



REPORT OF THE BOARD OF DIRECTORS OF INMOBILIARIA COLONIAL, SOCIMI, S.A. REGARDING THE MERGER BETWEEN INMOBILIARIA COLONIAL SOCIMI, S.A. (AS THE ABSORBING COMPANY) AND SOCIÉTÉ FONCIÈRE LYONNAISE (AS THE ABSORBED COMPANY).

A) PURPOSE OF THE REPORT

This report has been issued by the Board of Directors of Inmobiliaria Colonial, SOCIMI, S.A. ("**Colonial**") in compliance with:

- a) Articles 5 and 85 of Royal Decree-Law 5/2023 of 28 June ("**RDL 5/2023**"), to explain and justify the legal and economic aspects of the merger by absorption between Colonial, as the absorbing company, and Société Foncière Lyonnaise ("**SFL**", collectively with Colonial, the "**Companies Involved in the Merger**"), as the absorbed company (the "**Merger**"). The report also deals with the implications for its employees and the potential effect on Colonial's future business operations and its creditors; and
- b) Article 286 of the consolidated text of the Spanish Limited Liability Companies Law, as approved by Royal Legislative Decree 1/2010 of 2 July (the "**Spanish Limited Liability Companies Law**"), to justify the amendments to Articles 1 and 8 bis of its Company Bylaws.

This report will be made available to shareholders, employees, creditors and other stakeholders before the publication of the notice for the call to Colonial's General Meeting of Shareholders, at which the Merger will be discussed in accordance with the provisions stipulated by law.

B) INFORMATION REGARDING THE MERGER

1. COMMON PROVISIONS FOR SHAREHOLDERS, EMPLOYEES AND CREDITORS

1.1. Justification for the Merger

The objective of the Merger is to establish a pan-European group that will lead the prime assets market. The Merger aims to simplify and optimise the group's structure, thereby achieving greater efficiency and enhancing the profitability of its projects and investments, as well as respond to the current challenges in the real estate sector and provide greater flexibility for future expansion of the group by strengthening its competitive position and creating a more solid and attractive platform.

In this context, both Colonial and SFL are highly specialised in the same sector (*prime* real estate assets), making the integration a strategic move expected to generate significant synergies and optimise operating costs across various processes. Additionally, the Merger is anticipated to facilitate synergies in financial costs (equity and debt). As a result, the Merger will enable Colonial to bolster its leadership in the prime assets market in Spain and France, expand its size and liquidity in the capital markets, improve access to resources and financing to support the continued transformation of its assets and implement cross-sector strategies focused on renovating buildings and accelerating the group's growth on a pan-European scale.

The creation of a single legal entity will streamline the group's structure, resulting in a single listed company with fewer regulatory burdens and associated costs. Additionally, this consolidation will ensure the continuity of the activities undertaken by SFL while preserving the cultural and local nuances specific to each market.

The Merger will also enable SFL's minority shareholders to benefit from substantially increased liquidity by becoming shareholders in Colonial. Similarly, these minority shareholders will gain from Colonial's dividend

distribution obligations, which are the same as those currently observed at SFL, arising from the special tax regime of SOCIMIs (these obligations are comparable to those of SIIcs under French law).

1.2. Legal aspects of the Merger

1.2.1. Structure of the Merger: merger by absorption

The Merger will be conducted in accordance with the provisions of (i) current commercial legislation, specifically RDL 5/2023, the Spanish Limited Liability Companies Law and the Regulations of the Commercial Registry, as approved by Royal Decree 1784/1996 of 19 July (the “**Regulations of the Commercial Registry**”); and (ii) the common draft terms of the intra-European cross-border merger, which was approved on 3 and 4 March 2025 by the boards of directors of Colonial and SFL, respectively (the “**Common Draft Terms of the Merger**”).

In this context, the Merger will be executed through the absorption of SFL by Colonial, resulting in the dissolution of SFL without liquidation and the en bloc transfer of all its assets to Colonial, which will acquire, by universal succession, all rights and obligations of SFL. As a result of the Merger, all SFL shareholders, excluding Colonial and SFL itself, will receive existing Colonial shares in exchange for their SFL shares, based on the Exchange Ratio established in the Common Draft Terms of the Merger. Therefore, SFL shareholders who are not Colonial shareholders, will become Colonial shareholders and will receive corresponding Colonial shares as stipulated by the planned Exchange Ratio, all in accordance with the terms set out in the Common Draft Terms of the Merger.

The said universal succession will result in Colonial acquiring, in a single transaction, all the assets and liabilities that constitute SFL's equity. Therefore, all assets, rights, obligations and, in general, all legal relationships previously held by SFL will be transferred to Colonial, but they will continue to be in effect with the corresponding change of ownership.

1.2.2. Identification of the companies involved in the Merger

The Common Draft Terms of the Merger identifies the Companies Involved in the Merger as participating entities, detailing their names, corporate forms, registered addresses and registration details in the Commercial Registry and the Paris Trade and Companies Registry (*Registre du Commerce et des Sociétés*), respectively.

