

# **INMOBILIARIA COLONIAL, SOCIMI, S.A.**

*(Translation of a report originally issued in Spanish)*

Report of an Independent Expert on the Valuation of a Non-monetary Contribution

PREDICA

3 June, 2021

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

*(Translation of a report originally issued in Spanish and prepared. In the event of a discrepancy, the Spanish-language version prevails.)*

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

In accordance with the provisions of article 67 of the [Spanish] Company Law, in relation to articles 133, 338 and following of the Regulations of the Commercial Register, on 25 January, 2021, the Hon. Mr. Francisco Javier Llorente Vara, XI Commercial Registrar of Madrid and its province, appointed Grant Thornton, S.L.P. as an independent expert for the preparation of a report, corresponding to file number 47/21, in relation to the non-monetary contribution expected to be made by Predica Prévoyance Dialogue du Crédit Agricole, S.A. (société anonyme), (hereafter Predica or the Contributor), consisting of the shares held by Société Foncière Lyonnaise, S.A. (hereafter SFL) and representing approximately 5% of its share capital to Inmobiliaria Colonial, SOCIMI, S.A. (hereafter "Colonial" or, the "Company", together with the companies belonging to the group, the "Colonial Group") which plans to increase its share capital as the beneficiary of the contribution.

### **1. DESCRIPTION OF THE OPERATION**

In accordance with the request made to the Commercial Registry by Don Pedro Viñolas Serra, on behalf of Colonial, we understand that it is the intention of this Company to carry out a share capital increase by issuing the corresponding shares that will be fully subscribed and fully paid up by the contributing company through the non-monetary contribution consisting of 2,328,644 SFL shares, free of charges and encumbrances, representing approximately 5% of its share capital.

The Share Capital Increase to be subscribed by Predica is part of the agreements reached between SFL and Predica, (and / or the entities controlled by Predica) as well as between Colonial and Predica (the "Agreements Reached").

Colonial currently owns 38,018,307 SFL shares, representing approximately 81.7% of the share capital of SFL. For its part, Predica owns 5,992,903 shares in SFL, representing approximately 12.9% of the share capital of SFL.

By virtue of the Agreements Reached, Predica will transfer to Colonial and to SFL whole of its direct shareholding in the share capital of SFL through:

(a) The transfer by Predica to SFL of 3,664,259 SFL shares, representing approximately 7.9% of the share capital of SFL, within the framework of a program to repurchase SFL shares for subsequent cancellation, in the context of an exchange between SFL and Predica (or any entity controlled by Predica) of shares or securities in joint ventures that own certain real estate assets of SFL in France (the "Asset Exchange").

(b) The subscription by Predica to a share capital increase to be carried out by Colonial against non-monetary contributions, by virtue of which Predica will contribute 2,328,644 SFL shares to Colonial, representing approximately 5.0% of the share capital of SFL, as consideration for the subscription to 22,494,701 newly issued shares of the Company, representing approximately 4.1% of Colonial's share capital after the Capital Increase to be subscribed by Predica and the Capital Increase to be subscribed by Minority Shareholders of SFL (as defined below) in the event that the latter is fully subscribed.

Likewise, within the framework of the Agreements Reached, Colonial intends to make a takeover bid for all the SFL shares owned by shareholders other than Colonial and Predica (the "Offer", together with the Share Capital Increase to be subscribed by Predica and Asset Exchange, the "Operation"). The consideration for the Offer will be mixed consisting of cash and newly issued Colonial shares for the SFL shares that are the subject of the Offer.

Considering that the current number of SFL shares in circulation is 46,528,974 shares, that the number of SFL shares currently owned by Colonial is 38,018,307 shares, and that the number of SFL shares currently directly owned by Predica is 5,992,903 shares, the maximum amount of cash to be paid by Colonial as consideration for the Offer will be 117,478,868.24 euros and the maximum number of Colonial shares to be issued by virtue of the Share Capital Increase to be subscribed by SFL's Minority Shareholders will be 12,588,820 shares, as consideration for the 2,517,764 SFL shares that are the object of the Offer, representing approximately 5.4% of its share capital.

#### 1.1 Contributing company

Predica Prévoyance Dialogue du Credit Agricole, S.A. (société anonyme) is a French company registered in the Registre du Commerce et des Sociétés de Paris under number 334 028 123 (code NAF 6511Z) and domiciled in Paris (France), 16-18 Boulevard de Vaugirard (75015).

