



**PROSPECTUS OF THE VOLUNTARY TAKEOVER BID FOR THE SHARES OF AXIARE
PATRIMONIO SOCIMI, S.A. DRAWN UP BY INMOBILIARIA COLONIAL, SOCIMI,
S.A.**

December 2017

This prospectus was drawn up in accordance with the Revised Spanish Securities Market Law, approved by Royal Legislative Decree 4/2015 of 23 October, Royal Decree 1066/2007 of 27 July on the system for securities takeover bids, and other legislation applicable.

INDEX

Page

INTRODUCTION.....	1
CHAPTER I	2
I.1. Person responsible for the Prospectus.....	2
I.2. Applicable resolutions, scope and legislation	2
I.2.1. Resolutions by the Bidder to draw up the Bid.....	2
I.2.2. Scope of the Bid, applicable legislation and competent authority.....	2
I.2.3. Markets in which the Bid is drawn up	3
I.2.4. National legislation governing contracts between the Bidder and the holders of shares in the Target Company as a consequence of the Bid.	3
I.3. Information concerning the Target Company	3
I.3.1. Company name and business name. Registered office and address	3
I.3.2. Composition of the share capital of the Target Company. Markets in which shares are admitted for trading.....	4
I.3.3. Structure of the Target Company's administration, management and control bodies	5
I.3.4. The Target Company's shareholding and control structure.....	6
I.3.5. Limitation on voting rights and restrictions on access to management bodies	7
I.3.6. Resolutions concerning the application of neutralisation and compensation measures foreseen ..	7
I.4. Information concerning the Bidder and its group	7
I.4.1. Legal personality, company name and business name, registered office, address, date of incorporation, period of activity and corporate purpose.....	7
I.4.2. Composition of share capital. Markets on which shares and other listed securities are admitted for trading	8
I.4.3. Structure of the Bidder's administration, management and control bodies	8
I.4.4. The Bidder's shareholding and control structure.....	10
I.4.5. Identity of the persons taking concerted action alongside the Bidder	11
I.4.6. Limitation on voting rights and restrictions on access to management bodies	11
I.4.7. Resolutions concerning the application of neutralisation and compensation measures	11
I.4.8. Companies belonging to the same group as the Bidder, with an indication of the structure of the group.....	12
I.5. Resolutions concerning the Bid and the Target Company	13
I.5.1. Description of all the resolutions or agreements of any kind between the Bidder and the shareholders and members of the administration, management and control bodies of the Target Company, and advantages reserved by the Bidder for these members.....	13
I.5.2. Members of the administration, management and control bodies of the Target Company and of the Bidder simultaneously.....	14
I.5.3. Shares of the Bidder owned by the Target Company.....	14
I.6. Shares of the Target Company owned by the Bidder	14
I.6.1. Shares of the Target Company owned by the Bidder.....	14
I.6.2. Target Company's treasury shares.....	15

I.7.	Operations with the Target Company’s securities	15
I.8.	The Bidder’s business activity and economic-financial situation	15
CHAPTER II.....		17
II.1.	Securities subject to the Bid.....	17
II.2.	Consideration offered	17
II.2.1.	<i>Consideration offered for each share, and method whereby it will be made effective</i>	<i>17</i>
II.2.2.	<i>Justification for the consideration</i>	<i>18</i>
II.3.	Conditions to which the Bid is subject	19
II.3.1.	<i>Description of the condition to which the Bid is subject.....</i>	<i>19</i>
II.3.2.	<i>Limitations or restrictions due to regulations, own limitations or restrictions, or limitations or restrictions imposed by third parties, for a possible waiver of this condition.</i>	<i>19</i>
II.3.3.	<i>Provisions made by the Bidder for a potential waiver of the condition and impact of such waiver on the Bid, on its purpose and on the other provisions set out in the prospectus.</i>	<i>19</i>
II.4.	Collateral and funding for the Bid	19
II.4.1.	<i>Collateral for the Bid.....</i>	<i>19</i>
II.4.2.	<i>Funding for the Bid.....</i>	<i>19</i>
II.4.3.	<i>Effects of the financing on the Target Company.....</i>	<i>20</i>
CHAPTER III		21
III.1.	Procedure for acceptance and settlement of the Bid	21
III.1.1.	<i>Deadline for acceptance of the Bid.....</i>	<i>21</i>
III.1.2.	<i>Formalities which must be carried out by the recipients of the Bid to manifest their acceptance, and the procedure and timeline for them to receive the consideration.....</i>	<i>21</i>
III.1.3.	<i>Costs of acceptance and settlement of the Bid.....</i>	<i>23</i>
III.1.4.	<i>Deadlines for the waiver of the condition to which the effectiveness of the Bid is subject and consequences</i>	<i>23</i>
III.1.5.	<i>Bank acting on behalf of the Bidder in the procedure for the acquisition and settlement of the Bid.....</i>	<i>23</i>
III.2.	Procedure for forced purchase/sale	24
III.2.1.	<i>Conditions for forced purchase/sale.....</i>	<i>24</i>
III.2.2.	<i>Procedure for forced purchase/sale.....</i>	<i>25</i>

CHAPTER IV	27
IV.1. Purpose of the acquisition.....	27
IV.2. Strategic plans and intentions with regard to future activities and location of the Target Company’s business sites and its group.....	27
IV.3. Strategic plans and intentions towards maintaining jobs at the Target Company and its group.....	28
IV.4. Plans concerning the utilisation of the Target Company’s assets and changes planned for its net financial debt.	28
IV.5. Plans concerning the issue of securities by the Target Company and its group.....	28
IV.6. Plans for corporate restructuring of any kind.....	28
IV.7. Dividend policy	28
IV.8. Plans concerning the structure, members and operations of the management bodies of the Target Company and its group.....	28
IV.9. Plans in connection to amendments to the bylaws of the Target Company and its group	29
IV.10. The Bidder’s initiatives with respect to the price of the Target Company’s securities.....	29
IV.11. Forced-sale right stipulated in Article 47 of the Royal Decree on Takeover Bids.....	29
IV.12. Intentions concerning the transfer of securities of the Target Company	29
IV.13. Information in this chapter concerning the Bidder and its group.....	29
IV.14. Impact of the Bid and its funding on the Bidder’s main financial figures	29
CHAPTER V	35
V.1. Authorisations with regard to competence and other information or documents	35
V.2. Administrative checks or authorisations other than by the CNMV	35
V.3. Locations at which the prospectus may be consulted and documents accompanying the prospectus.....	35
V.4. Territorial restriction.....	35

LIST OF APPENDICES

APPENDIX I	Certification of the corporate resolution concerning the formulation of the Bid adopted by the Board of Directors of Inmobiliaria Colonial, SOCIMI, S.A. on 12 November 2017.
APPENDIX II	Authentication certificate to prove the lock-up of the shares of Axiare Patrimonio SOCIMI, S.A. owned by Inmobiliaria Colonial, SOCIMI, S.A.
APPENDIX III	Bank guarantee as collateral for the Bid, issued by CaixaBank, S.A.
APPENDIX IV	Specimen announcement of the Bid to be published by the Bidder pursuant to Article 22 of the Royal Decree on Takeover Bids.
APPENDIX V	Letter from the Bidder concerning publicity for the Bid.
APPENDIX VI	Letter from CaixaBank, S.A. as market member, who will act on behalf of the Bidder in the acquisition and settlement process.

INTRODUCTION

This prospectus (the “**Prospectus**”) explains the terms and conditions of the takeover bid (the “**Bid**”) by Inmobiliaria Colonial, SOCIMI, S.A. (“**Colonial**” or the “**Bidder**”, known along with the companies in its group as the “**Colonial Group**”) for all the shares of Axiare Patrimonio SOCIMI, S.A. (“**Axiare**” or the “**Target Company**”), considered a “voluntary bid” for the purposes of the provisions of Article 137 of the Spanish Revised Securities Market Law approved by Royal Legislative Decree 4/2015 of 23 October (the “**Securities Market Law**”) and of Article 13 of *Royal Decree 1066/2007 of 27 July on the system governing takeover bids* (the “**Royal Decree on Takeover Bids**”).

The Bid targets 100% of the share capital of the Target Company, although it excludes the shares owned by Colonial (22,762,064 shares accounting for 28.79% of the capital), which have been locked up until the Bid has been completed. Therefore, in due consideration of the current number of outstanding Axiare shares, the Bid targets a total 56,300,422 shares in Axiare, accounting for 71.21% of its share capital.

On 13 November 2017 Colonial submitted the prior announcement of the Bid (the “**Prior Announcement**”) to the Spanish Securities Market Commission (the “**CNMV**”), as required by Article 16 of the Royal Decree on Takeover Bids, and 24 November 2017 Colonial submitted its application to the CNMV for them to authorise the Bid under the terms stipulated in Article 17 of the Royal Decree on Takeover Bids. On 7 December 2017, the Bid was admitted by the aforementioned body.

The consideration offered by the Bidder is in cash and amounts to 18.36 euros per Axiare share.

The firstly established consideration amounted to 18.50 euros per Axiare share. However, on 15 November 2017 Axiare announced the approval of an interim dividend against earnings in 2017 with a gross amount of 0.14 euro per share, which was paid on 28 November 2017 to Axiare shareholders listed in the records of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (“**Iberclear**”) on 14 November 2017, and the consideration offered by Colonial was therefore adjusted and now stands at 18.36 euros per Axiare share.

Although the Bid is a “voluntary bid”, Colonial considers that the price of the Bid is a fair price pursuant to Article 9 of the Royal Decree on Takeover Bids, as described in section II.2.2. of the Prospectus.

The Bid is subject to acceptance by the Target Company’s shareholders who together hold a minimum number of 16,769,180 shares accounting for 21.21% of the share capital which, along with the 22,762,064 shares (28.79% of the share capital) owned by Colonial, will make the Bidder the owner of at least 50% plus one share of the share capital of the Target Company.

Pursuant to the provisions of Article 136 of the Securities Market Law and Article 47 of the Royal Decree on Takeover Bids, if the conditions stipulated in said articles are met, the Bidder will require the remaining holders of shares in the Target Company to forcibly sell all their shares, for the same consideration as stipulated in the Bid, and Colonial will meet all the costs of such forced sale and all the costs of settlement of this operation. Colonial subsequently intends to bring Axiare into the Colonial Group and carry out a merger whereby the company arising from such merger would be Colonial, subject to the approval of the General Meeting of Shareholders.

CHAPTER I

I.1. Person responsible for the Prospectus

Mr. Pedro Viñolas Serra, of legal age and a Spanish national with identity card (DNI) number 35033468-Y, acting for and on behalf of Colonial, in his capacity as Chief Executive Officer and availing himself of the powers expressly granted to him by the Board of Directors of Colonial at its meeting on 12 November 2017, undertakes responsibility for the contents of the Prospectus.

Mr. Pedro Viñolas Serra, availing himself of his representational capacity, declares that the data and information in the Prospectus are truthful, that no data and information therein should lead to errors, and there are no omissions that could alter its contents.

Pursuant to the provisions of Article 238 of the Securities Market Law, it is expressly stipulated that filing the Prospectus and its accompanying documentation at the official CNMV registry will merely entail acknowledgment that these documents contain all the information required by the regulations establishing their contents, and, under no circumstances will this determine the CNMV's liability for any lack of veracity of the information therein.

I.2. Applicable resolutions, scope and legislation

I.2.1. Resolutions by the Bidder to draw up the Bid

On 12 November 2017 the Board of Directors of Colonial unanimously resolved to draw up the Bid, and simultaneously drew up the main terms thereof, which were disclosed to the market in the Prior Announcement of the Bid as stipulated in Article 16 of the Royal Decree on Takeover Bids on 13 November 2017 in the corresponding "regulatory announcement" (entry number 258425).

In its decision, the Board of Directors of Colonial considered itself the competent body to draw up the Bid as the acquisition of Axiare does not make up 25% of the value of the assets as listed in Colonial's last consolidated balance sheet of 31 December 2016 and, moreover, it does not constitute an "essential asset" for the purposes of Article 160.f) of the Spanish Revised Limited Liability Companies Law approved by Royal Legislative Decree 1/2010 of 2 July. Thus, pursuant to the aforesaid Article 160.f), the Colonial's General Meeting of Shareholders does not have the necessary powers to draw up the Bid.

At the aforementioned meeting of the Board of Directors, Colonial also resolved to empower the person responsible for the Prospectus (see section I.1.) to take any action that may be necessary or advisable in connection with the Bid, including signing and filing the Prospectus.

A copy of the certification of the corporate resolution concerning the drawing up of the Bid which was adopted by Colonial's Board of Directors on 12 November 2017 is attached as **Appendix I**.

On the date of the Prospectus no other corporate body of Colonial has adopted any additional resolutions or decisions in connection with drawing up the Bid, nor are these required to be adopted under the Company Bylaws or the legislation applicable.

I.2.2. Scope of the Bid, applicable legislation and competent authority

The Bid is considered a "voluntary bid". It is drawn up by Colonial and targets all holders of Axiare's shares, in the terms and conditions stipulated in the Prospectus and its accompanying documentation, and is carried out pursuant to the Securities Market Law, the Royal Decree on Takeover Bids and other applicable laws.