The Common Draft Terms of the Merger also outline the share capital information of the Companies Involved in the Merger.

1.2.3. Merger Exchange

The Common Draft Terms of the Merger specify the SFL-to-Colonial share exchange ratio, which has been established based on a multi-criteria analysis. The application of these criteria has yielded an exchange ratio of 13 Colonial shares (with a par value of €2.50 each) for one SFL share (with a par value of €2.00) (the “**Exchange Ratio**”). No cash compensation is envisaged in addition to this. An economic analysis of the Exchange Ratio is provided in section 1.3.2 of this report.

Colonial will exchange SFL shares by issuing existing ordinary treasury shares.

Pursuant to Article 37 of RDL 5/2023, the exchange will not include any SFL shares held by Colonial or any SFL treasury shares.

1.2.4. Contributions in kind and ancillary obligations

As outlined in the Common Draft Terms of the Merger, there are no contributions in kind in SFL, and therefore, there will be no compensation in this regard.

Furthermore, concerning ancillary obligations and considering Colonial is a SOCIMI, to ensure compliance with the special tax regime of SOCIMIs and secure compensation for any damages pertaining to the taxation of certain shareholders, its Company Bylaws (Articles 8 bis (*Ancillary Provisions*) and 37 bis (*Special Rules for the Distribution of Dividends*)) provide for specific duties of communication and compensation to shareholders. These provisions are designed to facilitate compliance with Spanish SOCIMI tax regulations and secure compensation for any damages that may arise from the taxation of such certain shareholders. However, no impact is anticipated, and accordingly, no compensation will be offered in this respect.

In addition, given Colonial's stake in SFL and in order to ensure SFL's compliance with the special French tax regime for SIICs and avoid potential penalties, including tax-related penalties or the consequences of deficient or non-taxation of certain shareholders, Colonial's Bylaws stipulate specific reporting obligations to shareholders who are not natural persons and hold at least 10% of its share capital.

In this respect, to safeguard against any potential impact on Colonial's shareholders, Article 8 bis of Colonial's Bylaws will be amended as part of the Merger, as detailed in section C) of this report.

1.2.5. Securities and special rights

As outlined in the Common Draft Terms of the Merger, none of the Companies Involved in the Merger possess shares that have been excluded from participating in the distribution of corporate profits or shares that lack voting rights.

Nor have special rights been or will be granted for the benefit of shareholders or holders of securities other than the shares of the Companies Involved in the Merger. In this respect, no related measures have been proposed or adopted in relation to the Merger.

1.2.6. Benefits attributed to directors

No benefits of any kind will be attributed to the directors of the Companies Involved in the Merger.

1.2.7. Cash compensation offer

Under the prevailing French regulation, SFL shareholders who vote against the Merger at their General Meeting of Shareholders may exercise the right to dispose of their SFL shares, provided they hold ownership at the time of exercising this right (the "**Disposal Mechanism**").

Authorised SFL shareholders may exercise the Disposal Mechanism within 10 days following SFL's General Meeting of Shareholders that approves the Merger. SFL will then formalise its offers to the corresponding shareholders.

SFL shares will have a purchase price of €77.50 per share (the "**Exit Price**"). This Exit Price has been determined under applicable French regulations and will be adjusted based on the SFL dividend voted on before the Merger. Given that the proposed dividend at SFL's General Meeting of Shareholders is €2.85 per share, the adjusted exit price will be €74.65 per share.

1.2.8. Date from which recipients of shares delivered under the exchange will be entitled to a share in the company profits

The Colonial shares delivered in exchange for SFL shares will entitle their holders to company profits from the date the public deed of merger is registered in the Commercial Registry.

1.2.9. Colonial's Bylaws after the Merger

Upon completion of the Merger, Colonial will continue to be governed by its Company Bylaws, which will only be amended as outlined in section C) of this report to: (i) reflect its new legal name, namely, Colonial SFL, SOCIMI, S.A.; and (ii) adjust the obligations for shareholders who are not natural persons and hold at least 10% of its share capital, in accordance with Colonial's stake in SFL.

1.2.10. Other references to the Common Draft Terms of the Merger

a) Independent expert's report

In accordance with Article 41 of RDL 5/2023, Colonial and SFL requested the Paris Commercial Court (*Tribunal de Commerce de Paris*) to appoint a sole independent expert to issue a report on the Common Draft Terms of the Merger. Ms Agnès Piniot from Ledouble SAS was appointed for this task.