#### 1.2 Beneficiary company

Colonial is a Spanish corporate entity with its registered office at Paseo de la Castellana, 52 - 28046 Madrid with CIF A-28027399, registered in the Madrid Commercial Registry, Volume 36,660, Folio 87, Page M-30822, 276<sup>th</sup> entry.

## 2. DESCRIPTION OF THE NON-MONEY CONTRIBUTION

In accordance with the representations made by the Management of Colonial, the non-monetary contribution to be made by the contributing Company, for the subscription and payment of the shares issued by the company Colonial, as indicated above, will be made up of 2,328,644 SFL shares, representing approximately 5% of its share capital, free of charges and encumbrances, of the same class and series and fully paid up.

Société Foncière Lyonnaise (SFL) is a limited liability company (société anonyme) registered in the Registre du Commerce et des Sociétés de Paris under number 552 040 982 (code NAF 6820B), with its registered office in Paris (France), 42, rue Washington (75008) and whose shares quoted on Euronext Paris (a French regulated market). SFL comes under the legal regime of a listed real estate investment company (société d'investissement immobilier cotée or SIIC). At 31 December, 2020, SFL owned 20 buildings in Paris, with a total surface area of 393,000 m<sup>2</sup>, valued at 7,458 million euros.

### 3. DESCRIPTION OF THE VALUATION MADE AND CONSIDERATION FOR THE CONTRIBUTION

According to the Report of the Board of Directors of Inmobiliaria Colonial, SOCIMI, S.A. in relation to this transaction, as consideration for the proposed non-monetary contribution transaction, it is planned to increase Colonial's share capital by a nominal amount of 56,236,752.50 euros, through the issue and putting into circulation of 22,494,701 new ordinary shares with a unitary nominal value of 2.50 euros, each of the same class and series as those currently in circulation and with a total share premium of 168,710,257.5 euros, equivalent to 7.50 euros per share, with the share capital increase plus the share premium reaching a total of 224,947,010 euros.

Considering what is described in points 3, 4 and 6 of the Report of the Board of Directors of Colonial, it is estimated that:

In accordance with the method indicated in point 6 of abovementioned Report, the 2,328,644 shares representing approximately 5% of the share capital of SFL object of the contribution have been valued at 225,133,301.92 euros, which is equivalent to a value of 96.68 euros for each of the SFL shares to be contributed.

For determining the number of Colonial shares to be delivered in consideration for the shares in SFL, different methods have been considered, including asset valuation (EPRA NDV), comparable multiples and the quoted share price.

After analysing the different methods, the asset valuation method has been considered as being the most relevant. In this regard, Colonial's EPRA NDV calculated at 31 December, 2020 has been taken into consideration, which implies a valuation of 10 euros per share, after adjusting for the dividend corresponding to financial year 2020 proposed to the Ordinary Shareholders' Meeting for an amount of 0.22 euros per share. To that end, the valuations published by the Company and carried out by recognised experts in the real estate sector have been taken into account, who have individually valued each one of Colonial's real estate assets and issued the corresponding valuation reports in accordance with the valuation and appraisal standards of the Royal Institution of Chartered Surveyors (RICS).

Consequently, as indicated in point 6, the expected share swap ratio is 9.66 shares in Colonial, each with a nominal value of 2.50 euros, for each share in SFL contributed by Predica.

### 4. VALUATION METHODS

#### 4.1 Methods of valuation of the projected non-monetary contributions

For the purposes of determining the value of the SFL shares to be contributed by the Contributor in the operation that is the subject of this Report, the following valuation methods have been considered by the Directors, all of these are commonly accepted by the international community, and include the following:

- Net asset valuation (EPRA NDV)
- Comparable multiples; and,
- Trading price of the share.

Among the valuation methods analysed, the asset valuation method was considered as being the most relevant, taking to this end EPRA NDV of SFL calculated at 31 December, 2020.

In relation to SFL, the valuations published by the Company and carried out by recognised experts in the real estate sector have been taken into account, who have individually valued each of SFL's real estate assets and issued the corresponding valuation reports in accordance with the valuation and appraisal standards of the Royal Institution of Chartered Surveyors (RICS).