All Axiare's shares are admitted for trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges and included in the Spanish Stock Exchanges' Interconnection System (Continuous Market) (the "SIB"). Axiare's shares are not admitted for trading on any other markets, whether regulated markets, multilateral trading facilities or any other kind of secondary markets for trading in securities, either in a European Union Member State or in other non-EU countries.

Consequently, since Axiare is a Spanish-registered company and its shares are admitted for trading on the Spanish Stock Exchanges, the competent authority assigned to examine the Prospectus and authorise of the Bid is the CNMV.

The Bid is irrevocable, and any modification, withdrawal or cessation of effects will only be effective in the events and in the manner stipulated in the Royal Decree on Takeover Bids.

In this regard, as the Bid is considered a "voluntary bid", pursuant to the provisions of Article 33 of the Royal Decree on Takeover Bids, the Bidder may withdraw the Bid in the events described below.

- a) When a competing bid is authorised, as per the provisions of Chapter IX of the Royal Decree on Takeover Bids.
- b) When, due to exceptional circumstances beyond the control of the Bidder, the Bid cannot be carried out or manifestly proves unfeasible, provided prior authorisation has been obtained from the CNMV.
- c) When, pursuant to the provisions of Article 28 of the Royal Decree on Takeover Bids, the Target Company adopts a decision or resolution which, in the opinion of the Bidder, prevents it from maintaining the Bid, provided the Bidder has not been directly or indirectly involved in favour of the adoption of such resolution, and prior authorisation has been obtained from the CNMV.

However, pursuant to section d) of Article 28.1 of the Royal Decree on Takeover Bids, if extraordinary dividends are paid out or any other remuneration is paid to the shareholders or holders of other securities of the Target Company and this does not adhere to the usual policy of dividend payouts, unless the corresponding corporate resolutions have previously been approved by the competent corporate body and publicly disclosed, the Bidder may maintain the Bid and adjust the consideration, provided that, in the light of the circumstances surrounding the case, any reduction in the new consideration does not exceed the amount required to maintain financial equivalence to the former consideration, and prior authorisation has been obtained from the CNMV.

1.2.3. Markets in which the Bid is drawn up

The Bid is drawn up exclusively in the Spanish market, the only market where Axiare's shares are listed, and targets all shareholders of Axiare irrespective of their nationality or place of residence. Concerning Axiare shareholders residing outside Spain, see section V.4.

1.2.4. National legislation governing contracts between the Bidder and the holders of shares in the Target Company as a consequence of the Bid.

Contracts drawn up as a consequence of the Bid between Colonial and Axiare shareholders taking up the Bid will be governed by Spanish legislation. Additionally, the competent jurisdictional bodies authorised to rule on any issue concerning said contracts will be the Spanish Courts and Tribunals assigned in accordance with civil procedure legislation.

1.3. Information concerning the Target Company

1.3.1. Company name and business name. Registered office and address

The Target Company is Axiare Patrimonio SOCIMI, S.A., a Spanish corporation ("sociedad anónima"), with registered office in Madrid, Calle José Ortega y Gasset 29, 5ª planta, post code 28006, with tax number (NIF) A-

86971249 and legal entity identifier (LEI) 959800A9PB7NMEC9M863. Axiare was incorporated for an indefinite term, and is listed in the Madrid Business Register. The Target Company's business name is Axiare.

Axiare's fiscal year is the calendar year, i.e. it commences on 1 January and ends on 31 December each year.

Axiare's Corporate Bylaws and any other corporate information concerning the Target Company are available for consultation on the Axiare website (www.axiare.es).

Pursuant to Article 2 of its Corporate Bylaws, Axiare's corporate purpose is as follows:

"Article 2.- Corporate purpose

1. The Company's corporate purpose is as follows:

- a) The acquisition and development of urban real estate for leasing operations.*
- b) Holding stakes in the share capital of other Spanish real estate investment trusts ("REITs"), or in the share capital of other companies that are not based in Spain with the same corporate purpose as the former, which are governed by a system similar to that established for Spanish REITs in terms of mandatory policies or policies laid down by the laws or corporate bylaws in connection with the distribution of profits.*
- c) Holding stakes in the capital of other companies, whether based in Spain or abroad, the main corporate purpose of which is the acquisition of urban real estate for leasing operations, which are governed by the same system as that established for Spanish REITs in terms of mandatory policies or policies laid down by the laws or corporate bylaws in connection with the distribution of profits, and which meet the investment requirements referred to in Article 3 of Spain's Law on REITs.*
- d) Holding shares or stakes in Real Estate Collective Investment Undertakings regulated by Spain's Law 35/2003 of 4 November on Collective Investment Undertakings.*

The Company may also carry out other ancillary activities, understood as those earning an overall income which accounts for less than twenty per cent (20%) of the Company's income during each tax period (including, but not limited to, real estate operations other than those described in paragraphs a) to d) above, or any which may be considered ancillary activities pursuant to the law in force at the time.

- 2. All activities for which the law stipulates requirements which cannot be met by the Company are expressly excluded.*
- 3. Activities which form part of the share capital may be carried out totally or partially in an indirect fashion, through stakes in other companies with the same or similar corporate purpose."*

I.3.2. Composition of the share capital of the Target Company. Markets in which shares are admitted for trading.

Axiare's share capital stands at 790,624,860.00 euros, divided into 79,062,486 ordinary registered shares with a nominal value of 10 euros each, of the same class and series, fully subscribed and paid up by means of book entries handled by Iberclear and its partners. Pursuant to Axiare's Corporate Bylaws, each share entitles the holder to one vote at the General Meeting of Shareholders.

According to the public information available, the Target Company has not issued any preferential subscription rights, bonds that may be converted into or swapped for Axiare's shares, warrants or any other securities to be converted or swapped which may entitle the holder to acquire or subscribe Axiare's shares. Nor are there any shares with no voting rights or shares of a special class.

The shares of the Target Company are admitted for trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges and included in the SIB.

I.3.3. Structure of the Target Company's administration, management and control bodies

Pursuant to Article 32 of the Target Company's Corporate Bylaws, Axiare is run by a Board of Directors.

All information concerning the composition, organisation and functions of Axiare's Board of Directors and of its committees and commissions is set out in its Corporate Bylaws, Board Regulations, Internal Code of Conduct and annual corporate governance reports, which are available for consultation on its corporate website (www.axiare.es).

The composition of Axiare's Board of Directors is as follows, according to the public information available as of the date of the Prospectus.

Name/Company name	Position	Category	Number of shares	Percentage (%) of share capital
Mr. Luis María Arredondo Malo.....	Chairman Vice-Chairman and Chief Executive	Independent	0	0.000
Mr. Luis Alfonso López de Herrera-Oria.....	Officer	Executive	1,424,041 ⁽¹⁾	1.801
Mr. Fernando Bautista Sagüés	Member	Independent	0	0.000
Mr. David Jiménez-Blanco Carrillo de Albornoz ...	Member	Independent	0	0.000
Mr. Cato Henning Stonex.....	Member	Independent	0	0.000

(1): Directly (1,406,653 shares) and indirectly (17,388 shares) through Rodex Asset Management, S.L. and Inmodesarrollos Integrados, S.L.

The Secretary (not a Board member) of Axiare's Board of Directors is Mr. Iván Azinovic Gamo.

According to Axiare's annual corporate governance report for 2016, posted on the CNMV website on 27 February 2017, Axiare does not currently have any external proprietary directors, and declares it is making the necessary arrangements to re-establish representation of the major shareholders on the Board of Directors.

In connection with the table above concerning Axiare's shares, according to the public information available, Axiare declares it has a share-based incentive plan for management (including Axiare's Chief Executive Officer), the details of which are chiefly set out in the Axiare prospectus filed in the CNMV's official registry on 14 May 2015 (entry number 10537). In accordance with the provisions in the aforementioned informative prospectus, the management may receive a share-based incentive (that would not be locked up) should Axiare be acquired or should a sale of shares be performed that gave rise to a controlling stake as defined in the Spanish Royal Decree on Takeover Bids. This share-based incentive could be linked to the price offered in the operation determining the purchase of Axiare or the acquisition of a controlling stake. In these cases, payment of the incentive concerned would be made as soon as is reasonably possible after the date on which a majority of Axiare's shareholders approves such acquisition or sale.

The incentive plan is payable in Axiare's treasury shares or newly issued shares. However, as stipulated in the aforesaid prospectus, should Axiare determine (within reason) that delivery of some or all of the shares on the incentive plan would be materially detrimental to Axiare for whichever reason, the incentive would be payable in cash.

Moreover, according to the public information available at the date of the Prospectus, the composition of each of the committees and commissions of the Board of Directors of Axiare is set out below.

Audit and Control Committee

Name/Company name	Position	Category
Mr. David Jiménez-Blanco Carrillo de Albornoz	Chairman	Independent
Mr. Luis María Arredondo Malo.....	Member	Independent

The Secretary of the Axiare Audit and Control Committee is Mr. Iván Azinovic Gamo.

Appointments and Remuneration Committee

Name/Company name	Position	Category
Mr. Fernando Bautista Sagüés	Chairman	Independent
Mr. David Jiménez-Blanco Carrillo de Albornoz	Member	Independent

The Secretary of the Axiare Appointments and Remuneration Committee is Mr. Iván Azinovic Gamo.

I.3.4. The Target Company's shareholding and control structure

Axiare's shareholding structure is as follows, according to the public information available on 11 December 2017:

SHAREHOLDERS	Number of shares^(*)	Percentage (%) of share capital
Amber Global Opportunities Master Fund Ltd.....	--	.. ⁽¹⁾
Citigroup Global Markets Limited	3,878,528	4.906 ⁽²⁾
Gross Global Investors Master Fund (Enhanced), Ltd.	--	.. ⁽³⁾
Inmobiliaria Colonial, SOCIMI, S.A.	22,762,064	28.790
Maven Securities Ltd	1,252,723	1.584 ⁽⁴⁾
Sand Grove Capital Management LLP	--	.. ⁽⁵⁾
Syquant Capital.....	1,015,600	1.285
T. Rowe Price Associates, Inc.	4,396,525	5.561
The Goldman Sachs Group, Inc.	60,455	0.076 ⁽⁶⁾
<i>Treasury shares</i>	542,835	0.687
<i>Other shareholders</i>	45,153,756	57.111
Total	79,062,486	100.000

(*) Includes the direct and indirect stakes reported by Axiare's shareholders.

(1): Amber Global Opportunities Master Fund Ltd. could attain a 1.210% stake if it exercised the rights arising from financial instruments which grant the right to acquire 956,819 shares.

(2): This stake could rise to 4.917% if Citigroup Global Markets Limited exercised the rights arising from financial instruments which grant the right to acquire 8,444 shares (these would currently account for 0.011% of the share capital).

(3): Gross Global Investors Master Fund (Enhanced), Ltd. could attain a 1.138% stake if it exercised the rights arising from financial instruments which grant the right to acquire 900,000 shares.

(4): This stake could rise to 4.044% if Maven Securities Ltd exercised the rights arising from financial instruments which grant the right to acquire 1,944,704 shares (these would currently account for 2.460% of the share capital).

(5): Sand Grove Capital Management LLP could attain a 3.062% stake if it exercised the rights arising from financial instruments which grant the right to acquire 2,420,530 shares.

(6): This stake could rise to 3.244% if The Goldman Sachs Group, Inc. exercised the rights arising from financial instruments which grant the right to acquire 2,504,763 shares (these would currently account for 3.168% of the share capital).

Pursuant to the provisions of Article 5 of the Securities Market Law, Article 42 of the Spanish Commercial Code and Article 4 of the Royal Decree on Takeover Bids, no individual or legal entity controls or can control Axiare. Nor have any shareholders' agreements been published concerning Axiare.

I.3.5. Limitation on voting rights and restrictions on access to management bodies

Each one of Axiare's shares carries one vote. Axiare's Corporate Bylaws do not stipulate any limitations on shareholder voting rights.

With the exception of legal restrictions concerning incompatibilities or bans on directors, Axiare's Corporate Bylaws do not establish any restrictions on access to the Board of Directors or to its delegate committees.

I.3.6. Resolutions concerning the application of neutralisation and compensation measures foreseen

Axiare has not adopted any resolutions concerning the adoption of the neutralisation and compensation measures referred to in Article 135 of the Securities Market Law and in Article 29 of the Royal Decree on Takeover Bids, since Axiare's corporate provisions do not include any restrictions on the free transferability of shares or the exercise of voting rights, or any shareholders' agreements containing any such restrictions.

I.4. Information concerning the Bidder and its group

I.4.1. Legal personality, company name and business name, registered office, address, date of incorporation, period of activity and corporate purpose.

The Bidder is Inmobiliaria Colonial, SOCIMI, S.A., a Spanish corporation ("sociedad anónima"), with registered office in Madrid, Paseo de la Castellana 52, 5ª planta, post code 28046, with tax number (NIF) A-28027399 and legal entity identifier (LEI) 95980020140005007414. Colonial was incorporated for an indefinite term, and is listed in the Madrid Commercial Registry.

Colonial's fiscal year is the calendar year, i.e. it commences on 1 January and ends on 31 December each year.

Colonial's Corporate Bylaws and any further corporate information concerning the Bidder are available for consultation on the Colonial website (www.inmocolonial.com).