On 6 March 2025, Ms Agnès Piniot issued her report on the Common Draft Terms of the Merger, concluding that:

- (i) the Exchange Ratio of 13 Colonial ordinary shares for 1 SFL share is justified, having been derived from appropriate valuation methods within the context of the Merger, and is deemed fair;
- (ii) the Exit Price of €77.50 per share, inclusive of dividend, is appropriate and justified given the context of the Merger; and
- (iii) the total value of the contributions, amounting to €1,023,388,973 is accurately stated.

b) Tax regime

In accordance with Articles 76 *et seq.* of Law 27/2014 of 27 November, on Corporate Tax ("**Law 27/2014**"), the Merger falls under the special tax regime outlined in Chapter VII of Title VII and in the second additional provision of Law 27/2014. To this end, the mandatory notification to the Spanish Tax Administration will be carried out as stipulated in Article 89 of Law 27/2014 and Articles 48 and 49 of its implementing regulations.

c) Publicity and information

In accordance with Article 7 of RDL 5/2023, Colonial published the Common Draft Terms of the Merger and the report by Ms Agnès Piniot (Ledouble), as the independent expert, on its corporate website (www.inmocolonial.com) on 7 and 10 March 2025, respectively. These documents will also be published in the Official Gazette of the Commercial Registry (the '**BORME**') within the legally prescribed terms.

The other required documentation related to the Merger, including this report, will be published on Colonial's corporate website. There will be an option to download and print these documents before the publication of the notice convening Colonial's Ordinary General Meeting of Shareholders, at which the Merger will be proposed for approval.

Lastly, the Common Draft Terms of the Merger shall be submitted for approval at the Ordinary General Meeting of Shareholders, which is expected to take place on 27 May 2025. The resolution to approve the Merger passed at Colonial's Ordinary General Meeting of Shareholders will be published both in the BORME and on Colonial's corporate website.

1.2.11. The Merger procedure

Below is a concise overview of the main milestones related to the Merger, presented in chronological order.

a) Approval and publication of the Common Draft Terms of the Merger

On 3 and 4 March 2025, the boards of directors of Colonial and SFL, respectively, approved the Common Draft Terms of the Merger. In accordance with Article 39 of RDL 5/2023, the document was signed by all directors of the Companies Involved in the Merger and subsequently made public on Colonial's corporate website on 7 March 2025.

b) Report of the independent expert on the Common Draft Terms of the Merger

Ms Agnès Piniot issued her mandatory report on the Common Draft Terms of the Merger on 6 March 2025. This report was published on Colonial's corporate website on 10 March 2025 (www.inmocolonial.com).

c) Directors' Report on the Merger

In accordance with Article 5 of RDL 5/2023, the Board of Directors of Colonial prepared this explanatory and justificatory report on the legal and economic aspects of the Merger.

This report, explaining and detailing the implications of the Merger for shareholders, employees and creditors, will be made available to them accordingly.

d) Exemption document

In line with Commission Delegated Regulation (EU) 2021/528 of 16 December 2020, Colonial has prepared a document relating to the exemption from the obligation to prepare a prospectus as required by Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017. This exemption document will be made public before the announcement of the call for Colonial's Ordinary General Meeting of Shareholders, at which the Merger will be proposed for approval.

e) Call for the General Meeting of Shareholders of Colonial

In accordance with Spanish legislation, given that Colonial directly owns more than 90% of SFL, the Merger might qualify for the simplified regime under certain conditions as established by law. Specifically, Article 55 of RDL 5/2023 states that the Merger may be enacted without the approval of Colonial's General Meeting of Shareholders. However, the Board of Directors of Colonial has decided it prudent to submit the Merger and the Common Draft Terms of the Merger for approval at its General Meeting of Shareholders. This is in addition to the required approval at SFL's General Meeting of Shareholders, as stipulated by Article 47 of RDL 5/2023.

By the time the notice for Colonial's General Meeting of Shareholders is published, the documents listed in Articles 5, 7, and 46.1 of RDL 5/2023 will be accessible on Colonial's website for downloading and printing.

f) Merger resolutions and publication of announcements

The Merger will be approved at the General Meeting of Shareholders of both Colonial (considering the provisions outlined in section e) above) and SFL, in line with Article 47 of RDL 5/2023, and will adhere strictly to the terms set forth in the Common Draft Terms of the Merger. The resolution to approve the Merger passed at Colonial's Ordinary General Meeting of Shareholders will be published both in the BORME and on Colonial's corporate website.

g) Preliminary certificate

After the General Meeting of Shareholders of Colonial and SFL, at which the Merger is proposed for approval, SFL will submit the Common Draft Terms of the Merger along with the required additional documentation to the Paris Commercial Court (*Tribunal de Commerce de Paris*) for a compliance review to be conducted within a maximum period of 3 months. Upon completion of this review, should the President of the Paris Commercial Court (*Tribunal de Commerce de Paris*) determine that the Merger meets all stipulated conditions, he will issue the corresponding preliminary certificate of compliance.

h) Spanish legality check

Given that the company resulting from the Merger (i.e. Colonial) will be governed by Spanish legislation, the Madrid Commercial Registry is tasked with conducting a legality check of the Merger as a preliminary step before its registration.

