ FONCIÈRE LYONNAISE (SFL), ALLOWING FOR AN INCOMPLETE SUBSCRIPTION (AGENDA ITEM SEVEN).

1. Purpose of the report

The Board of Directors of Inmobiliaria Colonial, S.A. ("**Colonial**" or the "**Company**") has resolved to call an Ordinary General Shareholders' Meeting to be held on 27 June 2016 on first call and on 28 June 2016 on second call, and to propose at said meeting, as agenda item 7, the approval of a capital increase through non-monetary contributions.

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

2. Justification for the proposal

The objective of the capital increase through non-monetary contributions to be proposed at the General Shareholders' Meeting is to issue the Colonial shares needed to acquire, through non-monetary contributions, shares of Société Foncière Lyonnaise ("**SFL**") owned by Reig Capital Group Luxembourg Sàrl ("**REIG**", or the "**Contributor**"), thus increasing Colonial's shareholding in its French subsidiary SFL.

SFL is a French company that is registered in the Register of Business and Companies (*Registre du Commerce et des Sociétés*) of Paris with number 552 040 982 (NAF Code 6820 B). It is domiciled at 42 Rue Washington (75008), Paris, France, and its shares are admitted to trading on "*Euronext Paris - Compartiment A*" of the Paris Stock Market. The company's legal standing is that of a listed real estate investment company (*Société d'Investissement Immobilier Cotée*, or SIIC). At 31 December 2015, SFL owns 20 buildings in Paris, with a total area of 465,500 m², valued at €5,242 million. Colonial currently holds 24,726,400 SFL shares, representing 53.14% of the share capital of the latter.

Colonial and REIG have entered into an agreement according to the standard terms for this type of transactions for the acquisition by Colonial of all of the shares of SFL held by REIG, under which Colonial will deliver a cash amount and newly issued shares of Colonial as consideration for the entire shareholding.

Therefore, REIG, a shareholder of SFL holding 2,038,956 shares representing 4.3821% of the share capital of SFL, has undertaken, subject to approval by the General Shareholders' Meeting of Colonial of the resolution to increase share capital through non-monetary contributions referred to in this directors' report, to (i) contribute to Colonial 1,019,478 SFL shares as consideration for the subscription of 90,805,920 Colonial shares to be issued by Colonial through the adoption of the resolution on the non-

monetary share-capital increase referred to in this report; and to (ii) sell to Colonial 1,019,478 shares that it holds in SFL for a price of €50.00 per share on the same day on which REIG subscribes the shares issued by Colonial in fulfilment of the resolution on the non-monetary share-capital increase referred to in this report. Consequently, following the aforementioned transaction, Colonial will hold 26,765,356 shares representing 57.52% of the share capital of SFL.

The acquisition of these SFL shares from REIG will allow Colonial to increase its shareholding in SFL, shareholding that Colonial considers strategic, and to strengthen its presence in the French market. As part of this strategy, conversations were entered into with **Qatar** Investment Authority for the possible contribution of its shares in SFL, as was reported to the market through the corresponding Significant Event. At the date of this directors' report, these conversations have been suspended and are not expected to resume in the near future.

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

The primary purpose of this capital increase through non-monetary contributions is to pay REIG, in Colonial shares, the consideration for its shares.

3. Description of the projected contribution Identification of the Contributor

The projected contribution consists of 1,019,478 fully paid shares of SFL, free of liens and encumbrances, representing 2.19% of the share capital of SFL, and which are of the same class and series and are recorded under the book-entry system.

SFL is a French company that is registered in the Register of Business and Companies (*Registre du Commerce et des Sociétés*) of Paris with number 552 040 982 (NAF Code 6820 B). It is domiciled at 42 Rue Washington (75008), Paris, France, and its shares are admitted to trading on "Euronext Paris - Compartiment A" of the Paris Stock Market. The company's legal standing is that of a listed real estate investment company (*Société d'Investissement Immobilier Cotée*, or SIIC). At 31 December 2015, SFL owns 20 buildings in Paris, with a total area of 465,500 m², valued at €5,242 million. Colonial currently holds 24,726,400 SFL shares, representing 53.14% of the share capital of the latter.

The capital increase covered by this resolution involves the issue of new shares to be delivered exclusively to Reig Capital Group Luxembourg Sàrl, a Luxembourg company holding Spanish tax identification number N-0182062-J, as consideration for the contribution. The company's registered offices are at 65, Boulevard Grande-Duchesse Charlotte, L-1331 Luxembourg, and it is registered in the Luxembourg Commercial Register with number B-125.465.