Thus, applying what has been explained above, the 2,328,644 SFL shares, representing approximately 5% of the share capital of SFL, which will be contributed to Colonial by Predica, have a combined total value of 225,133,301.92 euros, which is equivalent to valuing each SFL share to be contributed at 96.68 euros, after adjusting for the dividend already distributed of 2.1 euros per share.

The Board of Directors considers that the asset valuation method, taking the EPRA NDV for this purposes, is adequate and, consequently, the valuation given to aforementioned SFL shares is reasonable within the framework of the Share Capital Increase to be subscribed by Predica that is the subject of this report. Consequently, this will be the valuation of the SFL shares for the purposes of setting the share swap ratio once the valuation has been set for Colonial shares to be delivered to Predica as consideration.

#### 4.2 Methods of valuation of the shares to be issued by Colonial as consideration for the projected non-monetary contributions

As indicated in point 3 of this report, to determine the number of shares to be delivered in consideration for the SFL shares the Directors have considered different methods, including: asset valuation (EPRA NDV), comparable multiples and the quoted share price.

#### 4.3 Number and nominal value of the Colonial shares to be issued as consideration for the projected non-monetary contributions

Based on the valuations of SFL and Colonial detailed in points 4.1 and 4.2 above, the Board of Directors has approved, including the same in the Report of the Directors, the expected exchange ratio, which involves the delivery of 9.66 shares in Colonial, each with a nominal value of 2.50 euros, for each share in SFL contributed.

Consequently, as consideration for the aforementioned non-monetary contributions, the Directors of Colonial have proposed to issue a total of 22,494,701 shares with a nominal value of 2.50 euros and with share premium of 7.50 euros each, of the same class and series as those currently in circulation that would be subscribed paid up by Predica. by contributing 2,328,644 shares in SFL, representing approximately 5% of the share capital of that company. Therefore, the effective amount of the increase would amount to 224,947,010 euros.

## 5. SCOPE OF THE PROCEDURES PERFORMED

The procedures that we have carried out for the preparation of Report of the Independent Expert set out in article 67 of the [Spanish] Company Law in relation to the review of the valuation of the SFL shares, have consisted of:

### 5.1 Obtaining and overall analysis of the following information:

- Audited consolidated financial statements of Société Foncière Lyonnaise, S.A. and Subsidiary Undertakings at 31 December, 2020.
- Audited consolidated financial statements of Inmobiliaria Colonial, SOCIMI, S.A. and Subsidiary Undertakings at 31 December, 2020.
- Valuation reports issued by CB Richard Ellis Valuation and Cushman & Wakefield at 31 December, 2020 of the real estate assets registered in SFL.

- Valuation reports issued by Jones Lang LaSalle and CB Richard Ellis Valuation at 31 December, 2020 of the real estate assets registered in Colonial.
  - Other information that has been considered necessary in the performance of our work.
- 5.2 Review of the Report of the Directors of the beneficiary entity in relation to the proposed increase to be carried out.
  - 5.3 Review and analysis, in accordance with the information available, of the valuation methodologies and criteria used to determine the value of the non-monetary contribution, specifically the review of the EPRA NDV analysis (previously called EPRA NNAV).
  - 5.4 Analysis and comparison of the results obtained by applying other generally accepted valuation methodologies for SFL.
  - 5.5 Holding various meetings with the Management of Inmobiliaria Colonial, SOCIMI, S.A. and their financial advisers in the context of this operation to gather information considered useful for the performance of our work.
  - 5.6 Review of the financial information corresponding to the first quarter of 2021 published on the SFL and Colonial websites.
  - 5.7 Review of the minutes of the Board of Directors, General Shareholders' Meeting, and other significant meetings of the management committees of the beneficiary entity.
  - 5.8 Formulation of questions to the Management of the Company on important events that may significantly affect the value of SFL or the Colonial Group, and, where appropriate, verification of these.
  - 5.9 Obtaining a Management Letter signed by the Board of Directors of Inmobiliaria Colonial, SOCIMI S.A. where it is represented to us that the information provided for us to perform our work, its content, as well as any other additional documentation or confirmation made available to us does not contain, in their opinion, significant misstatements, and includes all the information necessary for a proper understanding of the valuation carried out and the most relevant risks that may affect it, as well as that they have made available to us all the relevant information of which they are aware and that could have a significant effect on the outcome of our work.