To facilitate this process, Colonial and SFL are required to provide the Madrid Commercial Registry with: (i) the certificate of compliance issued by the President of the Paris Commercial Court (*Tribunal de Commerce de Paris*); (ii) the Merger resolution approved by the General Meeting of Shareholders of the Companies Involved in the Merger; and (iii) details of the measures implemented regarding employee participation.

i) Execution and registration of the public deed of merger

Following the completion of the activities described in the previous sections, the public deed of merger will be executed and subsequently registered in the Commercial Registry.

j) Execution of the exchange

After the public deed of merger has been registered in the Commercial Registry, the exchange of SFL shares for Colonial shares will be conducted according to the terms outlined in the Common Draft Terms of the Merger.

1.3. Economic aspects of the Merger

1.3.1. Date of the accounts used

The terms of the Merger have been established considering the financial statements of Colonial and SFL for the 2024 financial year, ending 31 December. Colonial's individual and consolidated financial statements for that year were audited by PricewaterhouseCoopers Auditores, S.L., whereas SFL's individual and consolidated financial statements for the same year were audited by PricewaterhouseCoopers Audit France and Deloitte & Associés.

Colonial's individual and consolidated financial statements for the 2024 fiscal year were authorised for issue by Colonial's Board of Directors at its meeting on 27 February 2025, with the corresponding audit reports also being issued on this date. Likewise, SFL's individual and consolidated financial statements for the 2024

fiscal year were authorised for issue by SFL's Board of Directors on 18 February 2025, with the corresponding audit reports being issued on 25 February 2025.

In accordance with Article 43 of RDL 5/2023, the Merger balance sheet for Colonial will be considered as the individual balance sheet as of 31 December 2024, which is included in its duly audited annual financial statements for the 2024 fiscal year. These statements will be submitted for approval to Colonial's General Meeting of Shareholders, at which the Merger will be decided.

Similarly, the Merger balance sheet for SFL will be regarded as the individual balance sheet as of 31 December 2024, which is included in its duly audited financial statements for the 2024 fiscal year.

1.3.2. Reference to the Exchange Ratio

The Exchange Ratio for the Merger reflects the agreement between the Companies Involved in the Merger regarding the real value of each entity, as stipulated in Article 36 of RDL 5/2023.

On 17 and 18 February 2025, the Boards of Directors of Colonial and SFL, respectively, agreed upon the Exchange Ratio of SFL shares for Colonial shares, which, as outlined in the Common Draft Terms of the Merger, was determined based on a multi-criteria analysis. The application of these criteria has yielded an exchange ratio of 13 Colonial shares (with a par value of €2.50 each) for one SFL share (with a par value of €2.00). No cash compensation is envisaged in addition to this.

The Exchange Ratio has been determined using the following valuation methods, all of which are commonly accepted by the international financial community:

- **Book Value (EPRA NTA and NDV):** Based on information disclosed by Colonial and SFL in their annual financial statements, the appraisers' assessment of the valuation of Colonial and SFL's real estate assets was established on a multi-criteria approach adapted to the specific nature of their respective assets and on the application of at least two of the following three methods: comparison with previous transactions, application of a capitalisation rate to the income generated and the discounting of the cash flows generated (DCF).
- **Colonial's valuation in recent transactions:** Another significant valuation method for the Exchange Ratio was the reference valuation price from the most recent capital increase undertaken by Colonial, which was subscribed by Criteria Caixa in May 2024.
- **Analysts' target price:** This valuation method is based on the target prices of Colonial and SFL shares, as determined by research analysts who periodically publish their assessments of the fundamental value of each security over the next 12 months.

The target prices for SFL were selected before the Merger announcement to ensure the integrity of the Exchange Ratio. Colonial, however, was not affected by the Merger announcement since it already owned 98.24% of SFL. For this reason, the target prices for Colonial, taken as of 18 February 2025, have not been distorted by the Merger announcement, in contrast to those of SFL.

- **Trading discounts in the NTA of comparable companies applied to Colonial and SFL:** Another common methodology for assessing fundamental value involves applying trading multiples of comparable listed companies. Specifically, the multiple applied in this case is the comparison of price per share with EPRA (*European Public Real Estate Association*) NTA (*net asset value*), which is the most relevant and frequent trading metric in the real estate sector.
- **Exchange Ratio of SFL shares in previous transactions:** This method is based on the exchange ratio used in previous transactions where Colonial has incrementally acquired minority stakes in SFL over the past ten years.

- **Previous transactions in the office real estate sector:** Another relevant methodology involves applying implicit valuation multiples from previous transactions in the real estate sector.

Therefore, the proposed Exchange Ratio of 13 Colonial shares for each SFL share represents a premium relative to the results derived from all relevant valuation methodologies.

Despite this proposed Exchange Ratio reflecting a significant premium compared to the parities analysed, it is justified by the synergies anticipated by the Merger. These synergies include public listing costs, simplification of the legal structure and a more efficient organisational structure, among others. Such improvements translate into considerable value for both SFL and Colonial shareholders, thereby strongly supporting the premium implied by the proposed exchange ratio of 13 Colonial shares for each SFL share.