4. Valuation of the projected contribution and criteria used

The directors determined the value of the SFL shares to be contributed by the Contributor by using the following valuation methods, all of which are commonly accepted by the international financial community:

- **Discount of free cash flows:** this method shows the current value of the free cash flows expected to be generated by the business, with the enterprise considered an investment project.
- **Comparable multiples:** This method, considered a priority under international accounting standards (International Financial Reporting Standards) as well as under United States standard, consists of estimating value based on multipliers obtained from comparable enterprises.
- **Share price:** this method consists of calculating the value of the company based on the price of its shares in a secondary market.
- **Valuation of assets:** this method consists of valuing a company's estimated assets at a given date and deducting from this amount any encumbrances against the assets as well as all other debts and obligations the company may have to third parties, net of taxes and in accordance with EPRA recommendations (expected EPRA NNNAV - triple net asset value).

Given the low degree of liquidity of SFL shares in the secondary market and the analysis of the different methods described above and assuming that part of the shares currently held by REIG will be acquired at a price of €50 per share, the Board of Directors considers that the 1,019,478 shares representing 2.19% of the share capital of SFL to be contributed have a value of €63,564,144.00, bringing the value of each share to be contributed to the equivalent of €62.35.

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

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

Different methods were used to determine the number of Colonial shares to be delivered as consideration for the shares of SFL, including: (i) the current quoted price as well as the quoted price for the most recent month and the most recent quarter; (ii) the current consensus on Colonial's share price according to analyst reports; (iii) other comparison methods such as calculating expected NAV according to analyst reports and the comparable multiples approach. The different methods considered, which take into account the liquidity of Colonial shares in the securities markets, revealed a price per share of €0.70. This amount has been adjusted for the dividends to be proposed at the General Shareholders' Meeting, inasmuch as the dividends will be distributed before this agreement is implemented.

In light of the valuation of the shares of Colonial as well as of the shares of SFL in accordance with the criteria described above, a swap ratio of 89,071 shares of Colonial, with a par value of €0.25 each, for each share of SFL is proposed.

Consequently, it is proposed that a total of 90,805,920 new shares with a par value of €0.25 and a share premium of €0.45 each be issued. All shares are to be of the same class and series as those currently in circulation, and to be fully subscribed and paid by the Contributor through the contribution of 1,019,478 shares it holds in SFL. Consequently, the effective amount of the capital increase is €63,564,144.00.

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

6. *Capital increase amount*

As consideration for the projected contribution, it is proposed that Colonial's share capital be increased by a nominal amount of €22,701,480, through the issue and circulation of 90,805,920 new ordinary shares with a par value of €0.25 each. All of these shares are of the same class and series as those currently in circulation.

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

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

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

8. *Incomplete subscription*

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

9. *Guarantees adopted*

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

10. *Preferential subscription right*

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

11. *Independent expert*

Without prejudice to the fact that the contribution consists of securities traded on an official secondary market, in order to offer greater security to Colonial shareholders, and in light of possible interpretations of current law, the Board of Directors has opted for the most prudent course of action, asking the Commercial Register to appoint an

independent expert to issue a report describing and valuing the contribution and expressing the criteria used and whether the contribution corresponds to the par value and the share premium for the shares to be issued as consideration. The foregoing is in keeping with Article 67 of the Limited Liability Companies Law.

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

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

Capital increase paid with non-monetary contributions for a nominal amount of €20,701,480, through the issue and circulation of 90,805,920 new ordinary shares, with a par value of €0.25 each, allowing for incomplete subscription, the consideration for which consists of shares of Société Foncière Lyonnaise (SFL) held by Reig Capital Group Luxembourg Sàrl. Delegation of powers.

The General Shareholders' Meeting of Inmobiliaria Colonial, S.A. ("**Colonial**", or the "**Company**") hereby resolves to increase the Company's share capital through non-monetary contributions in accordance with the terms and conditions established below, in order to issue the Colonial shares needed to acquire, as consideration for the contributions, shares in Société Foncière Lyonnaise ("**SFL**") held by Reig Capital Group Luxembourg Sàrl ("**REIG**", or the "**Contributor**").

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

1. CAPITAL SHARE INCREASE

A resolution is hereby taken to increase Colonial's share capital by a nominal amount of €22,701,480 through the issue and circulation of 90,805,920 new ordinary shares with a par value of €0.25 each, all of the same class and series as those currently in circulation. The consideration for the new shares to be issued consists of non-monetary contributions, specifically shares in SFL, free of all encumbrances and liens, currently admitted to trading on the Paris Stock Market ("*EuronextParis—Compartiment A*").

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

The contribution consists of 1,019,478 fully paid shares of SFL, representing 2.19% of its share capital, which are of the same class and series and which recorded under the book-entry system.