Our work has been exclusively related to the evaluation and verification of the application of the criteria used in the valuation of the shares that are the object of the non-monetary contribution, the details of which are included in section 3 of this report, as well as the evaluation of the criteria used in the determination of said assets. For this reason, in carrying out our work, no specific procedures have been performed to verify the ownership of the shares to be contributed, or other aspects other than the scope described in this report.

We must mention that all valuation work implicitly involves, in addition to objective factors, other subjective factors that imply judgment and that, therefore, the resulting values constitute, mainly, a point of reference for the parties involved in a transaction, so it is not possible to ensure that third parties necessarily agree with the conclusions of our report.

Likewise, the value of a company, business or asset is a dynamic concept over time. In this regard, our conclusions, which have been reached taking the current date as a reference, could differ from the conclusions obtained at a previous or later date.



Consequently, in the performance of our work, no specific procedures have been performed to reveal the existence of other assets or liabilities that may exist and that were not included in the representations made by the Management of Colonial, nor to verify the physical existence, ownership and charges over the contributed assets. Likewise, the analyses and verifications performed have not been intended to verify compliance with any other legal or formal obligation (approval, presentation of documents, publication, charges and encumbrances on the assets to be contributed, deadlines, etc.) different of those established in accordance with the requirements of article 67 of the Revised [Spanish] Company Law.

## 6. CONCLUSION

In our professional opinion, and considering all the matters described in this report, we believe that:

- The joint value attributed to the SFL shares that make up the non-monetary contribution that is expected to be made, corresponds, at least, to the number, the nominal value, and the share premium of the shares that Inmobiliaria Colonial, SOCIMI, S.A. plans to issue as consideration, for a total amount of 224,947,010 euros, corresponding to 56,236,752.5 euros of share capital increase, through the issue and putting into circulation of 22,494,701 new shares with a value of 2.50 euros nominal each and with a total share premium of 168,710,257.5 euros, equivalent to 7.50 euros per share.

Our Report has been prepared solely for the purposes established by article 67 of the [Spanish] Company Law and article 133 of the Regulations of the Commercial Registry and should not be used for any other purpose.

Grant Thornton, S.L.P. Sociedad Unipersonal

ROAC nº S0231



Joan Vall

ROAC nº 17.809

3 June, 2021

**REPORT BY THE BOARD OF DIRECTORS OF INMOBILIARIA COLONIAL, SOCIMI, S.A. ON THE MOTION TO AUTHORIZE A CAPITAL INCREASE BY WAY OF NON-CASH CONTRIBUTIONS, CONSISTING OF SHARES IN SOCIÉTÉ FONCIÈRE LYONNAISE (SFL) DIRECTLY OWNED BY PREDICA PRÉVOYANCE DIALOGUE DU CRÉDIT AGRICOLE (PREDICA) (FIRST ITEM ON THE AGENDA).**

**1. Purpose of the report**

This report has been prepared by the Board of Directors of Inmobiliaria Colonial, SOCIMI, S.A. (“**Colonial**” or the “**Company**”, together with the companies in its group, the “**Colonial Group**”) in connection with a motion to authorize a capital increase of Colonial by way of non-cash contributions, consisting of shares in Société Foncière Lyonnaise (“**SFL**”) directly owned by Predica Prévoyance Dialogue du Crédit Agricole (the “**Contributor**” or “**Predica**”), reference shareholder in SFL. The aforementioned motion for a capital increase (the “**Capital Increase to be subscribed by Predica**”), submitted for approval by Colonial’s General Meeting of Shareholders under first item on the agenda, is attached as an appendix to this report.

Pursuant to the provisions of Articles 286, 296 and 300 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 related provisions of the Commercial Registry Regulations approved by Royal Decree 1784/1996, of 19 July, the aforementioned motion put forward to the General Meeting of Shareholders of the Company requires this supporting report to be drawn up by the Colonial Board of Directors.

**2. Motion for a capital increase by way of non-cash contributions**

The Capital Increase to be subscribed by Predica is part of the agreements reached between SFL and Predica (and/or entities controlled by Predica), as well as between Colonial and Predica, which are described in section **¡Error! No se encuentra el origen de la referencia.** below (the “**Agreements Reached**”).