For the purpose of verifying the reasonableness of the Exchange Ratio, Morgan Stanley & Co. International plc issued a fairness opinion to the Board of Directors of Colonial on 3 March 2025. This opinion, based on and subject to the elements, limitations and assumptions detailed therein, considers the Exchange Ratio to be fair from a financial point of view for Colonial and its shareholders as of the date of the opinion.

In parallel, a committee composed of independent directors of SFL, advised by Rothschild & Co, which issued a fairness opinion report on 18 February 2025, also provided an opinion to the Board of Directors of SFL. This opinion, issued on the same day, based on and subject to the elements, limitations and assumptions detailed therein, considers the Exchange Ratio to be fair from a financial point of view for SFL and its shareholders as of the date of the opinion.

In light of the above, the Board of Directors of Colonial believes that the Exchange Ratio for the proposed Merger is adequately justified and fair for Colonial's current shareholders, considering market conditions as of the date of this report.

1.3.3. Effective date of the Merger for accounting purposes

In accordance with the Spanish National Chart of Accounts approved by Royal Decree 1514/2007 of 16 November (the “**National Chart of Accounts**”), the effective date of the Merger for accounting purposes will be its date of approval by the General Meeting of Shareholders of SFL.

1.3.4. Valuation of SFL's assets and liabilities

SFL's assets and liabilities, which will be transferred *en bloc* and by universal succession to Colonial, will be valued for accounting purposes as provided in the Spanish National Chart of Accounts and the mandatory rules approved by the Spanish Institute of Accounting and Accounts Auditing (*Instituto de Contabilidad y Auditoría de Cuentas*) implementing the Spanish National Chart of Accounts and its supplementing regulations.

1.3.5. Consequences for business activity

No changes to business activity are anticipated, as following the Merger, Colonial will continue with its existing corporate purpose, and there will be no reconsideration of Colonial's business activities.

2. CONDITIONS PRECEDENT

As provided in the Common Draft Terms of the Merger, the completion and effectiveness of the Merger are contingent on the fulfilment of the following conditions precedent (the “**Conditions Precedent**”):

- (i) Confirmation by the French Financial Markets Authority (*Autorité des Marchés Financiers*) that, under the applicable French regulations, Colonial is not required to make a delisting takeover bid for SFL shares, which was obtained on 26 March 2025;
- (ii) Approval of the Merger by the General Meeting of Shareholders of SFL;
- (iii) Approval of the Merger by the General Meeting of Shareholders of Colonial;
- (iv) The issuance of a certificate by the President of the Paris Commercial Court, in accordance with the applicable French regulations, confirming that the Merger and all pre-Merger documents and formalities comply with the law and all applicable requirements; and
- (v) The conduct of a legality review without reservations by the Madrid Commercial Registry.

If any of the Conditions Precedent set out above are not fulfilled by 23:59 CET on 15 December 2025 or the Companies Involved in the Merger agree to extend this deadline or waive the Conditions Precedent, as applicable, the Common Draft Terms of the Merger will be terminated, with no obligation for either party to compensate the other.

3. IMPLICATIONS OF THE MERGER FOR SHAREHOLDERS

3.1. Cash compensation to shareholders with the right to sell their shares

The Merger does not meet the criteria established in Articles 12.1 and 86 of RDL 5/2023 for recognising the right to cash compensation for Colonial shareholders. Therefore, Colonial shareholders are not entitled to sell their shares.

3.2. Exchange Ratio. Exchange method and procedure

For details on the Exchange Ratio, the determination methodologies and the procedures for exchanging shares, refer to sections 1.2.3 and 1.3.2 of this report.

3.3. Consequences of the Merger for Colonial's shareholders

The Merger is not anticipated to have any material implications for Colonial's current shareholders. They will continue to maintain their status as shareholders, with no changes in their respective shares in the capital, retaining all the shares they presently hold.

3.4. Gender impact on the Board of Directors and the effect on Colonial's social responsibility

The Merger is not expected to affect the gender composition of Colonial's Board of Directors, as there will be no changes to its current composition.

Nor is the Merger expected to affect Colonial's corporate social responsibility policy.

3.5. Remedies available to shareholders

In accordance with Article 7 of RDL 5/2023, Colonial shareholders are entitled to submit observations on the Common Draft Terms of the Merger up to 5 working days before the Ordinary General Meeting of Shareholders at which the Merger will be discussed.

Furthermore, all shareholders have the rights outlined in Article 49 of RDL 5/2023, along with any additional rights applicable under current legislation.

Challenges to the Exchange Ratio will neither halt the Merger process nor impede its registration in the Commercial Registry, as stipulated in Article 49 of RDL 5/2023.

4. IMPLICATIONS OF THE MERGER FOR EMPLOYEES

4.1. Consequences for Colonial's labour relations

The Merger will have no impact on Colonial's current employees, either individually or collectively. As the merged company will have its registered office in Spain, the employees' rights of involvement will be defined in accordance with Spanish labour law.

Colonial is committed to fulfilling its obligations to inform and consult with its employees about the Merger in compliance with the applicable legal provisions.