SFL is a French company that is registered in the Register of Business and Companies (*Registre du Commerce et des Sociétés*) of Paris with number 552 040 982 (NAF Code 6820 B). It is domiciled at 42 Rue Washington (75008), Paris, France, and its shares are admitted to trading on the Paris Stock Market's "*Euronext Paris - Compartiment A*". The company's legal standing is that of a listed real estate investment company (*Société d'Investissement Immobilier Cotée*, or SIIC) and it is a 53.14% investee of Colonial.

The capital increase covered by this resolution involves the issue of new shares to be delivered exclusively to Reig Capital Group Luxembourg Sàrl, a Luxembourg company holding Spanish tax identification number N-0182062-J, as consideration for the contribution. The company's registered offices are at 65, Boulevard Grande-Duchesse Charlotte, L-1331 Luxembourg, and it is registered in the Luxembourg Commercial Register with number B-125.465.

3. NUMBER OF NEW SHARES TO BE ISSUED

As consideration for the non-monetary contribution consisting of 1,019,478 shares in SFL, a resolution is hereby taken to issue a total of 90,805,920 shares with a par value of €0.25 and a share premium of €0.45 each. All shares are of the same class and series as those currently in circulation, and will be fully subscribed and paid by the Contributor through the contribution of 1,019,478 shares it holds in SFL. Consequently, the effective amount of the capital increase is €63,564,144.00.

The swap ratio is 89,071 Colonial shares, with a par value of €0.25 each, for each share of SFL.

4. TYPE OF ISSUE

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

5. SUBSCRIPTION AND PAYMENT

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

6. INCOMPLETE SUBSCRIPTION

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

7. NON-EXISTENCE OF PREFERENTIAL SUBSCRIPTION RIGHTS

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

8. RIGHTS CARRIED BY THE NEW SHARES

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

9. REPRESENTATION OF THE NEW SHARES

The newly issued shares will be represented through book-entries managed by Sociedad

de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (“Iberclear”) and its member entities.

10. ADMISSION TO TRADING OF NEW SHARES

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

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

11. GUARANTEES FOR THE NON-MONETARY CONTRIBUTIONS

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

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

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

13. DELEGATION OF POWERS

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

- Declaring that the share capital covered by the capital increase has been subscribed and fully paid, including in the event of an incomplete subscription as foreseen in Article 311 of the Limited Liability Companies Law, in which case the Board may declare the capital increase to be closed at the amount of the subscriptions effectively made. Adopting, to that end, all resolutions legally necessary to formalise the resolution(s) to execute the capital increase, as well as the corresponding amendments to the final article of the by-laws relating to the Company's share capital;
- Extending and implementing this resolution, setting the terms and conditions for all aspects of the issue not expressly foreseen herein, including but not limited to establishing the date on which the capital increase will be carried out;

- Drafting, signing and filing the following, as applicable, before the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores, “**CNMV**”), the *Autorité des marchés financiers* (AMF), and/or any other relevant supervisory authority, in respect of the issue and admission to trading of new shares issued by virtue of this resolution: (i) as many prospectuses and supplements thereto as may be necessary, assuming liability therefor; and (ii) as many documents and disclosures as may be required to comply with *Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC*, in *Royal Legislative Decree 4/2015 of 23 October, approving the consolidated Securities Market Law*, in *Royal Decree 1310/2005 of 4 November, on the admission to trading of securities in official secondary markets, public offerings or public subscription offers and the related prospectuses* and in any other legislation, national or foreign, applicable to the performance of this resolution; as well carrying out, in the name of the Company, any action, statement or measure required by the CNMV, IBERCLEAR, the governing bodies of the stock exchanges or any other public or private body, entity or registry, whether Spanish or foreign, in order to obtain authorisation, verification and the subsequent execution of the share capital increase covered by this resolution, and the admission to trading of the new shares on the Madrid and Barcelona stock exchanges and on any other Spanish or foreign market on which the Company's shares are listed at the moment this resolution is carried out, as well as their incorporation into the Spanish Stock Market Interconnection System (SIBE);
- Negotiating and signing, as applicable and in accordance with the terms deemed most suitable, any contracts needed to successfully carry out the capital increase covered by this resolution;
- Requesting the admission to trading of the shares on the Madrid and Barcelona stock exchanges and/or on any other Spanish or foreign market on which the Company's shares are listed when this resolution is implemented, and their incorporation into the Spanish Stock Market Interconnection System; and
- Executing, in the name of the Company, as many public or private documents as may be considered necessary or appropriate for the issue of the new shares under this resolution and their admission for trading, and, in general, carrying out any procedures required for the implementation of the resolution, such as rectifying, clarifying, interpreting, specifying or complementing the resolutions adopted at the General Shareholders' Meeting and, in particular, any defects, omissions or errors, of substance or procedure, cited in the verbal or written assessment, that may prevent these resolutions and the consequences thereof from being placed on record at the Commercial Register, the CNMV Official Registries, or any other registries.

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