Colonial currently owns 38,018,307 SFL shares, representing approximately 81.7% of SFL’s share capital, and has proposed the appointment of 8 SFL directors (out of a total of 14 directors). For its part, Predica currently directly owns 5,992,903 SFL shares, representing approximately 12.9% of SFL’s share capital, and has proposed the appointment of 2 SFL directors.

*2.1 Description of corporate transactions within the framework of the Agreements Reached*

By virtue of the Agreements Reached, Predica will transfer to Colonial and SFL its entire direct stake in SFL’s share capital through:

- (a) The subscription by Predica of a capital increase to be carried out by Colonial by way of non-cash contributions, by virtue of which Predica will transfer 2,328,644 SFL shares to Colonial, representing approximately 5.0% of SFL’s share capital, as consideration for the subscription of 22,494,701 newly issued shares of the Company, representing approximately 4.1% of Colonial’s share capital after the Capital Increase to be subscribed by Predica and the Capital Increase to be subscribed by SFL Minority Shareholders (as defined below) in the event that the latter is subscribed in full.

The resolution for the Capital Increase to be subscribed by Predica referred to in this report is submitted for the approval of the General Meeting of the Shareholders of the Company under first item on the agenda.

- (b) The transfer by Predica to SFL itself of 3,664,259 SFL shares, representing approximately 7.9% of SFL’s share capital, within the framework of a share buyback program of SFL for subsequent cancellation, concomitant with an exchange between SFL and Predica (or any entity controlled by Predica) of securities in joint ventures holding certain real estate assets of SFL in France (the “**Asset Exchange**”).



As a consequence of the Asset Exchange:

- Predica will transfer to SFL the stake it currently has in SCI Washington<sup>(1)</sup> (34%) and Parholding S.A.S.<sup>(2)</sup> (50%), companies belonging to the SFL group, with SFL owning as a result of the aforementioned transfers, all the shares of the said SFL subsidiaries.
- Predica (or any entity controlled by Predica) will acquire 49% of the shares of certain joint ventures with SFL over certain real estate assets belonging to SFL, resulting in SFL owning 51% of their share capital. The real estate assets concerned are: #cloud.paris<sup>(3)</sup>, 92 Champs Élysées<sup>(4)</sup>, Cézanne Saint-Honoré<sup>(5)</sup> and 103 Grenelle<sup>(6)</sup>.

Furthermore, within the framework of the Agreements Reached, Colonial intends to file a takeover bid for all SFL shares owned by shareholders other than Colonial and Predica (the “Offer”, together with the Capital Increase to be subscribed by Predica and the Asset Exchange as the “Transaction”). The consideration for the Offer will be mixed consisting of cash and newly issued Colonial shares for the SFL shares which are subject to the Offer.

As the consideration for the Offer will consist partially in Colonial shares, Colonial’s Board of Directors submits for the approval of the General Meeting of the Shareholders of the Company, under second item on the agenda, a resolution for a capital increase by way of non-cash contributions consisting of SFL shares owned by SFL shareholders who transfer their SFL shares to Colonial within the framework of the Offer (the “Capital Increase to be subscribed by SFL Minority Shareholders”).

Taking into account the current number of outstanding SFL shares (46,528,974 shares), the number of SFL shares currently held by Colonial (38,018,307 shares) and the number of SFL shares currently held directly by Predica (5,992,903 shares), the maximum effective amount to be paid by Colonial as consideration for the Offer will be 117,478,868.24 euros and the maximum number of Colonial shares to be issued under the Capital Increase to be subscribed by SFL Minority Shareholders (as defined below) will be 12,588,820 shares, as consideration of the 2,517,764 SFL shares covered by the Offer representing approximately 5.4% of its share capital.

Therefore, shareholders of SFL other than Predica and Colonial could become shareholders of Colonial and benefit from, inter alia, more liquidity than they currently have as SFL shareholders and a greater diversification of their financial exposure.