4.2. Substantial changes in the employment conditions or location of Colonial's centres of activity

The working conditions of Colonial's employees will remain unchanged following the Merger. Furthermore, no changes are expected to happen to the location of the work centres as a result of the Merger.

4.3. Consequences of the above in Colonial's subsidiaries

The Merger is not expected to affect labour relations within Colonial's subsidiaries nor lead to substantial changes in the employment conditions or locations of their work centres.

Notwithstanding the above, in accordance with French regulations, all current employment contracts of SFL employees will be automatically transferred to Colonial by operation of law, effective from the date the Merger is registered in the Madrid Commercial Registry. This transfer, mandated as a matter of public policy, requires no formalities. After the Merger, these employment contracts will continue to be governed by French labour law. In practice, all the employees will retain their existing employment rights as of the transfer date.

5. IMPLICATIONS OF THE MERGER FOR CREDITORS

The Merger is not expected to affect the creditors of the Companies Involved in the Merger other than the fact that SFL's creditors will become Colonial's creditors, and SFL's assets will become Colonial's assets as its universal successor. In view of this, it has not been deemed necessary to provide any security in connection with the Merger or adopt any specific additional measures or safeguards for creditors.

The Common Draft Terms of the Merger were published on Colonial's corporate website on 7 March 2025. In accordance with Article 13 of RDL 5/2023, creditors of SFL and Colonial whose claims predate this publication of the Common Draft Terms of the Merger may file claims within 3 months following the publication date.

The exercise of the creditors' rights as described above will not impede the execution of the Merger.

C) INFORMATION REQUIRED FOR THE AMENDMENT OF COLONIAL'S BYLAWS

Upon completion of the Merger, Colonial will continue to be governed by its Company Bylaws, which will be amended solely to (i) reflect its new legal name, namely, Colonial SFL, SOCIMI, S.A.; and (ii) adjust the obligations for shareholders who are not natural persons and who hold at least 10% of its share capital, in accordance with Colonial's interest in SFL.

Pursuant to Article 286 of the Spanish Limited Liability Companies Law and the relevant provisions of the Commercial Registry Regulations, the Board of Directors must prepare the corresponding explanatory report, provided below, for these amendments to the Company Bylaws.

1. GROUNDS FOR THE MOTION

The proposed amendment to the Company Bylaws, which will be presented to the Ordinary General Meeting of Shareholders, shall be made within the framework of the Merger and is intended to reflect Colonial's new corporate name post-Merger and adjust the obligations for shareholders who are not natural persons and hold at least 10% of the share capital, a change arising from Colonial's ownership stake in SFL.

This amendment, to be proposed by Colonial's Board of Directors to the Ordinary General Meeting of Shareholders, is essential and inseparable from the Merger process.

2. AMENDMENT TO ARTICLE 1 OF THE COMPANY BYLAWS

It is proposed that Article 1 of Colonial's Company Bylaws concerning the company's name be amended. The revised text of the article shall read as follows:

*"The company is called Colonial SFL, SOCIMI, S.A. (the "**Company**" or "**Colonial**") and is governed by these Bylaws and, where any provision is made herein, by the provisions of the consolidated Spanish Limited Liability Companies Law approved by Legislative Royal Decree 1/2010 of 2 July (the "**Spanish Limited Liability Companies Law**"), and any other provisions that may be applicable".*

3. AMENDMENT OF ARTICLE 8 BIS OF THE COMPANY BYLAWS

It is proposed that Article 8 bis of Colonial's Company Bylaws concerning ancillary obligations be amended. The revised text of the article shall read as follows:

"Company shareholders who are in any of the situations described in this article shall be obliged to comply with the ancillary provisions described below.

The ancillary provisions set out in this article shall not entail any compensation from the Company to the shareholder concerned in each case. Furthermore, without prejudice to the provisions of this article and Article 37 bis of these Bylaws, the transfer of Company shares (including, therefore, this ancillary provision) is expressly authorized for all purposes between the living or as a bequest.

1. Disclosure obligations for shareholders holding significant stakes

- (a) Any shareholder who holds Company shares in a percentage equal to or greater than 5% of the share capital must disclose this fact to the Board of Directors. Alongside this disclosure, such shareholder must provide a certificate issued by a duly authorized person that certifies for the shareholder the effective tax rate to which the dividend distributed by the Company is subject, together with a statement of whether he/she is the beneficial owner of such dividend. This disclosure*

obligation is laid down for the purpose of informing the Company if, for this shareholder, the dividend distributed by the Company is subject to an effective tax rate lower than 10%.

The percentage of stake and taxation indicated in the preceding paragraph are those stipulated in Article 9.2 of Law 11/2009 of 26 October governing Real Estate Investment Trusts (the "SOCIMI Law") and, consequently, they are understood to have been automatically changed should this rule be amended or replaced by another.