Pursuant to Article 3 of its Corporate Bylaws, Colonial's corporate purpose is as follows:

"Article 3. Corporate purpose

The Company's main corporate purpose in Spain or abroad is:

- 1. The acquisition and development of urban real estate for leasing operations.*
- 2. Holding stakes in the share capital of other Spanish real estate investment trusts ("REITs"), or in the share capital of other companies that are not based in Spain with the same corporate purpose as the former, which are governed by a system similar to that established for Spanish REITs in terms of mandatory policies or policies laid down by the laws or corporate bylaws in connection with the distribution of profits.*
- 3. Holding stakes in the capital of other companies, whether based in Spain or abroad, the main corporate purpose of which is the acquisition of urban real estate for leasing operations, which are governed by the same system as that established for Spanish REITs in terms of mandatory policies or policies laid down by the laws or corporate bylaws in connection with the distribution of profits, and which meet the investment requisites for these companies.*
- 4. Holding shares or stakes in Real Estate Collective Investment Undertakings regulated by Spain's Law 35/2003 of 4 November on Collective Investment Undertakings, or any future regulation which may replace same.*

The aforementioned activities include, in any case, the power to sell off or encumber any property or stakes owned by the Company.

Additionally, along with the economic activity arising from the main corporate purpose, the Company may carry out other ancillary activities, understood as those earning an overall income which accounts for less than 20% of the Company income in whichever tax period or those which may be considered ancillary activities in accordance with the applicable laws at the time, including, in any case, the administration, refurbishment and operation of real estate, and any surveys, reports, appraisals, valuations and expert opinions; and, in general, provision of consultancy services and real estate advisory services, management, implementation and sale of real estate assets and technical assistance by contract for other companies or public or private bodies.

Any activities which are exclusively attributed by Law to specific companies are expressly excluded as corporate activities.

All activities forming part of the corporate purpose will be carried out in the manner authorised by the laws in force at the time, with the express exclusion of any activities that are exclusively conferred upon individuals or legal entities other than this Company under the current legislation.

The activities listed may also be carried out by the Company, totally or partially, in an indirect manner, through ownership of stakes in other companies with an identical or similar corporate purpose.”

I.4.2. Composition of share capital. Markets on which shares and other listed securities are admitted for trading.

Colonial's share capital is 1,088,293,390.00 euros, divided into 435,317,356 shares with a nominal value of 2.50 euros each, of the same class and series, fully subscribed and paid up. Colonial has not issued any securities entitling the holder to the acquisition or subscription of shares. All Colonial shares entitle their holders to the same voting rights and economic rights. Each share carries one vote.

All Colonial shares are admitted for trading on the Madrid and Barcelona Stock Exchanges and are included in the "SIB" Interconnection System and are represented by registered book entries in the accounting records of Iberclear and its authorised partners.

Colonial also has ordinary bonds admitted for trading on the Irish Stock Exchange's main securities market in the total nominal amount of 2,325 million euros: (i) 375 million euros maturing in June 2019; (ii) 500 million euros maturing in June 2023; (iii) 600 million euros maturing in October 2024; (iv) 500 million euros maturing in November 2025; (v) 50 million euros maturing in November 2026; and (vi) 300 million euros maturing in November 2029. See section II.4.2 for further information in connection with (iv) and (vi) above.

I.4.3. Structure of the Bidder's administration, management and control bodies

Pursuant to Article 27 of the Bidder's Corporate Bylaws, Colonial is run by a Board of Directors.

All information concerning the composition, organisation and functions of Colonial's Board of Directors and of its committees and commissions is set out in its Corporate Bylaws, Board Regulations, Internal Code of Conduct and annual corporate governance reports, which are available for consultation on its corporate website (www.inmocolonial.com).

The composition of the Board of Directors of Colonial is as follows:

Name	Position	Category	Designated shareholder	Number of shares	Percentage (%) of share capital
Mr. Juan José Brugera Clavero.....	Chairman Chief Executive	Executive ⁽¹⁾	--	148,049	0.034 ⁽⁵⁾
Mr. Pedro Viñolas Serra.....	Officer	Executive	--	236,898	0.054 ⁽⁶⁾
Sheikh Ali Jassim M. J. Al-Thani.....	Member	Proprietary	Qatar Investment Authority	0	0.000
Mr. Adnane Mousannif.....	Member	Proprietary	Qatar Investment Authority	0	0.000
Mr. Juan Carlos García Cañizares.....	Member	Proprietary	Aguila Ltd. Mr. Carlos	0	0.000
Mr. Carlos Fernández González.....	Member	Proprietary	Fernández González	79,378,647 ⁽²⁾	18.235
Ms. Ana Sainz de Vicuña Bemberg.....	Member	Independent	--	1,500	0.000
Mr. Carlos Fernández-Lerga Garralda ...	Lead Director	Independent	--	12,031 ⁽³⁾	0.003
Mr. Javier Iglesias de Ussel Ordís.....	Member	Independent	--	1,820	0.000
Mr. Luis Maluquer Trepal.....	Member	Independent	--	22,500 ⁽⁴⁾	0.005

(1): Mr. Juan José Brugera Clavero has been granted certain Board powers. Notwithstanding the foregoing, the Company's chief executive is Mr. Pedro Viñolas Serra, who has been granted all powers in accordance with the law.

(2): Through Hofinac B.V. (16.318%), Finaccess Capital, S.A. de C.V. (0.502%) and Finaccess Capital Inversores, S.L. (1.415%). Mr. Carlos Fernández González controls the majority of the share capital and voting rights of Grupo Far-Luca, S.A. de C.V., a company holding 99% of the shares of Grupo Finaccess, S.A.P.I. de C.V., and this company in turn holds 99.99% of the share capital and the voting rights of Finaccess Capital, S.A. de C.V. which controls the direct shareholders Hofinac B.V. (51%) and Finaccess Capital Inversores, S.L. (100%). The direct shareholders are therefore controlled by a company with links to the party liable.

(3): 6,361 shares directly, and indirectly, through EUR-Consultores, S.L., 5,670 shares.

(4): 20,000 shares directly, and indirectly, through Ms. Marta Maluquer Domingo, 2,500 shares.

(5): This stake could be up to 0.079% of the share capital should Colonial deliver to Mr. Juan José Brugera Clavero the shares he would be entitled to by virtue of the share delivery plan approved, at the request of the Appointments and Remuneration Committee, by the General Meeting of 21 January 2014 and extended for another 2-year period by the General Meeting of 29 June 2017, of which he is beneficiary provided the terms thereof are observed. At present, the future shares he is entitled to would be 0.045% of the current share capital: 0.011% maturing on 30 April 2018; (ii) 0.011% maturing on 30 April 2019; (iii) 0.011% maturing on 30 April 2020; and (iv) 0.011% maturing on 30 April 2021.

(6): This stake could be up to 0.171% of the share capital should Colonial deliver to Mr. Pedro Viñolas Serra the shares he would be entitled to by virtue of the share delivery plan approved, at the request of the Appointments and Remuneration Committee, by the General Meeting of 21 January 2014 and extended for another 2-year period by the General Meeting of 29 June 2017, of which he is beneficiary provided the terms thereof are observed. At present, the future shares he is entitled to would be 0.117% of the current share capital: 0.029% maturing on 30 April 2018; (ii) 0.029% maturing on 30 April 2019; (iii) 0.029% maturing on 30 April 2020; and (iv) 0.029% maturing on 30 April 2021.

The Secretary and Vice-Secretary (not Board members) of the Board of Directors of Colonial are Mr. Francisco Palá Laguna and Ms. Nuria Oferil Coll respectively.

The composition of each of the Committees of Colonial's Board of Directors is set out below.

Executive Committee

Name/Company name	Position	Category
Mr. Juan José Brugera Clavero.....	Chairman ⁽¹⁾	Executive
Mr. Pedro Viñolas Serra.....	Member ⁽²⁾	Executive
Mr. Carlos Fernández González.....	Member	Proprietary
Mr. Adnane Mousannif.....	Member	Proprietary
Mr. Juan Carlos García Cañizares.....	Member	Proprietary
Mr. Carlos Fernández-Lerga Garralda.....	Member	Independent

(1): Mr. Juan José Brugera Clavero has been granted certain Board powers. Notwithstanding the foregoing, the Company's chief executive is Mr. Pedro Viñolas Serra, who has been granted all powers in accordance with the law.

(2): Chief Executive Officer.

The Secretary and Vice-Secretary of Colonial's Executive Committee are Mr. Francisco Palá Laguna and Ms. Nuria Oferil Coll respectively.

Audit and Control Committee

Name/Company name	Position	Category
Ms. Ana Sainz de Vicuña Bemberg.....	Chairman	Independent
Mr. Javier Iglesias de Ussel Ordís	Member	Independent
Mr. Carlos Fernández-Lerga Garralda	Member	Independent
Mr. Luis Maluquer Trepas	Member	Independent

The Secretary and Vice-Secretary of Colonial's Audit and Control Committee are Mr. Francisco Palá Laguna and Ms. Nuria Oferil Coll respectively.

Appointments and Remuneration Committee

Name/Company name	Position	Category
Mr. Carlos Fernández-Lerga Garralda	Chairman	Independent
Mr. Adnane Mousannif.....	Member	Proprietary
Mr. Juan Carlos García Cañizares	Member	Proprietary
Mr. Javier Iglesias de Ussel Ordís	Member	Independent
Mr. Luis Maluquer Trepas	Member	Independent

The Secretary and Vice-Secretary of Colonial's Appointments and Remuneration Committee are Mr. Francisco Palá Laguna and Ms. Nuria Oferil Coll respectively.

1.4.4. The Bidder's shareholding and control structure

Colonial's shareholding structure as of the date of the Prospectus is as follows:

SHAREHOLDERS	Number of shares ^(*)	Percentage (%) of share capital
Mr. Carlos Fernández González ⁽¹⁾	79,378,647 ⁽²⁾	18.23
Qatar Investment Authority.....	46,151,954 ⁽³⁾	10.60
Aguila LTD.....	38,305,886 ⁽⁴⁾	8.80
Inmo, S.L.	28,883,179 ⁽⁵⁾	6.63
BlackRock Inc.	12,079,664	2.77 ⁽⁷⁾
Deutsche Bank, A.G.	8,135,389 ⁽⁶⁾	1.87 ⁽⁸⁾
Treasury shares.....	4,509,440	1.04
Other shareholders	217,962,057	50.08
Total.....	435,317,356	100.00

(*): Includes the direct and indirect stakes reported by Colonial shareholders.

(1): Mr. Carlos Fernández González controls the majority of the share capital and voting rights of Grupo Far-Luca, S.A. de C.V., a company holding 99% of the shares of Grupo Finaccess, S.A.P.I. de C.V., and this company in turn holds 99.99% of the share capital and the voting rights of Finaccess Capital, S.A. de C.V. which controls the direct shareholders Hofinac B.V. (51%) and Finaccess Capital Inversores, S.L. (100%). The direct shareholders are therefore controlled by a company with links to the party liable.

(2): Through Hofinac B.V. (16.318%), Finaccess Capital, S.A. de C.V. (0.502%) and Finaccess Capital Inversores, S.L. (1.415%).

(3): Through QH Netherlands BV.

(4): Through Park, S.A.R.L. Aguila Ltd is not controlled by any individual or legal entity - it is an investment vehicle operated by the Santo Domingo family.

(5): Through Trudonba XXI, S.L.U.

(6): The number of shares reported has been adjusted in the same proportion as in the grouping and cancellation of shares (counter-split) carried out by Colonial in July 2016, i.e. 1 new share for every 10 old shares.

(7): This stake does not include 1,755,417 shares (accounting for 0.40% of the share capital) corresponding to certain financial instruments.

(8): This stake does not include 5,137,435 shares (accounting for 1.31% of the share capital) corresponding to certain financial instruments.

Pursuant to the provisions of Article 5 of the Securities Market Law, Article 42 of the Spanish Commercial Code and Article 4 of the Royal Decree on Takeover Bids, no individual or legal entity controls or can control Colonial. Nor have any shareholders' agreements been published concerning Colonial.

I.4.5. Identity of the persons taking concerted action alongside the Bidder

There are no individuals or legal entities taking concerted action alongside the Bidder, nor are there any agreements leading to concerted action in connection with the Bid with Colonial or with Axiare.

I.4.6. Limitation on voting rights and restrictions on access to management bodies

Each Colonial share carries one vote. Colonial's Corporate Bylaws do not stipulate any limitations on shareholder voting rights.

With the exception of legal restrictions concerning incompatibilities or bans on directors, Colonial's Corporate Bylaws do not establish any restrictions on access to the Board of Directors or to its delegate committees.