The Capital Increase to be subscribed by Predica, the Asset Exchange and the Offer are expected to be carried out simultaneously insofar as the aforementioned corporate transactions are interrelated, although each of these transactions, due to their nature, are scheduled to be completed at different times, except the Capital Increase to be subscribed by Predica and the Asset Exchange which are expected to be completed simultaneously since they are both subject to the following condition precedents:

- Approval by the General Meeting of the Shareholders of the Company, on the basis of the relevant independent expert’s reports, of the resolutions necessary to fulfill the Transaction.
- Approval by the French financial markets regulator (the “AMF”) of the Offer and absence of recourse against the AMF’s conformity decision regarding the Offer within the legal applicable time period (or, if a recourse has been filed, it has been dismissed or rejected by the Paris Court of Appeal).
- Clearance by the *collectivité* concerned of the right of urban pre-emption under the Asset Swap or non-exercised by them within the legal applicable time (2 months period).

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(1): The company that owns the office building located in Paris, at 42 rue Washington, 75008.

(2): The company that owns the buildings located in Paris, at Galerie Champs Élysées, 90 Champs-Élysées, 75008 and 106 Hausmann, 75008.

(3): Office building located in Paris, at 6 rue Ménars, 75002.

(4): Office building located in Paris, at 92 avenue des Champs-Élysées, 75008.

(5): Office building located in Paris, at 5 rue Paul Cézanne, 75008.

(6): Office building located in Paris, at 103 rue de Grenelle, 75007.

- Absence of any material loss (as defined in the Asset Exchange agreement) which has not been remedied by the date of satisfaction of the last of the aforementioned conditions precedent with respect to any of the properties owned by SCI Washington, Parholding, SAS Cloud, 92 Champs-Élysées, SCI Paul Cézanne and SCI 103 Grenelle.

It is noted that Colonial and Predica are not acting and do not intend to act in concert in connection with the Transaction.

For more information regarding the Transaction, see the presentation to the market which the Company is expected to publish through the relevant communication on the Spanish Securities Market Commission (the "CNMV") website ([www.cnmv.es](http://www.cnmv.es)) and on Colonial's corporate website ([www.inmocolonial.com](http://www.inmocolonial.com)), as well as the documents regarding the Offer that will be published on the AMF's website ([www.amf-france.org](http://www.amf-france.org)) and on the CNMV's website ([www.cnmv.es](http://www.cnmv.es)).

## 2.2 *Reasons for the motion for a capital increase by way of non-cash contributions*

The purpose of the Capital Increase to be subscribed by Predica that is the subject of this report is the issuing of the Colonial shares necessary to acquire, through non-cash contributions, the 2,328,644 SFL shares directly owned by Predica referred to in point (a) of section **¡Error! No se encuentra el origen de la referencia.** above.

In this sense, Predica has agreed to provide Colonial, the moment it executes the transactions with SFL described in point (b) of section **¡Error! No se encuentra el origen de la referencia.** above, with 2,328,644 SFL shares that it owns, representing approximately 5.0% of SFL's share capital, by way of consideration for the subscription of 22,494,701 shares of the Company, which would be issued by the Company through the execution of the Capital Increase to be subscribed by Predica. The 22,494,701 shares of the Company would represent approximately 4.1% of the share capital of Colonial after the Capital Increase to be subscribed by Predica and the Capital Increase to be subscribed by SFL Minority Shareholders in the event that the latter is subscribed in full.

The motion for the Capital Increase to be subscribed by Predica is justified, from the point of view of Colonial's corporate interest, in the rationale for the Transaction as a whole, insofar as the corporate transactions that make up the Transaction are interrelated. The Transaction, which encompasses the Capital Increase to be subscribed by Predica, will enable Colonial to increase its stake in SFL's share capital to at least 94.1% (it currently stands at 81.7%), allowing for the possibility of acquiring all of SFL's share capital.

From a strategic point of view, both the Capital Increase to be subscribed by Predica and the Offer and the corresponding Capital Increase to be subscribed by SFL Minority Shareholders (referred to in second item on the agenda), which are part of the Agreements Reached, are corporate transactions which are significantly in the interest of the Company since they are aimed at increasing the competitiveness of the Colonial Group in the European market, consolidating its leadership in the prime office sector, reinforcing its capital to improve its capacity for growth, and increasing shareholder remuneration. In particular, the Transaction will allow Colonial to expand and strengthen its presence in the French market, the leading European office market, to help consolidate Colonial as one of the main players in the European real estate sector, specialized in the leasing of prime offices, improving the position of the Colonial Group with regard to investment opportunities and market challenges that may arise in the Spanish and French prime office markets. The Transaction responds to Colonial Group's active development and growth policy, as well as to the consolidation of its position.