When the holder of the shares indicated in this section is:

- (i) A depository institution that is formally legitimised as a shareholder under the accounting records but acts on behalf of one or more third parties, then the percentage of stake and taxation referred to in this section are those of such third parties and not of the depository.*
 - (ii) A foreign entity to which a regime similar to the regime provided in the SOCIMI Law is applicable, then the percentage of stake and taxation provided in this section will relate to each of its shareholders.*
 - (iii) A look-through entity, then the percentage of stake and taxation provided for in this section shall relate to each of its shareholders or unitholders.*
- (b) Also, as a result of Colonial's election for the listed real estate investment companies' regime in France ("SIIC Regime"), any shareholder that is not an individual and that directly or indirectly holds shares of Colonial in a percentage equal to or greater than 10% of the share capital must report this fact to the Board of Directors of Colonial. Alongside this disclosure, such shareholder must provide a certificate issued by a duly authorized person that certifies for the shareholder the effective tax rate to which the dividend distributed by the Company is subject, together with a statement of whether he/she is the beneficial owner of such dividend.*

This disclosure obligation is laid down for the purposes of informing the Company if, for such shareholder, the effective tax rate for the dividend distributed by the Company gives rise to the obligation to pay the French tax provided for in French law in Article 208 C II ter of the French General Tax Code ("Code Général des Impôts").

In this regard, under this Article of the Code Général des Impôts, Colonial must pay to the French treasury a specific tax at a rate of 20% assessed on the dividend distributed or deemed to be distributed out of the profits and gains of its French operation that are exempt from the French corporate income tax pursuant to the SIIC Regime when the cumulative income tax(es) on such dividend paid by these shareholders is less than one third (1/3) of the then applicable French corporate tax rate.

The percentage of stake and taxation referred to in this section (b) correspond to those provided for in the French General Tax Code and, consequently, shall be understood to have been automatically modified should this rule be modified or replaced by another.

When the holder of the shares is a depository institution that is formally legitimised as a shareholder in the accounting records but acts on behalf of one or more third parties, then the percentage of stake and taxation referred to in this section shall relate to those of each such third parties and not of the depository.

- (c) *Any shareholder, whenever falling within any of the cases provided in sections (a) and (b) above, must:*
- (i) *notify the Board of Directors of any acquisition or transfer of Company shares, irrespective of the number of shares acquired or transferred;*
 - (ii) *provide, within the ten calendar days following the date on which Colonial agrees at any time to distribute any dividend or similar amount (e.g. reserves), tax certificates as provided in sections (a) and (b) above. For this purpose, the Company must, by publishing the related regulatory announcement, report to the market any resolution to distribute dividends , indicating in all cases the date or dates to which the information contained in such certificates refer, in order to comply with the tax obligations applicable at all times; and*
 - (iii) *provide (or request third parties to provide) the Board of Directors with the information in writing that the Company requires regarding the effective ownership of the shares or interest in them (accompanied, were the Company to so require, by a formal or notarised statement and/or independent evidence), including any information that the Company deems necessary or advisable for the purposes of determining whether these shareholders or third parties are affected by any of the scenarios described in paragraphs (a) and (b) above. The Company may make such a request at any time and may send one or more requests for information on the same shares.*
- (d) *The provisions of sections (a) to (c) above shall also apply to any persons holding dividend rights, voting rights or financial instruments on Company shares in the percentages stipulated in sections (a) and (b) above.*
- (e) *If the person subject to the disclosure obligation fails to comply with sections (a) to (c) above, the Board of Directors shall consider that the dividend is exempt of tax for this shareholder or is taxed at a rate lower than those stipulated in paragraphs (a) and (b) above.*

Notwithstanding the foregoing, the Board of Directors may request, with a charge to the shareholder failing to comply with the disclosure obligations provided in the preceding paragraphs, a legal report from a prestigious law firm in the country in which the shareholder resides to rule on whether the effective tax rate to which the dividend distributed by the Company is subject for the shareholder. The expenses incurred by the Company in requesting this report shall in all cases be considered as compensation for the purposes stipulated in this article.

2. Compensation obligations for shareholders holding significant stakes

- (a) *In cases where, as a result of any of the shareholders being affected by the scenarios established in sub paragraph 1 of this article of the Company Bylaws, the following events arise:*
- (i) *the Company is obliged to pay the special rate provided for in Article 9.2 of the SOCIMI Law, or any regulation replacing it; or*
 - (ii) *the Company is obliged to pay the specific tax provided for in Article 208 C II ter of the French tax code, or any regulation replacing it,*

such shareholders are required to compensate the Company for the loss caused, as provided in the following sections.

- (b) *The amount of compensation for each shareholder having caused the loss is the sum of:*
- (i) *any corporate tax expense arising for the Company from payment to this shareholder of the dividend serving as a basis for calculating the special tax provided for in Article 9.2 of the SOCIMI Law, or any regulation replacing it; and*
 - (ii) *any amount of specific tax provided for in Article 208 C II ter of the French tax code that the Company must pay to the French treasury in accordance with the French General Tax Code with respect to dividends paid to such shareholder.*

In any case, the Company must be held completely harmless in respect of the losses caused as a result of the effective tax rate to which the dividend distributed to shareholders by the Company is subject. In this regard, compensation shall in all cases include the amount which, once the corporate tax levied on the total amount of compensation has been deducted, offsets the expenses arising from the losses occasioned and the compensation applicable.

