

In compliance with Section 228 of the *Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*, Inmobiliaria Colonial, S.A. ("**Colonial**" or the "**Company**") hereby discloses the following

REGULATORY ANNOUNCEMENT (HECHO RELEVANTE)

The Board of Directors of the Company has resolved to carry out, pursuant to the authorization granted by the General Shareholders' Meeting of 28 June 2016 and in accordance with its terms, a share capital increase for cash, with exclusion of pre-emptive subscription rights, for a maximum nominal amount of up to EUR 89,116,642.50, by means of the issuance of up to a maximum of 35,646,657 ordinary shares with a nominal value of EUR 2.50 per share, of the same class and series as the currently outstanding shares (the "**New Shares**"), representing up to 9.99% of the current share capital of the Company (the "**Capital Increase**"). The New Shares will grant their holders the same rights as those granted to the holders of the outstanding shares from their registration in the accounting records of the *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.* ("**Iberclear**").

1. RATIONALE

The main rationale of the Capital Increase is to reinforce the Company's equity in order to take advantage of the current investment opportunities available, to carry out repositioning investments and improvements to maximize the quality, occupation and value of the assets that are already part of its portfolio, as well as to reaffirm its credit rating and, eventually, improve it.

2. ISSUE PRICE

The New Shares will be issued at their nominal value plus an issue premium to be determined through an accelerated book-building process among qualified investors (see section 4).

3. ADDRESSEES OF THE CAPITAL INCREASE

The Capital Increase will be solely addressed to qualified investors, as defined, (i) in Spain, in Section 39 of the *Real Decreto 1310/2005 de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*; (ii) in the other EU Member States, as set out in the relevant domestic legislation implementing Directive 2003/71/EC of 4 November 2003; and (iii) in other countries, in a manner such as that investors may have such condition or equivalent category, in accordance with each jurisdiction's applicable law (including in the United States of America to "qualified institutional buyers" as defined in the U.S. Securities Act of 1933) so that according with such law, the Capital Increase does not require to be registered with or approved by any competent authority. As a consequence, the issue of the New Shares does not constitute a public offer of securities in any jurisdiction.

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4. DESCRIPTION OF THE PLACEMENT

The Capital Increase will be carried out through a private placement by means of an accelerated bookbuild offering process exclusively directed to qualified domestic and foreign investors and, therefore, the pre-emptive subscription rights of the Company's current shareholders will be excluded. For these purposes, the Company has entered into a placement agreement with J.P. Morgan Securities plc and Merrill Lynch International (the "**Joint Global Coordinators and Joint Bookrunners**") containing customary terms and conditions for this type of transaction. Furthermore, the Company has agreed to a lock-up commitment on customary terms and subject to customary exceptions for this type of transaction during a period of 90 days from the date of admission to trading of the New Shares on the Stock Exchanges of Madrid and Barcelona.

Following the publication of this regulatory announcement, the Joint Global Coordinators and Joint Bookrunners shall explore, during a period that is expected to finalize on May 5, 2017 no later than 8:00 a.m., the existing demand of New Shares among qualified investors, using reasonable efforts to procure subscribers for the New Shares.

5. RESULT OF THE PLACEMENT

Once the private placement process is finalized, the Company will publish the results by means of a relevant regulatory announcement, including the final number of New Shares to be issued and the issue price.

6. APPLICATION FOR ADMISSION TO TRADING

The Company will apply for admission of the New Shares to listing on the Stock Exchanges of Madrid and Barcelona, and to trading on the Automated Quotation System (*Sistema de Interconexión Bursátil*), with no need for registration and approval by the Spanish Stock Market Regulator (*Comisión Nacional del Mercado de Valores*) of a prospectus, given that the number of New Shares to be issued represent less than 10% of the number of shares of the Company already admitted to trading.

7. REPORTS

In compliance with the provisions of the *Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*, in the context of the Board of Director's resolution to increase the share capital with exclusion of pre-emptive subscription rights, the corresponding director's report has been issued and the mandatory report issued by KPMG Auditores, S.L., acting as independent expert, has been obtained. Such reports will be made available to the shareholders in the manner and time prescribed by applicable law.

In Barcelona, May 4, 2017.

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