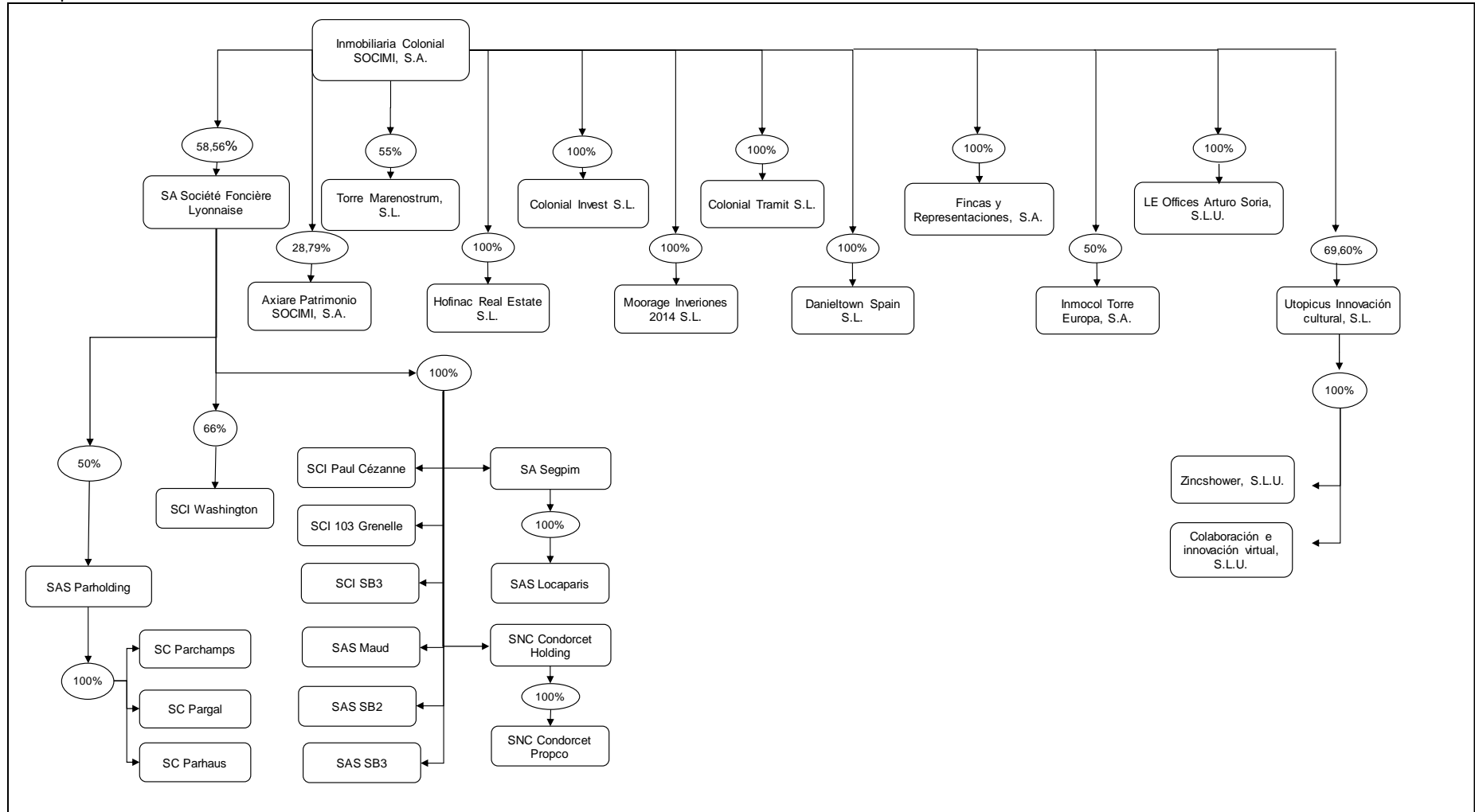
I.4.7. Resolutions concerning the application of neutralisation and compensation measures

Colonial has not adopted any resolutions concerning the adoption of the neutralisation and compensation measures referred to in Article 135 of the Securities Market Law and in Article 29 of the Royal Decree on Takeover Bids, since Colonial's corporate provisions do not include any restrictions on the free transferability of shares or the exercise of voting rights, or any shareholders' agreements containing any such restrictions.

1.4.8. Companies belonging to the same group as the Bidder, with an indication of the structure of the group

Colonial is the parent of a group of companies, the organisational structure of which is set out below.

% Participación directa



I.5. Resolutions concerning the Bid and the Target Company

I.5.1. Description of all the resolutions or agreements of any kind between the Bidder and the shareholders and members of the administration, management and control bodies of the Target Company, and advantages reserved by the Bidder for these members.

Immediately before publication of the Prior Announcement of the Bid, Colonial acquired 10,511,523 Axiare shares, accounting for 13.30% of the share capital.

Specifically, Colonial acquired the following:

- On 12 November 2017, 7,365,236 Axiare shares accounting for 9.32% of the share capital from Pelham Long/Short Master Fund Ltd ("**Pelham**"), for 18.50 euros per share;
- On 13 November 2017, 3,000,000 Axiare shares accounting for 3.79% of the share capital from GIC Private Limited ("**GIC**"), for 18.25 euros per share; and
- On 12 November 2017, 146,287 Axiare shares accounting for 0.19% of the share capital from GAM International Management Limited ("**GAM**"), for 18.25 euros per share.

In the contracts for the acquisition of the shares held by Pelham, GIC and GAM, Colonial undertook to furnish a cash compensation to each of said companies if Colonial should draw up a takeover bid for the shares of Axiare at a share price higher than that paid over for each of the shares by paying, on the day of settlement of the bid, a cash amount equal to the difference between the price per share offered by Colonial in said bid and the price per share paid for the acquisitions described above, multiplied by the total number of shares which Colonial purchased from each of these companies.

Moreover, as a result of the agreements with Pelham, GIC and GAM, these companies undertook to compensate Colonial if they became the beneficiaries of any distributions of a dividend by Axiare in connection with the shares purchased by Colonial in the acquisition contracts entered into with them, reducing the sum per share on the dividend by the price per share paid over by Colonial to each of them.

In due consideration of the interim dividend against 2017 results (gross amount per share 0.14 euro), announced by Axiare on 15 November 2017 and paid on 28 November 2017 to Axiare shareholders registered with Iberclear on 14 November 2017, Colonial holds credit rights against Pelham, who will compensate Colonial by paying the effective amount of 1,031,133.04 euros, as the result of multiplying the number of shares which Colonial purchased from Pelham by the per-share amount of the dividend concerned. With regard to such credit rights, Colonial received 863,217.76 euros from Pelham on 11 December 2017, equal to the amount of the net dividend paid to Pelham. For this reason, on the date of this Prospectus, the credit rights against Pelham amount to 167,915.28 euros. With respect to GIC and GAM, only in the event that the Bid is not finally settled, these companies will compensate Colonial by paying an effective amount of 420,000 euros and 20,480.18 euros respectively, as the result of multiplying the number of shares purchased from each of them by the per-share amount of the dividend concerned. If the Bid is finally settled, however, GIC and GAM will not compensate Colonial because the consideration currently offered by the Bidder (18.36 euros for each Axiare share) is the result of subtracting the consideration originally offered by Colonial on the Bid (18.50 euros per share) minus the amount of the interim dividend against 2017 results (gross amount of 0.14 euro per share) which would remain with them.

In connection with the Bid, taking into account (i) the current consideration as adjusted offered by the Bidder (18.36 euros for each Axiare share); and (ii) the price per share paid for the shares acquired, Colonial will pay cash compensation to GIC and GAM only, with payment on the day of the settlement of the Bid of 330,000 euros and 16,091.57 euros, respectively, as the result of multiplying the number of shares that Colonial purchased from each of these companies by the difference (0.11 euro per share) between the per-share price offered by Colonial in the Bid and the per-share price that was paid to them.

Finally, Colonial undertook to compensate Pelham, GIC and GAM if, following a takeover bid drawn up by Colonial for the shares of Axiare, a third party drew up a competing bid for the shares of Axiare at a higher

per-share price than that paid by Colonial for the shares of Pelham, GIC and GAM, and Colonial withdrew its bid and sold its Axiare shares within the context of said competing bid. In this case, within the 7 days following the settlement of the competing bid, Colonial must pay, with an adjustment for the dividend received: (i) to Pelham and GAM, a cash amount equal to 50% of the difference between the per-share price paid for their respective shares (18.50 euros per share and 18.25 euros per share respectively) and the per-share price at which Colonial has sold its Axiare shares within the context of the competing bid, multiplied by the total number of shares purchased from each of them; and (ii) to GIC, a cash amount equal to the difference between the per-share price paid to GIC (18.25 euros per share) and the per-share price at which Colonial has sold its Axiare shares within the context of the competing bid, multiplied by the total number of shares purchased from it.

Insofar as Colonial draws up the Bid, any further compensation agreed between the parties as foreseen in the contracts for the purchase of shares entered into by Colonial with Pelham, GIC and GAM are left without effect.

Colonial expressly declares that, with the exception of the above, there is no other agreement of any kind with these shareholders or with any other shareholder of the Target Company or with the members of their administration, management and control bodies in connection with the Bid or with the Target Company.

Nor have any specific benefits been reserved for the members of the Target Company's administration, management and control bodies.

1.5.2. Members of the administration, management and control bodies of the Target Company and of the Bidder simultaneously.

There are no individuals or legal entities that are simultaneously members of the administration, management and control bodies of Colonial and Axiare, or of the companies making up their respective groups.

Nor has Colonial appointed any members of the administration or management bodies of the Target Company.

1.5.3. Shares of the Bidder owned by the Target Company

To the best of Colonial's knowledge, no Colonial shares are held directly or indirectly by Axiare, by the directors of Axiare, by any of the companies making up its group, or by other directors of the companies in its group appointed at the behest of Axiare.

1.6. Shares of the Target Company owned by the Bidder

1.6.1. Shares of the Target Company owned by the Bidder

Colonial is the direct holder of 22,762,064 Axiare shares, accounting for 28.79% of its share capital, and does not hold any Axiare shares indirectly.

No Directors of Colonial hold any Axiare shares. Moreover, to the best of Colonial's knowledge after making the necessary checks, no Axiare shares are held by any major Colonial shareholders, or by directors of Colonial Group companies, or by any person acting in a concerted fashion or on behalf of Colonial.

In accordance with the rules of computation laid down in Article 5 of the Royal Decree on Takeover Bids, the only Axiare voting rights attributable to Colonial are in relation to the aforementioned stake. Disregarding the treasury shares of the Target Company, in accordance with the latest information published by Axiare concerning its treasury shares in a regulatory announcement on 20 November 2017, these voting rights account for 28.99% of the Target Company's shares with voting rights (excluding the aforementioned treasury shares).

I.6.2. Target Company's treasury shares

In accordance with the regulatory announcement published by Axiare on 20 November 2017, Axiare holds 542,835 treasury shares, accounting for 0.69% of the share capital.

I.7. Operations with the Target Company's securities

On 13 November 2017 Colonial published the Prior Announcement of the Bid, pursuant to the provisions of Article 16 of the Royal Decree on Takeover Bids. In the 12 months leading up to the date of the Prior Announcement, Colonial purchased a total of 11,915,523 shares in the Target Company and it owns these shares, which account for 15.07% of the share capital.

Below is a description of the type of operation, the date and the price at which said shares of the Target Company were purchased.

- On 8 March 2017 Colonial acquired 550,000 shares in the Target Company at a price of 13.00 euros per share, on the accelerated bookbuild offering carried out by Axiare.
- On 16 March 2017 Colonial acquired 854,000 shares in the Target Company in a stock exchange purchase at a price of 13.375 euros per share.
- Immediately before publication of the Prior Announcement of the Bid, Colonial acquired 10,511,523 shares in the Target Company by means of the contracts described in section I.5.1., whereby the price paid or agreed was 18.36 euros per share, considering the compensation for dividends as stated.

Other than the operations described, no operations with the Target Company's shares were carried out by Colonial, by its directors, by its major shareholders, by Colonial Group companies, by directors of Colonial Group companies or by other persons acting on behalf of or in a concerted manner with Colonial in the 12 months before the Prior Announcement of the Bid, or in the period between the date of the Prior Announcement and the date of the Prospectus, to the best of Colonial's knowledge after making the necessary checks.

The remaining 10,846,541 Axiare shares held by Colonial were acquired prior to the 12 months before the Prior Announcement of the Bid.

Colonial declares it does not intend to acquire directly or indirectly, alone or by means of an intermediary, or in a concerted manner, any Axiare shares in any procedure other than the Bid, up to the date of publication of the outcome of the Bid. Notwithstanding the foregoing, the Bidder may acquire securities of the Target Company at any time, although pursuant to Article 32 of the Royal Decree on Takeover Bids this circumstance would determine the elimination of the condition stipulated in section II.3.1 and the notification of each acquisition to the CNMV in a regulatory announcement at the same date, stating the prices paid or agreed. Furthermore, notwithstanding the other consequences stipulated in the aforesaid article, if the acquisition is made for a price higher than that offered in the Bid, the price of the Bid would automatically be increased and Colonial would be obliged to extend the collateral furnished within 3 business days from the acquisition.

I.8. The Bidder's business activity and economic-financial situation

The Colonial Group's main business activity is the acquisition, lease and disposal of offices, with a lower amount of investment in other rental assets. Thus the Bidder's main business activity is real estate business, which Colonial carries out in Spain (mainly in Barcelona and Madrid) and in France (Paris) through Société Foncière Lyonnaise (SFL). For these purposes, "real estate business" refers to the administration of the real estate portfolio of commercially run premises, mainly consisting of office blocks and commercial premises, and securing capital gains on the sale of real estate (sale of assets).

Colonial's individual economic-financial information

The table below shows Colonial's main individual economic-financial figures on 30 September 2017 and 31 December 2016.