The amount of compensation shall be calculated by the Board of Directors, without prejudice to the fact that this calculation may be delegated to one or more directors and to independent third parties. Unless otherwise agreed by the Board of Directors, compensation shall be due the day before payment of the dividend by Colonial.

By way of example, Appendix I to these bylaws includes formulas for calculating compensation.

- (c) *A person under the compensation obligation is deemed to be a person who, due to their stake and tax features, has occasioned losses to the Company as stipulated in sub paragraph (a) herein. For this purpose, the person occasioning losses shall be obliged to indemnify, and Colonial entitled to claim, the full amount corresponding to the compensation calculated in accordance with section (b) of this article, irrespective of whether the shareholder subsequently transferred some or all of his/her shares in the Company.*
- (d) *The compensation stipulated in the preceding sections shall be offset using any present and future dividends payable to the shareholder in the terms set forth in Article 37 bis of these Company Bylaws, in addition to any other amounts owed by the Company. However, if Colonial should see fit, it may call for the compensation stipulated in the preceding sections at any time, by any methods permitted in law.*
- (e) *The compensation obligation stipulated in this sub paragraph 2 shall also apply to any shareholders who, irrespective of the tax rate applicable for such shareholders on any dividends received from the Company, have failed to meet the disclosure obligations stipulated in sub paragraph 1 above in this article.*
- (f) *In cases where the payment in full of the compensation may cause a loss to the Company, the Board of Directors may in the same fiscal year compensate or require an amount less than the amount calculated in accordance with section (b) of this article”.*

Below is the new wording of Appendix I, as referred to in Article 8 bis above:

“APPENDIX I: EXAMPLE OF CALCULATION OF COMPENSATION

Below is an example of the calculation of compensation, which shows that the effect of compensation on the company’s profit and loss statement is zero:

CASE 1:

Colonial shareholder that owns 5% or more of the Company’s share capital and that pays an effective tax rate of less than 10% on the dividend distributed by the Company.

$$I_E = DT_E * \% acc * GE_E * (1 + (Tg_E / (1 - Tg_E)))$$

where:

DT_E : Total dividend distributed by Colonial to the shareholders.

% acc: Percentage of shares of the non-compliant shareholder.

GE_E: Special tax rate applicable in Spain (currently 19%).

I_E: Compensation per Spanish dividend received by Colonial.

Tg_E: Tax in Spain charged to the income from the compensation received from the non-compliant shareholder.

CASE 2:

Colonial Shareholder that is not a natural person, that owns 10% or more of the Company’s share capital, and that pays an effective tax rate on the dividend distributed by the Company which is less than 1/3 of the French corporate tax rate.

$$I_F = DT_F * \% acc * GE_F * (1 + (Tg_E / (1 - Tg_E)))$$

where:

DT_F : Total dividend distributed or deemed to be distributed by Colonial to the shareholders out of the profits and gains of Colonial’s French operations.

% acc: Percentage of shares of the non-compliant shareholder.

GE_F: Special tax rate applicable in France (currently 20%).

I_F: Compensation per French dividend received by Colonial.

Tg_E: Tax in Spain or in France charged, as the case may be, to the income resulting from the compensation received from the non-compliant shareholder.

CASE 3:

Colonial shareholders that meet the conditions described in both Case 1 and Case 2 above.

$$I_{E+F} = [DT_E * \% acc * GE_E * (1 + (Tg_E / (1 - Tg_E)))] + [DT_F * \% acc * GE_F * (1 + (Tg_E / (1 - Tg_E)))]$$

where:

DT_E : Total dividend distributed by Colonial to the shareholders.

DT_F : Total dividend distributed or deemed to be distributed by Colonial to the shareholders out of the profits and gains of Colonial's French operations.

% acc: Percentage of shares of the non-compliant shareholder.

GE_E: Special tax rate applicable in Spain (currently 19%).

GE_F: Special tax rate applicable in France (currently 20%).

I_E: Compensation per Spanish dividend received by Colonial.

I_F: Compensation per French dividend received by Colonial.

Tg_E: Tax in Spain or in France charged, as the case may be, to the income resulting from the compensation received from the non-compliant shareholder".

D) CONCLUSION

Based on the above, the members of the Board of Directors of Colonial conclude that:

- (i) the Merger, its terms as detailed in the Common Draft Terms of the Merger, and the resolutions to be proposed to the Ordinary General Meeting of Shareholders for approval are in the best interests of Colonial and all its shareholders and employees; and
- (ii) the Exchange Ratio is justified, based on appropriate valuation methods, and is fair from a financial perspective for Colonial's shareholders.

* * * *

This report was prepared and approved by the Board of Directors at its meeting on 10 April 2025.