In this way, the increase in Colonial's stake in SFL's share capital will allow the Company, among other things, to:

- Increase its share capital, increasing NTA (previously called NAV). In this regard, it is estimated that the Colonial Group's NTA could increase by up to approximately 400 million euros.
- Increase the dividend distributed by SFL.
- Increase the earnings per share and the net asset value per share for Colonial shares.

- Simplify Colonial Group's shareholder structure.
- Expand Colonial's free float. In this regard, it is estimated that the free float of Colonial could increase by up to approximately 400 million euros (in terms of NTA).

Furthermore, both the Capital Increase to be subscribed by Predica and the Capital Increase to be subscribed by SFL Minority Shareholders are corporate transactions in line with the strategy that Colonial has been developing in relation to its stake in SFL. For example, in November 2018, after the corresponding approval of the transaction by Colonial's General Meeting of Shareholders, a capital increase was carried out by way of non-cash contributions for a nominal amount of 133,809,507.50 euros, the consideration of which consisted of SFL shares owned by Qatar Holding LLC and DIC Holding LLC, allowing Colonial to obtain a 80.74% stake in SFL's share capital.

In view of the above, Colonial's Board of Directors considers that the Capital Increase to be subscribed by Predica proposed to Colonial's General Meeting of Shareholders is necessary to fulfill the Transaction and is in line with the Company's best interest.

### 3. Description of the planned non-cash contribution

The planned non-cash contribution consists of 2,328,644 SFL shares representing approximately 5.0% of SFL's share capital, of the same class and series, fully paid up and free of liens and encumbrances.

Société Foncière Lyonnaise (SFL) is a French public limited company (*Société Anonyme*) registered with the Registre du Commerce et des Sociétés de Paris under number 552 040 982 (NAF code 6820B), with registered offices in Paris (France), 42, rue Washington (75008) whose shares are traded on Euronext Paris (regulated French market). SFL is regulated as a listed real estate investment company (*Société d'Investissement Immobilier Cotée* or SIIC). On 31 December 2020, SFL owned 20 buildings in Paris, with a combined total surface area of approximately 393,000m<sup>2</sup>, valued at 7,458 million euros.

### 4. Valuation of the planned non-cash contribution and criteria used

The same valuation criteria used to determine the value of the planned non-cash contributions for the Capital Increase to be subscribed by SFL Minority Shareholders (referred to in second item on the agenda) have been used to determine the value of the planned non-cash contributions for the Capital Increase to be subscribed by Predica.

In this regard, different valuation methods have been considered to establish the value of the SFL shares owned by Predica which are being transferred to Colonial as part of the Capital Increase to be subscribed by Predica. All these methods are widely accepted by the international financial community, including:

- **Asset valuation:** this method values a company's assets and then subtracts all liens on those assets, as well as any other outstanding debts or liabilities that the company may have with third parties. In this regard, for companies operating in the real estate sector, the most internationally relevant appraisal method is based on the EPRA NTA indicator, which is basically the sum of the company's book value (net asset value - NTA) and the latent capital gains of the investment properties, measured at fair value, adjusting certain items according to the recommendations of the European Public Real Estate Association (EPRA). With this method, the value obtained represents the overall underlying value of property investments combined with other assets, adjusted for the company's financial debt and other liabilities. Specifically, the EPRA NDV —net disposal value— (previously the EPRA NNNAV) consists of the EPRA NTA adjusted to include the fair value of (i) financial instruments, (ii) debt, and (iii) deferred taxes.
- **Comparable multiples:** this method, which is commonly used by international (International Financial Reporting Standards) and US accounting standards, estimates the value based on multipliers obtained from comparable companies.

- **Share market price:** this method calculates a company's value based on its share price in a secondary market.

Of the valuation methods analysed, the asset valuation method was considered to be the most relevant, hence taking Colonial's and SFL's EPRA NDV as of 31 December 2020 (both adjusted for dividend to be charged to 2020).