	30/09/2017	31/12/2016
	Unaudited	Audited
COLONIAL'S ECONOMIC-FINANCIAL SITUATION		
	(thousands of €)	
Equity.....	2,116,987	1,894,587
Net turnover	81,855	119,822
Total assets	3,773,543	3,655,329
Net financial debt	1,435,389 ⁽¹⁾	1,567,283 ⁽²⁾
Net profit for the year.....	52,401	54,839

(1): Calculated as the sum of ["Payable to credit entities and other financial liabilities" (-1,341 thousand euros) + "Debentures and other marketable securities" (1,528,840 thousand euros)], excluding ["Interest (accrued)" (15,861 thousand euros) + "Debt arrangement expenses" (-15,934 thousand euros) + "Other financial liabilities" (2,572 thousand euros)], minus "Cash and other equivalent liquid assets" (89,611 thousand euros), on Colonial's individual statement of financial position.

(2): Calculated as the sum of ["Payable to credit entities" (-119,657 thousand euros) + "Debentures and other marketable securities" (1,525,235 thousand euros)], excluding ["Interest (accrued)" (13,783 thousand euros) + "Debt arrangement expenses" (-15,765 thousand euros)], minus "Cash and other equivalent liquid assets" (79,591 thousand euros), on Colonial's individual statement of financial position.

Colonial's individual financial statements for the year ended 31 December 2016 were audited by Deloitte, S.L., and no reservations were stated in its audit report.

Colonial's consolidated economic-financial information

The table below shows Colonial's main consolidated economic-financial figures on 30 September 2017 and 31 December 2016.

	30/09/2017	31/12/2016
	Unaudited	Audited
COLONIAL GROUP'S ECONOMIC-FINANCIAL SITUATION		
	(thousands of €)	
Equity.....	4,827,913	4,007,919
Net turnover	212,119	271,400
Total assets	8,788,788	8,227,651
Net financial debt	2,946,748 ⁽¹⁾	3,528,190 ⁽²⁾
Net profit for the year attributed to the parent	454,299	273,647

(1): Calculated as the sum of ["Payable to credit entities and other financial liabilities" (-608,557 thousand euros) + "Debentures and other marketable securities" (2,851,922 thousand euros)], excluding ["Interest (accrued)" (43,750 thousand euros) + "Debt arrangement expenses" (-24,840 thousand euros) + "Other financial liabilities" (66,406 thousand euros)], minus "Cash and other equivalent liquid assets" (428,415 thousand euros), on Colonial's individual statement of financial position.

(2): Calculated as the sum of ["Payable to credit entities and other financial liabilities" (-871,080 thousand euros) + "Debentures and other marketable securities" (2,823,884 thousand euros)], excluding ["Interest (accrued)" (18,076 thousand euros) + "Debt arrangement expenses" (-25,885 thousand euros) + "Other financial liabilities" (69,383 thousand euros)], minus "Cash and other equivalent liquid assets" (105,200 thousand euros), on Colonial's individual statement of financial position.

Colonial's consolidated financial statements for the year ended 31 December 2016 were audited by Deloitte, S.L., and no reservations were stated in its audit report.

The CNMV website and the Colonial website contain Colonial's individual and consolidated financial statements for the year ended 31 December 2016 (www.cnmv.es/AUDITA/2016/16817.pdf) and Colonial's consolidated condensed interim financial disclosures ended on 30 September 2017 (www.cnmv.es/portal/verDoc.axd?t=%7b55b3d58d-23ff-4873-a656-ee4efd12808e%7d).

CHAPTER II

II.1. Securities subject to the Bid

The Bid targets 100% of the share capital of the Target Company, consisting of 79,062,486 shares with a nominal value of 10 euros each, although the Bid excludes the shares owned by Colonial (22,762,064 shares, accounting for 28.79% of the capital), which have been locked up until the Bid has been completed. In this regard, **Appendix II** attached shows the certificate of authentication proving the lock-up of the Axiare shares held by Colonial, issued by Banco de Sabadell, S.A. Therefore, in due consideration of the current number of outstanding Axiare shares, the Bid targets a total of 56,300,422 shares in Axiare, accounting for 71.21% of its capital. The terms of the Bid are identical for all the Target Company shares covered by it.

According to the public information available, the Target Company has not issued any bonds convertible into shares or any other similar instruments which may be in circulation and which may grant entitlement, directly or indirectly, to the subscription or acquisition of Axiare shares. Nor are there any Target Company shares with no voting rights or shares of a special class.

II.2. Consideration offered

II.2.1. Consideration offered for each share, and method whereby it will be made effective

The Bid is drawn up as a purchase/sale. The consideration offered by the Bidder is in cash and amounts to 18.36 euros per Axiare share.

On the date of the Prior Announcement of the Bid published on 13 November 2017, the consideration was originally 18.50 euros for each Axiare share. As stipulated in the Prior Announcement of the Bid, the consideration for the Bid was calculated on the basis that Axiare would not distribute any dividends or make any other distributions to its shareholders prior to the settlement of the Bid. Since, on 15 November 2017, Axiare announced the approval of an interim dividend against the profits of 2017 for a gross amount of 0.14 euros per share, which was paid on 28 November 2017 to Axiare's shareholders listed in Iberclear's records on 14 November 2017, Colonial, as stated in its application for authorization and announced to the market by means of the relevant regulatory announcement dated 24 November 2017 (entry number 258859), has adjusted the initially set consideration (18.50 euros per share) to 18.36 euros per share of the Target Company in accordance with the Royal Decree on Takeover Bids.

The price of the Bid will be paid in cash as per the stipulations of d) in section III.1.2. of the Prospectus.

II.2.2. Justification for the consideration

Although the Bid is a “voluntary bid”, Colonial considers that the price of the Bid (18.36 euros per share) is deemed a fair price for the purposes of Article 9 of the Royal Decree on Takeover Bids.

The initial consideration of the Bid (18.50 euros per share) was established taking account the following factors:

- (i) The Target Company’s per-share NAV (Net Asset Value) on 30 June 2017 (15.32 euros per share), published by Axiare on 27 July 2017 in its interim financial disclosures for the first half of 2017, which represented a 20.8% per-share premium on the aforesaid sum.

The valuation method based on the NAV is a generally accepted approach which is commonly applied by the financial community to appraise companies operating in the property sector.

- (ii) Axiare’s average ordinary share price in the 3 months prior to 10 November 2017 (16.38 euros per share), the last listing date before the date of the Prior Announcement of the Bid, taking into account the share price at the end of trading day, which represented a 12.94% per-share premium on the aforesaid sum.

The stock market listing is habitually used as a value benchmark for the appraisal of listed companies, unless any exceptional circumstances arise which affect the price listing.

Notwithstanding the foregoing and the information provided below, for the purposes of determining the initial consideration for the Bid, Colonial took into account the synergies that would be created with the Axiare purchase (see Chapter IV of the Prospectus) and possible sales of certain non-strategic assets in the approximate amount of 300 million euros referred to in section IV.4. of the Prospectus, on the basis of its own estimates.

The Bidder also appraised Axiare’s average ordinary share price over the 6 months prior to 10 December 2017 (15.89 euros per share) taking into account the share price at the end of each trading day. Should the Bidder take this price as reference, the consideration of the Bid would have also been considered “fair price” as it would be a per-share premium of 16.43%.

The Bidder also considered the prices paid or agreed in the acquisitions of Axiare shares carried out in the 12 months before the date of the Prior Announcement of the Bid. None of these prices paid or agreed, as explained in section I.7., exceed the price of the Bid. The Bidder considers that none of the circumstances stipulated in Article 9 of the Royal Decree on Takeover Bids exist which would otherwise require changing the price. In particular, it is hereby stated that the Axiare share price on 10 November 2017, the last trading day before the date of the Prior Announcement, was in the range of 16.13 euros and 16.54 euros per share.

Moreover, as explained in section I.5.1., Colonial will not pay any Axiare shareholder, and most particularly any of the seller shareholders, namely Pelham, GIC and GAM, any kind of remuneration which entails a price above the price of the Bid, i.e. 18.36 euros per share, nor has any deferral of payment been agreed with these shareholders or with any other shareholder.

Furthermore, as the initial consideration has been adjusted by the Bidder in accordance with section II.2.1., the adjusted price is also deemed as fair price for the purposes of Article 9.4 a) of the Royal Decree on Takeover Bids.

In due consideration of the above, the Bidder believes that the price of the Bid may be considered a fair price in accordance with Article 9 of the Royal Decree on Takeover Bids.

II.3. Conditions to which the Bid is subject

II.3.1. Description of the condition to which the Bid is subject

The Bid is subject to acceptance by the shareholders of the Target Company who together own the number of shares necessary to enable the Bidder to hold 50% plus one share of the shares of the Target Company, i.e. 16,769,180 shares accounting for 21.21% of the share capital (this includes Axiare treasury shares) which, along with the 22,762,064 shares (28.79% of the share capital) already owned by Colonial, account for 50% of the share capital of Axiare plus one share.

II.3.2. Limitations or restrictions due to regulations, own limitations or restrictions, or limitations or restrictions imposed by third parties, for a possible waiver of this condition.

There are no limitations or restrictions which prevent or limit in any way Colonial's entitlement to waive the preceding condition should it not be fulfilled.

II.3.3. Provisions made by the Bidder for a potential waiver of the condition and impact of such waiver on the Bid, on its purpose and on the other provisions set out in the prospectus.

Colonial does not intend to waive the condition of a minimum level of acceptance of the Bid, although it does reserve the right to do so depending on the level of acceptance of the Bid. Should Colonial waive this condition and acquire less than 50% of Axiare's share capital, it might not be able to carry out all its plans and intentions with respect to Axiare as described in Chapter IV of the Prospectus.

II.4. Collateral and funding for the Bid

II.4.1. Collateral for the Bid

Pursuant to the provisions of Article 15 of the Royal Decree on Takeover Bids, Colonial has provided the CNMV with the documentation proving the posting of collateral to guarantee compliance with its obligations on account of the Bid.

This consists of a bank guarantee issued by CaixaBank, S.A. as collateral for the Bid, in the amount of 1,033,675,747.92 euros. A copy of the aforesaid document is attached to the Prospectus as **Appendix III**.

II.4.2. Funding for the Bid

The consideration offered by the Bidder is in cash and currently amounts to 18.36 euros for each Axiare share. Hypothetically, should the Bid be accepted by all the holders of Axiare shares subject to the Bid, Colonial would be obliged to pay out 1,033,675,747.92 euros.

Colonial will meet payment of the consideration for the Bid with funds from (i) Colonial's cash facility and available lines of credit; (ii) the share capital increase for an effective amount of 338,065,197 euros described below; (iii) the sale of 9,907,257 treasury shares for the effective amount of 78,168,257.73 euros within the context of the aforesaid share capital increase; and (iv) the issue of ordinary bonds in the total nominal amount of 800 million euros as described below.

In November 2017 Colonial issued ordinary bonds for a total nominal amount of 800 million euros, admitted for trading on the Irish Stock Exchange under the Euro Medium Term Note Programme approved by the Central Bank of Ireland in October 2016, and renewed in October 2017 for a further 12 months. The purpose of this bond issue was to meet the general corporate needs of Colonial, including the funding of new investments, such as the possible acquisition of Axiare shares and, where applicable, repayment of Colonial's current debt.

The issue is divided into 2 series: (i) a series of ordinary bonds for a total nominal amount of 500 million euros maturing in November 2025, with an annual 1.625% coupon and an issue price of 99.577% of the nominal value; and (ii) a series of ordinary bonds for a total nominal amount of 300 million euros maturing in November 2029, with an annual 2.5% coupon and an issue price of 99.969% of the nominal value.

Additionally, in November 2017 the Bidder carried out a share capital increase charged to cash contributions with disapplication of preferential subscription rights for a nominal amount of 107,118,250 euros, through the issue of 42,847,300 new ordinary shares with a nominal value of 2.50 euros each, accounting for 10.92% of Colonial's capital prior to the aforesaid share capital increase, and 9.84% of the capital following the share capital increase. The issue price of the new shares was 7.89 euros, of which 2.50 euros accounted for the nominal value, and 5.39 euros accounted for the share premium. In this regard, the effective amount of the capital increase was 338,065,197 euros. Within the context of the share capital increase, Colonial also placed 9,907,257 treasury shares for an effective amount of 78,168,257.73 euros, at a per-share price equal to the issue price of the new shares in the share capital increase. Along with the effective amount of the capital increase, the total sum of the placement was 416,233,454.73 euros.

The capital increase was carried out by means of an accelerated bookbuild offering procedure exclusively targeting qualified investors, both national and foreign, and this did not require the filing of the prospectus and its approval by the CNMV. The purpose of the capital increase was to guarantee and optimise the funding for the Bid. However, as the outcome of the Bid is unknown, all or part of the amount obtained could be used to meet other general corporate needs at Colonial.

Notwithstanding the foregoing, before the Prior Announcement of the Bid, Colonial signed a bridge financing contract with J.P. Morgan Securities PLC as lender, J.P. Morgan Limited as arranger and bookrunner and J.P. Morgan Europe Limited, acting as agent, for an amount of 1,000,000,000 euros, split into 2 tranches: an A tranche of 530,000,000 euros and a B tranche of 470,000,000 euros, in order to be able to draw the tranches of the loan for the issue of any guarantees required by the CNMV in relation to the Bid and in cash to pay for the acquisition of Axiare's shares. The financing agreement was terminated on 5 December 2017 as Colonial obtained additional funds by issuing ordinary bonds and a capital increase, as described above.

II.4.3. Effects of the financing on the Target Company

Colonial does not expect the payment of interest to finance the Bid, its refinancing or its collateral to depend on the business of the Target Company.

Colonial does not intend to sell Axiare's assets to settle any liabilities arising from the Bid.

CHAPTER III

III.1. Procedure for acceptance and settlement of the Bid

III.1.1. Deadline for acceptance of the Bid

The deadline for acceptance of this Bid is 30 calendar days from the stock market business day following the date of publication of the first of the announcements referred to in Article 22 of the Royal Decree on Takeover Bids, which will be published in: (i) the share listing journals of the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges; and in (ii) a national newspaper (for these purposes, digital press publications will not be considered a “national newspaper”). The date of publication of the announcements in the share listing journals will be the date of the trading session to which the journals refer.

For the purposes of the aforementioned 30-calendar-day period, both the first day and the last day of the period will be included. The deadline will in any case expire at 24:00 h (CET) on the last day of the aforementioned period. If the first day of this period is not a trading day, the period will commence on the very next trading day. The deadline for acceptance will be extended if the last day of the period is not a trading day to the next trading day.

Colonial may extend the aforesaid deadline for acceptance of the Bid, pursuant to the provisions of the Royal Decree on Takeover Bids, provided the extension does not exceed the maximum limit of 70 calendar days, and the extension has been notified to the CNMV beforehand. The extension of the deadline for acceptance must be announced in the same media as those used to publish the Bid, at least 3 calendar days before the date of expiry of the initial deadline, stating the reasons for the extension.

The specimen announcement that will be published in the share listing journals of the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges and, at least, in one national newspaper, is attached as **Appendix IV**. A letter from Colonial concerning publicity for the Bid is also attached as **Appendix V**.

III.1.2. Formalities which must be carried out by the recipients of the Bid to manifest their acceptance, and the procedure and timeline for them to receive the consideration.

a) Declarations of acceptance

Declarations of acceptance of the Bid by shareholders of the Target Company will be admitted from the first day of the deadline for acceptance to the last day, both inclusive. They may be revoked at any time before the last day of such period, and will not be valid if they are subject to conditions, pursuant to Article 34 of the Royal Decree on Takeover Bids.

b) Procedure for acceptance

Any shareholders of the Target Company wishing to accept the Bid must contact the bank in which their shares are deposited, and state their wish to accept the Bid in writing before the bank.

The shares with respect to which the Bid is accepted must include all the voting rights and economic rights which may be attached thereto. These shares must be transferred free of charges, encumbrances and any rights in favour of third parties which limit the voting rights or economic rights or their free transferability, and by a person authorised to transfer them according to the entries in the accounting register concerned, in such a way that Colonial acquires non-contestable ownership of them, pursuant to the provisions of Article 11 of the Securities Market Law.

Acceptances will be sent to the governing bodies of the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, through the Iberclear participants where the shares are deposited, who will collect the written acceptances and will also answer, in accordance with their itemised registers, for the ownership and holding of

the shares to which the acceptances refer, and for the non-existence of any charges, encumbrances or third-party rights which limit the voting rights or economic rights or their free transferability.

The declarations of acceptance by Axiare shareholders will be accompanied by sufficient documentation to enable the shares to be transferred, and must include all the identification data required by the regulations applicable to this type of operation, including, for information purposes, the full name or company name, the address and tax number or, in the case of shareholders who are not resident in Spain and do not have a tax number, the passport number or identity card number, nationality and address.

During the period for acceptance of the Bid, Iberclear participants receiving the declarations of acceptance will dispatch to the Bidder, through the representative designated for this purpose as stipulated below, and to the governing bodies of the Madrid, Barcelona Bilbao and Valencia Stock Exchanges, on a daily basis, information concerning the number of shares included in the declarations of acceptance submitted by Axiare shareholders.

The representative designated by Colonial for this purpose is the following bank:

CaixaBank, S.A.
Calle del Pintor Sorolla, 2
46002 Valencia, España/Spain
A/A: Entidad Agente
E-mail: entidad.agente@caixabank.com

Colonial and the governing bodies will provide the CNMV, at its request, with any information they may have concerning the number of acceptances submitted and not revoked.

Market members involved in the operation on behalf of shareholders of Axiare who have accepted the Bid and of Colonial and the companies holding the shares are reminded of the obligation stipulated in Article 34.2 of the Royal Decree on Takeover Bids to send the acceptances received to the respective governing bodies and to Colonial on a daily basis.

Under no circumstances will Colonial accept shares acquired after the last day of the period for acceptance of the Bid to which the Prospectus refers. In other words, any shares offered for sale must have been acquired no later than the afternoon of the last day of the period for acceptance of the Bid.

Axiare shareholders may accept the Bid in respect of all or some of the Axiare shares held by them. Any declarations they make must include at least one Axiare share.

c) Publication of the outcome

Following expiry of the deadline for acceptance of the Bid as stipulated in the Prospectus or of any period arising from an extension or modification, the governing bodies of the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges will notify the CNMV of the total number of Axiare shares included in the declarations of acceptance of the Bid that have been validly submitted.

When the CNMV has received the information concerning the total number of acceptances, the outcome of the Bid will be published with its specific scope within 7 business days from the date of expiry of the deadline for acceptance. To this end, the CNMV will notify the governing bodies of the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, the Stock Market Company, the Bidder and the Target Company of the outcome of the Bid, and the aforesaid governing bodies will publish the outcome in the share listing journals. The date of publication of the outcome of the Bid means the date of the session to which the aforesaid listing journals refer. The CNMV will also post the outcome of the Bid on its website.

d) Management of the acquisition and settlement

Acquisition of the shares will be managed by CaixaBank, S.A. ("**CaixaBank**"), acting as intermediary in the acquisition and settlement operation on behalf of Colonial.

The price of the shares will be settled and paid in accordance with the procedure established to this end at Iberclear, and the date of the relevant stock market operation is considered as that of the trading day referred to in the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges' listing journals which publish the outcome of the Bid.

III.1.3. Costs of acceptance and settlement of the Bid

Axiare shareholders who agree to the Bid being managed through CaixaBank will not pay the brokerage fees for action taken by a market member, or the Iberclear settlement fees, or the contracting fees of the Stock Exchanges, which will be paid by Colonial. If market members other than CaixaBank take action on behalf of the acceptor, the brokerage fees and other costs of the operation's seller, including Iberclear settlement fees and the contracting fees of the Stock Exchanges, will be met by the acceptor.

Under no circumstances will Colonial be liable for commissions or costs that the depository entities and administrators of the shares may charge their customers for handling orders arising from the acceptance of the Bid.

Costs arising from acquisition and settlement will be met by Colonial. Any costs other than those stipulated above will be met by the party which incurs them.

In the event of a negative outcome to the Bid, the Bidder will undertake the costs incurred by acceptance and all the costs involved in returning any documents proving ownership of shares that have been furnished by the acceptors will be met by the Bidder.

III.1.4. Deadlines for the waiver of the condition to which the effectiveness of the Bid is subject and consequences

Colonial does not intend to waive compliance with the minimum acceptance condition described in section II.3.1 of the Prospectus. In any case, should this condition not be met, Colonial agrees to notify its decision whether to waive the condition or not no later than the end of the stock market trading day following that on which the CNMV informs Colonial of the number of shares included in the declarations of acceptance of the Bid that have been submitted. Should Colonial decide to not waive this condition or such notification is not forthcoming, it will be understood that Colonial does not waive this condition, the negative outcome of the Bid will be published, and it will be considered null and void, as well as any acceptances that have been submitted.

III.1.5. Bank acting on behalf of the Bidder in the procedure for the acquisition and settlement of the Bid.

The Bidder has designated CaixaBank, with registered office in Valencia, Calle del Pintor Sorolla 2, post code 46002, tax number (NIF) A-08663619 and listed in the Valencia Business Register, as the bank tasked with handling any operation for the acquisition of shares that may arise from the Bid, and as the bank tasked with settlement of such operation.

CaixaBank will also be the bank tasked with handling the acquisition and settlement of the operation for the acquisition of any Axiare shares affected by the forced sale/purchase rights under the terms described in section III.2 of the Prospectus.

A copy of the letter of acceptance from CaixaBank as the bank tasked with carrying out said functions is attached as **Appendix VI**.

III.2. Procedure for forced purchase/sale

III.2.1. Conditions for forced purchase/sale

If, pursuant to the provisions in Article 136 of the Securities Market Law and Article 47 of the Royal Decree on Takeover Bids, as a result of the Bid: (i) Colonial should hold shares accounting for at least 90% of the share capital conferring Axiare voting rights; and (ii) the Bid should be accepted by shareholders with shares accounting for at least 90% of the voting rights subject to the Bid, Colonial will be entitled to require the other holders of Axiare shares to forcibly sell all their shares, with a consideration equal to that stipulated in the Bid, and Colonial will meet all the costs arising from the forced sale and the costs of settlement of this operation.

Consequently, these conditions will be deemed to have been met if acceptances of the Bid constitute a minimum number of 50,670,380 shares accounting for 90% of the shares subject to the Bid and 64.09% of Axiare's share capital. This figure and the 22,762,064 Axiare shares (28.79% of the share capital) currently held by Colonial account for 92.88% of Axiare's share capital.

In the event that Axiare does not accept the Bid with the treasury shares which, according to the regulatory announcement published on 20 November 2017, total 542,835 shares, these shares remain as treasury shares on the Bid's settlement date, and Colonial decides to perform an operation to redeem these shares, reducing the share capital of Axiare and meanwhile locking up these shares, the amount stipulated in the preceding paragraph will be adjusted. In such event, the conditions for forced purchase/sale will be deemed as met if acceptances of the Bid constitute a minimum number of 50,181,829 shares accounting for 90% of the shares subject to the Bid (excluding the 542,835 treasury shares) and 63.91% of Axiare's post-reduction share capital. This figure and the 22,762,064 Axiare shares (28.99% of the post-reduction share capital) currently held by Colonial account for 92.90% of Axiare's post-reduction share capital. For any other treasury share figures, in the event of redemption, the computation would be carried out in order to verify compliance with the conditions for the forced purchase/sale with the appropriate adjustment.

As described in section IV.11. of the Prospectus, Colonial will exercise the forced-sale right with holders of Axiare shares if the conditions stipulated above are met.

Moreover, pursuant to the provisions of Article 47 of the Royal Decree on Takeover Bids, any Axiare shareholders rejecting the offer who wish to carry out such an operation will be entitled to require Colonial to forcibly buy all their shares for the same consideration as that stipulated in the Bid. In this case, the costs of the purchase/sale and settlement of the shares will be met by the seller shareholders.

Pursuant to the foregoing and in due consideration of the formalities concerning forced purchase as set out in section III.2.2. of the Prospectus, Axiare shareholders must bear in mind the following points before taking the decision to force Colonial to buy their shares:

- a) The conditions whereby Colonial is granted the right to demand the forced sale of any shares not taking up the Bid are the same as those required by regulations for any shareholders not taking up the Bid to be granted the right to demand a forced purchase.
- b) The consideration to be paid to shareholders not taking up the Bid will be the same if Colonial demands a forced sale and also if these shareholders demand a forced purchase; in both cases, they will be paid the price of the Bid in cash.
- c) In the forced-sale process, all costs arising from the purchase/sale and settlement of the shares will be met by Colonial, whereas in the event of a forced purchase, these costs will be met by the seller shareholders.
- d) If, regarding the date of a request for a forced-purchase operation, the settlement should be carried out after the settlement of the forced-sale operation, the request will be rendered null and void, and the shares will be part of the forced-sale operation.

III.2.2. Procedure for forced purchase/sale

As soon as possible, and at the latest within 3 business days of the day of publication of the outcome of the Bid, Colonial will notify the CNMV and the market by means of publication of a “regulatory announcement” whether the conditions for the forced purchase/sale operations stipulated in section III.2.1 of the Prospectus have been met or not, stating its decision, where applicable, to redeem the Axiare treasury shares and lock them up until this operation has been carried out.

If these conditions have been met, on such date Colonial will notify the CNMV of its decision to demand the forced sale of the shares, setting the date of the operation between 15 and 20 business days following such notification to the CNMV, and it will be publicly disclosed by the CNMV.

Within 5 business days of the aforementioned disclosure by the CNMV, Colonial will issue a public general notification of the forced sale through the same means as those used to announce the Bid, pursuant to the provisions of Article 22 of the Royal Decree on Takeover Bids.

Once Colonial has met the conditions to exercise the right to a forced sale, Axiare shareholders may make use of their right to forced purchase.

The consideration for forced purchase or sale will be in cash, and will correspond to the Bid’s adjusted price, i.e. 18.36 euros per share. Settlement will be carried out in the same time frame as the settlement of the Bid, as of the date of the forced-sale operation or, as applicable, as of the date of receipt of each of the forced-purchase requests.

Acquisitions of shares subject to forced purchase/sale will be managed and settled by CaixaBank.

In the forced-sale operation, the costs arising from the purchase/sale and settlement of the shares will be met by the Bidder, whereas in the event of forced-purchase operations, these costs will be met by the seller shareholders. Under no circumstances will Colonial be liable for any commissions for the administration or custody of securities that depository entities and administrators may charge the shareholders.

Prior to the date of the forced-sale operation, the Bidder will provide the CNMV with proof that it has furnished collateral to ensure compliance with the obligations arising from exercising the right to a forced sale.

Any Axiare shareholders wishing to request forced purchase of their shares must contact the Iberclear participant where they have deposited their shares. Requests for forced purchase will be addressed in writing to Colonial by these participants through CaixaBank. The Iberclear participants where the shares are deposited will answer in accordance with their records for ownership and holding of the securities subject to the forced-purchase requests. All shareholders requesting forced purchase, as applicable, must state the total number of Axiare shares they hold in their requests.

The Iberclear participants with which Axiare shares are deposited that receive the forced-purchase request will send Colonial, through CaixaBank, daily information concerning the number of shares in any forced-purchase requests received, if any, from Axiare shareholders.

Forced-purchase requests submitted by holders of Axiare shares will be accompanied by sufficient documentation to enable the shares to be transferred, and should contain all the identification data required by current legislation for this type of operation.

Pursuant to the provisions of Article 136 of the Securities Market Law, should the Axiare shares to be forcibly purchased or sold be under embargo as the result of administrative proceedings or judicial rulings, or should be subject to a burden, including encumbrances, limited in rem rights or financial bonds, these shares will be transferred free of such burden, which will be incorporated into the price paid by Colonial for the purchase/sale. The depository of the shares will be obliged to keep the price of the purchase/sale on deposit,

notifying the judicial or administrative authority who ordered the seizure or the holder of whichever other burdens of the application of this proceeding. If, following the enforcement of the provisions in this paragraph, a portion of the price should be unnecessary to settle the liabilities guaranteed with the seizure or seizures performed, or with the burdens on the shares, such amount will promptly be made available to the holder of the shares.

CHAPTER IV

IV.1. Purpose of the acquisition

The purpose sought by Colonial in its Bid is the acquisition of all Axiare's shares, or at least to make Axiare part of the Colonial Group by acquiring a controlling stake in the company.

In this regard, when the Bid is settled with a positive outcome, a number of alternative scenarios would arise depending on the outcome of the Bid, including the following:

- (i) Should Colonial acquire 100% of the Target Company in the Bid, or should the regulatory conditions be met, after the forced-sale operation described in section IV.11. of the Prospectus, an absorption merger would immediately be arranged between Colonial and Axiare, where Colonial would be the company resulting from the merger;
- (ii) Should the conditions for a forced sale not be met, Colonial will conduct an assessment of the outcome in order to determine whether it would be advisable to carry out this merger or not; or
- (iii) Should the merger between Colonial and Axiare not be carried through, the Bidder will decide whether it keeps Axiare as a listed company part of the Colonial Group or, alternatively, whether it promotes an offer to exclude Axiare from the stock exchange by virtue of the Royal Decree on Takeover Bids.

The acquisition of Axiare would consolidate the Colonial Group's position as a European platform in the *prime* office market in Paris, Madrid and Barcelona. The Axiare portfolio, featuring 74% of office assets, of which 93% were located in Madrid on 30 September 2017, clearly supplements the Colonial Group strategy that entails investing in the office market in Madrid, Barcelona and Paris with a focus on high-quality buildings. Consequently, the Colonial Group's exposure to Spain which, on 30 September 2017, accounted for 31% of the value of the Colonial Group's assets, would account for approximately 42% of the total Colonial Group portfolio. The acquisition of Axiare would enable Colonial to increase the value of its current portfolio by approximately 1,710 million euros, producing a property asset portfolio with an estimated value of 10,000 million euros. The Colonial Group's aggregate portfolio would account for approximately 58% of the value in Paris, whereas the portfolio of the Madrid offices and the Barcelona assets portfolio would account for about 27% and 10% of the value respectively. Likewise, synergies with the acquisition of Axiare would, according to Colonial's estimates based on the public information available, entail savings in operating expenses of about 3 million euros which, added to the synergies in revenue, would have an actual impact of 3 to 5 million euros per year from the second year. On the other hand, it may also help optimize Axiare's financing structure as a result of its integration into Colonial Group with a BBB credit rating from Standard & Poor's and a Baa2 rating from Moody's.

IV.2. Strategic plans and intentions with regard to future activities and location of the Target Company's business sites and its group.

Within the first 12 months after the settlement of the Bid, Colonial intends to integrate the business and asset management of Axiare and its group companies into the management policy set for the entire value chain of property and real-estate projects and the policy applied to identify real-estate transformation actions for the assets to turn them into top-quality offices and integrate them into the Colonial Group's business plan that focuses on investing in high-quality office buildings in Barcelona, Madrid and Paris markets to develop, remodel and exploit them. During this period Colonial does not intend to make any changes to the location of Axiare's business sites and its group companies.

IV.3. Strategic plans and intentions towards maintaining jobs at the Target Company and its group.

Within a time frame of 12 months following the settlement of the Bid, Colonial intends to take decisions on the maintenance of staff and executive jobs depending on the needs of the organisational structure of Colonial and its Group. Colonial will appraise and propose measures geared towards retaining any talent which helps maximise value for the group emerging from the incorporation of Axiare and its Group companies into Colonial Group, in whichever alternative scenarios referred to in section IV.1.

IV.4. Plans concerning the utilisation of the Target Company's assets and changes planned for its net financial debt.

Colonial does not intend to manage Axiare's assets in any way other than the methods used to date. On the other hand and as a general rule, Colonial does not intend to sell the Target Company's assets within the office segment. However, Colonial does not rule out the sale of Axiare assets (of approximately 300 million euros in the 12 months following the settlement of the Bid) that are not considered strategic, insofar as they do not belong to the high-quality office segment, in accordance with Colonial Group's strategic plan which entails investing in the office markets in Madrid, Barcelona and Paris with a focus on high-quality buildings.

On the other hand, Colonial does not expect any material changes to Axiare's debts should the merger between Colonial and Axiare referred to in section IV.1. fail to conclude successfully. However, should this merger conclude successfully, Axiare's debt structure could benefit from its incorporation into Colonial and its current credit rating.

IV.5. Plans concerning the issue of securities by the Target Company and its group

There are no plans or intentions concerning the issue of any kind of securities by Axiare or its group companies.

IV.6. Plans for corporate restructuring of any kind

Should Colonial become Axiare's sole shareholder as a result of the forced-sale operation described in section IV.11. of the Prospectus, Colonial intends to carry out an absorption merger between Colonial and Axiare, in which Colonial would be the company resulting from the merger. In the absence of a forced-sale operation, Colonial would assess, among other circumstances, the stake reached in Axiare, to determine whether to proceed with such merger or alternatively carry out a corporate restructuring with Colonial Group's different businesses should Axiare remain as a company integrated in Colonial Group. In any case, Colonial has not yet reached any agreements on the merger.

IV.7. Dividend policy

Axiare is considered a Spanish REIT and has opted for the special REIT tax system, whereby it is obliged to distribute dividends pursuant to the provisions of Spain's *Law 11/2009 of 26 October governing Spanish REIT Corporations ("Law 11/2009")*. In this regard, should Axiare become part of the Colonial Group without concluding the merger referred to in section IV.1. and continues to be listed, Axiare will continue to distribute dividends pursuant to the provisions of Law 11/2009. Should the merger between Colonial and Axiare be concluded successfully, as Colonial is also a Spanish REIT and has opted for the special tax system applied to REITs, Colonial will distribute dividends in compliance with Law 11/2009.

IV.8. Plans concerning the structure, members and operations of the management bodies of the Target Company and its group.

Following the settlement of the Bid, Colonial intends to restructure Axiare's board of directors, replacing all or some of the current directors, with the relevant changes to the board's delegated committees, in due consideration of adherence to any legal provisions applicable and the advisability of guaranteeing the

necessary strategic coordination in Colonial Group in the interests of all the companies that are part of it. Should Axiare remain, by virtue of section IV.1. in the Prospectus, as a listed company integrated in Colonial Group, Colonial intends to be part of the board of directors in accordance with the applicable rules.

IV.9. Plans in connection to amendments to the bylaws of the Target Company and its group

Colonial does not intend to amend the Corporate Bylaws of Axiare or of any other company in the Axiare Group.

IV.10. The Bidder's initiatives with respect to the price of the Target Company's securities

The forced-sale operation described in section IV.11. in the Prospectus, provided the conditions to enable it are met, will determine the exclusion of Axiare shares from trading on the Spanish Stock Exchanges. If neither this forced-sale operation nor the merger described in section IV.1. in the Prospectus, which would also entail the exclusion of Axiare, are carried out, Colonial intends to maintain Axiare as a listed company integrated in Colonial Group.

IV.11. Forced-sale right stipulated in Article 47 of the Royal Decree on Takeover Bids

If the conditions stipulated in section III.2.1 of the Prospectus are met, Colonial will require the holders of shares in Axiare who do not accept the Bid to forcibly sell all their shares, for the same consideration as stipulated in the Bid, and Colonial will meet all the costs of such forced sale and all the costs of settlement of this operation. Likewise, should Axiare reject the Bid with the treasury shares, Colonial may promote an operation to redeem such shares, reducing the share capital of Axiare and meanwhile locking up these shares.

IV.12. Intentions concerning the transfer of securities of the Target Company

Colonial does not intend to transfer Axiare's securities, and it is not holding negotiations and has not signed any agreements in this regard.

IV.13. Information in this chapter concerning the Bidder and its group

Colonial considers it shall not be significantly affected by the Bid and by the subsequent addition of Axiare to the Colonial Group. In this regard, as a result of the Bid, there are no expectations of any significant changes to the following aspects of Colonial: (i) its future activities and the location of its business sites, as assets would be added to the same areas in which Colonial operates; (ii) jobs of the employees and management of Colonial; (iii) the utilisation or disposal of its assets; (iv) its dividend policy; (v) the structure, composition and functioning of its administration and management bodies; (vi) the Corporate Bylaws of Colonial and/or of the other companies in the Colonial Group; or (vii) its status as a listed company.

Notwithstanding the preceding paragraph, following settlement of the Bid and depending on its outcome, plans have been made for corporate restructuring in the terms set out in section IV.6. of the Prospectus.

IV.14. Impact of the Bid and its funding on the Bidder's main financial figures

Colonial's estimated consolidated financial information on 30 September 2017 and its explanatory notes are set out below. This information has not been audited, and has been drawn up by Colonial to set out the impact of the Bid and the impact of its funding (see section II.4.2.), on the assumption that on said date the Bid is accepted by all Axiare shareholders subject to it.

The estimated financial disclosures have been drawn up on the basis of the public information available by way of an illustration, and this is therefore a hypothetical situation and does not represent the financial position or the actual results of the Colonial Group on 30 September 2017. No pro-forma consolidated financial

information has been prepared in accordance with Regulation (EC) No 809/2004 of the Commission of 29 April 2004 as it was not applicable.

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	30 September 2017			Axiare interim dividend ⁽²⁾	Impact of the Bid and its funding				30 September 2017	
	Colonial Group ⁽¹⁾	Axiare Group ⁽¹⁾	Aggregated		Share capital increase ⁽³⁾	Bond issue ⁽⁴⁾	Treasury share sale ⁽⁵⁾	Bid ⁽⁶⁾	Business combination ⁽⁷⁾	Colonial Group estimate ⁽¹⁾⁽⁸⁾
CONSOLIDATED STATEMENT OF FINANCIAL POSITION										
<i>(As per IFRS)</i>										
Unaudited (thousands of €)										
ASSETS										
Goodwill.....	--	--	--	--	--	--	--	--	274,292	274,292
Intangible assets	3,052	1,507	4,559	--	--	--	--	--	--	4,559
Tangible assets.....	39,757	662	40,419	--	--	--	--	--	--	40,419
Real estate investments.....	7,987,911	1,638,191	9,626,102	--	--	--	--	--	--	9,626,102
Non-current financial assets	203,560	8,249	211,809	--	--	--	--	1,236,668	(1,422,754)	25,723
Non-current deferred tax assets.....	371	17,104	17,475	--	--	--	--	--	--	17,475
Other non-current assets.....	--	--	--	--	--	--	--	--	--	--
Non-current assets.....	8,234,651	1,665,713	9,900,364	--	--	--	--	1,236,668	(1,148,462)	9,988,570
Trade and other receivables	101,838	11,746	113,584	--	--	--	--	--	--	113,584
Current financial assets.....	9	--	9	--	--	--	--	--	--	9
Tax assets.....	23,875	7,225	31,100	--	--	--	--	--	--	31,100
Cash and cash equivalents	428,415	173,147	601,562	(9,278)	338,065	794,447	78,168	(1,236,668)	--	566,296
Non-current assets held for sale	--	--	--	--	--	--	--	--	--	--
Current assets.....	554,137	192,118	746,255	(9,278)	338,065	794,447	78,168	(1,236,668)	--	710,989
Total assets.....	8,788,788	1,857,831	10,646,619	(9,278)	338,065	794,447	78,168	--	(1,148,462)	10,699,559
LIABILITIES AND EQUITY										
Equity attributable to shareholders of the parent company.....	2,928,020	1,159,455	4,087,475	(9,278)	338,065	--	78,168	--	(1,148,462)	3,345,968
Non-controlling interests	1,899,893	--	1,899,893	--	--	--	--	--	--	1,899,893
EQUITY	4,827,913	1,159,455	5,987,368	(9,278)	338,065	--	78,168	--	(1,148,462)	5,245,861
Payable to credit entities and other financial liabilities.....	602,454	583,532	1,185,986	--	--	--	--	--	--	1,185,986
Bonds and similar securities issued.....	2,512,223	--	2,512,223	--	--	794,447	--	--	--	3,306,670
Non-current deferred tax liabilities.....	307,262	--	307,262	--	--	--	--	--	--	307,262
Non-current provisions	11,419	--	11,419	--	--	--	--	--	--	11,419

FOR INFORMATIONAL PURPOSES ONLY. SPANISH VERSION PREVAILS.

	30 September 2017			Axiare interim dividend ⁽²⁾	Impact of the Bid and its funding				30 September 2017	
	Colonial Group ⁽¹⁾	Axiare Group ⁽¹⁾	Aggregated		Share capital increase ⁽³⁾	Bond issue ⁽⁴⁾	Treasury share sale ⁽⁵⁾	Bid ⁽⁶⁾	Business combination ⁽⁷⁾	Colonial Group estimate ⁽¹⁾⁽⁸⁾
CONSOLIDATED STATEMENT OF FINANCIAL POSITION										
<i>(As per IFRS)</i>										
Unaudited (thousands of €)										
Other non-current liabilities	42,664	11,371	54,035	--	--	--	--	--	--	54,035
NON-CURRENT LIABILITIES	3,476,022	594,903	4,070,925	--	--	794,447	--	--	--	4,865,372
Payable to credit entities and other financial liabilities.....	6,103	87,340	93,443	--	--	--	--	--	--	93,443
Bonds and similar securities issued.....	339,699	--	339,699	--	--	--	--	--	--	339,699
Trade payables.....	100,154	16,133	116,287	--	--	--	--	--	--	116,287
Tax liabilities	28,107	--	28,107	--	--	--	--	--	--	28,107
Current provisions	10,790	--	10,790	--	--	--	--	--	--	10,790
CURRENT LIABILITIES.....	484,853	103,473	588,326	--	--	--	--	--	--	588,326
TOTAL LIABILITIES AND EQUITY	8,788,788	1,857,831	10,646,619	(9,278)	338,065	794,447	78,168	--	(1,148,462)	10,699,559

(1): Unaudited information.

(2): Axiare interim dividend announced on 15 November 2017, and paid on 28 November 2017 to Axiare shareholders listed in Iberclear's records on 14 November 2017.

(3): Share capital increase in the nominal amount of 107,118,250 euros carried out by Colonial in November 2017 (see section II.4.2. of the Prospectus).

(4): Issue of ordinary bonds in the total amount of 800 million euros carried out by Colonial in November 2017 (see section II.4.2. of the Prospectus).

(5): Sale of treasury shares by Colonial as part of the aforementioned share capital increase (see section II.4.2. of the Prospectus).

(6): Offer and expenses related to the Bid.

(7): Elimination of shareholders' equity / financial stake.

(8): Estimated information drawn up by Colonial on the assumption that, on 30 September 2017, the Bid is accepted by all Axiare shareholders subject to it.

Explanatory notes on the table above

- *Note 2.- Axiare interim dividend announced on 15 November 2017, and paid on 28 November 2017.*

The adjustment represents the impact made by the payment of the Axiare interim dividend on 28 November 2017 in the gross amount of 0.14 euro per share, after discounting the amount of such dividend received by Colonial.

- *Note 3.- Share capital increase in the nominal amount of 107,118,250 euros carried out by Colonial in November 2017.*

The adjustment represents the impact of the Colonial share capital increase charged to monetary contributions with disapplication of preferential subscription rights in November 2017. The capital increase entailed the issue of 42,847,300 new Colonial shares at an issue price of 7.89 euros per share. For further information, see section II.4.2. of the Prospectus.

- *Note 4.- Issue of ordinary bonds in the total amount of 800 million euros carried out by Colonial in November 2017.*

The adjustment represents the impact made by the issue of ordinary bonds carried out by Colonial in November 2017 under the Euro Medium Term Note Programme (see section II.4.2. of the Prospectus). The issue was divided into two series, the terms of which are as follows:

- ordinary bonds in the amount of 500,000 thousand euros, represented by 5,000 bonds with a nominal value of 100,000 euros each, maturing in November 2025, with an annual 1.625% coupon and an issue price of 99.577% of the nominal value.
- ordinary bonds in the amount of 300,000 thousand euros, represented by 3,000 bonds with a nominal value of 100,000 euros each, maturing in November 2029, with an annual 2.5% coupon and an issue price of 99.969% of the nominal value.

- *Note 5.- Sale of treasury shares by Colonial in November 2017*

The adjustment represents the impact of the sale of 9,907,257 shares on 29 November 2017 at a per-share price equal to the issue price of the shares in the capital increase referred to in Note 1 above.

- *Note 6.- Bid*

The adjustment represents the consideration for the Bid (on the assumption that the Bid is accepted by all the Axiare shareholders subject to it) and also includes the adjusted amount of the share purchase contracts entered into with Pelham, GIC and GAM (see section I.5.1.), each of them for 18.36 euros per share as well as the estimated expenses related to the Bid (approximately 10 million euros).

- *Note 7.- Elimination of shareholders' equity / financial stake*

The adjustment represents the impact made by eliminating the cost of the Axiare stake and of the shareholders' equity of the company acquired, considering that the Bid is accepted by all the Axiare shareholders subject to it.

Additionally, the table below shows a number of key performance indicators estimated by Colonial on the assumption that the Bid is accepted by all Axiare shareholders subject to it. This estimated information has been drawn up on the basis of the public information available by way of an illustration only, and it is therefore a hypothetical situation.

KEY PERFORMANCE INDICATORS	Colonial Group	Axiare Group	Colonial Group estimate
Total area above ground level (m ²).....	852,019 ⁽¹⁾	295,889 ⁽¹⁴⁾	1,147,908 ⁽¹⁴⁾
Projects and restorations, total area above ground level (m ²).....	139,072 ⁽²⁾	58,410 ⁽¹⁴⁾	197,482 ⁽¹⁴⁾
Asset valuation in June 2017 (€k)	8,253 ⁽³⁾	1,710	9,794
Revenue from topped-up rents ⁽⁴⁾ (€k).....	285 ⁽⁵⁾	65	350
Potential revenue from topped-up rents ⁽⁶⁾ (€k)	369 ⁽⁵⁾	102	470
EPRA vacancy rate - Office portfolio in June 2017 ⁽⁷⁾	3.9%	14.3%	5.6%
Annualized FFO ⁽⁸⁾ in June 2017 (€k)	74 ⁽⁹⁾	27	101
Loan to Value (LtV) ⁽¹⁰⁾	33% ⁽¹¹⁾	29% ⁽¹²⁾	~ 40% ⁽¹³⁾
Credit rating	BBB ⁽¹⁵⁾ /Baa2 ⁽¹⁶⁾	--	BBB/Baa2

Source: Drawn up by Colonial from the public information available (unaudited information).

- (1): Colonial Group's total area above ground level on 30 September 2017.
- (2): Area above ground level of Colonial Group's projects and restorations on 30 September 2017 including 18,415 m² of projects under study for currently leased property.
- (3): Value on 30 June 2017 adjusted with the divestment of the IN/OUT property and the acquisition of Arturo Soria (includes value of 15.5% of the Axiare stake on that date).
- (4): Annualised revenue from contract rents on 30 June 2017 without the grace period and other incentives to the tenant.
- (5): Colonial Group data on 30 June 2017 adjusted with the divestment of the IN/OUT property and the acquisition of Arturo Soria.
- (6): Annualised revenue from contract rents in June 2017 and potential gross revenue from projects without the grace periods and other incentives to the tenant.
- (7): Financial vacancy rate according to the calculations recommended by the European Public Real Estate Association (EPRA).
- (8): Recurring net income.
- (9): Recurring net income excluding depreciation and the accrual of the incentive plan.
- (10): Net financial debt calculated as per section I.8. in the Prospectus / Value of assets including transfer expenses.
- (11): For Colonial Group: Net financial debt calculated as per section I.8. in the Prospectus in September 2017 that amounts to 2,947 million euros / Asset value in September 2017 of 8,799 million euros (Asset value in June 2017 including transfer expenses + NAV of Axiare 15.5% share + Treasury shares + Value of Plaza Europa Joint Venture, adjusted with the divestment of IN/OUT and the acquisition of Arturo Soria).
- (12): For Axiare: information published by the company in June 2017: Net financial debt of 490 million euros / Asset value of 1,710 million euros.
- (13): Estimated LtV considering the funding structure of the Bid (see section II.4.2 in the Prospectus) and the disposal of non-strategic assets of approximately 300 million euros (see section IV.4. in the Prospectus), without considering a potential increase in the valuations at year-end. Therefore, the estimated LtV results from an estimated net financing debt of 3,957 million euros/ an estimated asset value of 9,942 million euros.
- (14): For axiare: only including the total surface above ground level of assets used as offices.
- (15): Credit rating granted by Standard & Poor's.
- (16): Credit rating granted by Moody's.

CHAPTER V

V.1. Authorisations with regard to competence and other information or documents

The acquisition of the shares subject to the Bid does not require notification to, authorisation, non-opposition or administrative verification from anti-trust authorities, as the Bid does not entail a financial concentration at a European, Spanish or other level. For this reason, Colonial has not notified or requested authorization, non-opposition or administrative checks from the competent authorities for the Bid.

V.2. Administrative checks or authorisations other than by the CNMV

The Bid is not subject to any administrative checks or authorisations other than by the CNMV. For this reason, Colonial has not requested any authorizations or administrative checks from other regulatory bodies or authorities for the Bid.

V.3. Locations at which the prospectus may be consulted and documents accompanying the prospectus

Pursuant to the provisions of Article 22.3 of the Royal Decree on Takeover Bids, the Prospectus and other documentation accompanying it will be available to interested parties as of the day following publication of the first of the announcements referred to in Article 22.1 of the Royal Decree on Takeover Bids, at the following locations:

Company	Address
<i>Stock Exchange Governing Bodies</i>	
Madrid Stock Exchange Governing Body.....	Plaza de la Lealtad, 1, Madrid
Barcelona Stock Exchange Governing Body.....	Paseo de Gracia, 19, Barcelona
Bilbao Stock Exchange Governing Body.....	Calle José María Olabarri, 1, Bilbao
Valencia Stock Exchange Governing Body.....	Calle Libreros, 2-4, Valencia
<i>Spanish Securities Market Commission (CNMV)</i>	
CNMV Madrid.....	Calle Edison, 4, Madrid
CNMV Barcelona.....	Paseo de Gracia, 19, Barcelona
CaixaBank, S.A.....	Calle Pintor Sorolla, 2-4, Valencia
Target Company.....	Calle José Ortega y Gasset, 29, 5ª planta, Madrid
Bidder.....	Paseo de la Castellana, 52, Madrid

Additionally, the Prospectus alone, without its appendices, will be available on the websites of the CNMV (www.cnmv.es), of Colonial (www.inmocolonial.com) and of the Target Company (www.axiare.es) as of the day following publication of the first of the announcements referred to in Article 22.1 of the Royal Decree on Takeover Bids.

V.4. Territorial restriction

The Bid is drawn up exclusively in Spain and targets the holders of Axiare shares, under the terms stipulated in the Prospectus, and neither the Prospectus nor its contents constitute an extension of the Bid to any other jurisdiction where it may constitute an infringement of the legislation applicable to such jurisdiction or where formulation of the Bid requires the distribution and/or registration of documentation in addition to the Prospectus.

In particular, the Bid will not be drawn up either directly or indirectly in the United States of America, either by mail or by any other inter-state or foreign trade means or instruments (including fax, telex, telephone or Internet), or through the Stock Exchanges of the United States of America; the above notwithstanding compliance with or subjection to the exemptions stipulated in any regulations of the United States in relation

to securities markets or takeover bids. The Prospectus will therefore not be distributed by any means in the United States of America, notwithstanding compliance with or subjection to the exemptions stipulated in any regulations of the United States in relation to securities markets or takeover bids.

Axiare shareholders resident outside Spain who decide to take up the Bid are hereby informed that the Bid may be subject to legal and regulatory restrictions which differ from those envisaged in the Spanish laws. In this regard, shareholders resident outside Spain who decide to take up the Bid will be solely responsible for compliance with these regulations, and thus for their verification, applicability and implication.

This Prospectus has been stamped on all the pages it contains, and signed on 12 December 2017.

Signed on behalf of Inmobiliaria Colonial, SOCIMI, S.A.

By proxy

Pedro Viñolas Serra
Chief Executive Officer

APPENDIX I

Certification of the corporate resolution concerning the formulation of the Bid adopted by the Board of Directors of Inmobiliaria Colonial, SOCIMI, S.A. on 12 November 2017.

APPENDIX II

Authentication certificate to prove the lock-up of the shares of Axiare Patrimonio SOCIMI, S.A. owned by Inmobiliaria Colonial, SOCIMI, S.A.

APPENDIX III

Bank guarantee as collateral for the Bid, issued by CaixaBank, S.A.

APPENDIX IV

Specimen announcement of the Bid to be published by the Bidder pursuant to Article 22 of the Royal Decree on Takeover Bids.

APPENDIX V

Letter from the Bidder concerning publicity for the Bid.

APPENDIX VI

Letter from CaixaBank, S.A. as market member, who will act on behalf of the Bidder in the acquisition and settlement process.