With regard to SFL, the valuations published by the company and carried out by renowned experts in the real estate sector have been taken into account. These have valued each of SFL's property assets individually and have issued the relevant valuation reports in accordance with the valuation and appraisal standards of the Royal Institution of Chartered Surveyors (RICS). As a result, in agreement with the above, the 2,328,644 SFL shares transferred to Colonial by Predica, representing approximately 5.0% of SFL's share capital, have a combined total value of 225,133,301.92 euros, which is equivalent to a value of 96.68 euros per SFL share being transferred.

The Board of Directors believes that the asset valuation method using EPRA NDV (adjusted for dividend to be charged to 2020) is appropriate and, consequently, the valuation of the aforementioned SFL shares is reasonable within the framework of the Capital Increase to be subscribed by Predica which is the subject of this report. Therefore, this will be the valuation of the SFL shares for establishing the exchange ratio, once the value of the Colonial shares to be transferred to Predica as consideration has been set, as described in section 6 below.

## 5. Identification of the contributor

The contributor of the SFL shares within the framework of the Capital Increase to be subscribed by Predica is Predica Prévoyance Dialogue du Crédit Agricole, a French *société anonyme* registered with the *Registre du Commerce et des Sociétés de Paris* under number 334 028 123 (NAF code 6511Z) with its registered offices in Paris (France), 16-18 boulevard de Vaugirard (75015).

## 6. Number and par value of the Colonial shares to be issued as consideration for the planned non-cash contributions. Exchange ratio.

The same valuation criteria used to determine the number of Colonial shares to be issued under the Capital Increase to be subscribed by SFL Minority Shareholders (referred to in second item on the agenda) have been used to determine the number of Colonial shares to be issued under the Capital Increase to be subscribed by Predica.

In this regard, the different valuation methods described in section 4 have been considered to determine the number of Colonial shares to be issued as consideration for the SFL shares owned by Predica and being transferred under the Capital Increase to be subscribed by Predica.

Following an analysis of the different methods described in section 4, the asset valuation method was considered the most relevant, hence taking Colonial's EPRA NDV as of 31 December 2020 (adjusted for dividend to be charged to 2020), i.e., a valuation of 10.00 euros per share. For these purposes, the valuations published by the Company and carried out by renowned experts in the real estate sector have been taken into account. These have valued each of Colonial's property assets individually and have issued the relevant valuation reports in accordance with the valuation and appraisal standards of the Royal Institution of Chartered Surveyors (RICS).

In due consideration of the valuation of Colonial shares, and SFL shares based on the criteria described above, the resulting exchange ratio is 9.66 Colonial shares, with a par value of 2.50 euros each, for each of SFL share. Therefore, a total of 22,494,701 new Colonial shares will be issued with a par value of 2.50 euros each, plus a share premium of 7.50 euros per share.

The new Colonial shares shall entitle Predica to the same voting and dividend rights as the shares of the Company currently outstanding, as of the date on which they are registered in its name in the accounting records.

In connection with the valuations carried out, Morgan Stanley & Co. International plc has issued a fairness opinion addressed to the Company's Board of Directors confirming that, in its opinion as of the date of the report, the consideration payable by the Company in connection with (i) the non-cash contribution of Predica; and (ii) the Offer is fair from a financial point of view to Colonial.

#### **7. Amount of the Capital Increase to be subscribed by Predica**

As consideration for the planned non-cash contribution of Predica, Colonial's share capital will be increased by a nominal amount of 56,236,752.50 euros, by issuing 22,494,701 new outstanding ordinary shares with a par value of 2.50 euros each, plus a share premium of 7.50 euros per share, with an incomplete subscription forecast. Therefore, the issue price per share will be 10.00 euros and the effective amount of the Capital Increase to be subscribed by Predica will be 224,947,010 euros.

#### **8. Guarantees adopted to ensure the effective Capital Increase to be subscribed by Predica**

No special guarantees have been adopted in due consideration of the nature of the items contributed. However, Predica has agreed to transfer the 2,328,644 SFL shares to Colonial under the Capital Increase to be subscribed by Predica (see section 2 of this report).

#### **9. Preferential subscription rights**

Since the Capital Increase to be subscribed by Predica compensates non-cash contributions, the Company's shareholders will not be entitled to any preferential subscription rights over the Colonial shares to be issued as a result of the Capital Increase to be subscribed by Predica described herein.

#### **10. Deadline for the Capital Increase to be subscribed by Predica**

In accordance with the provisions of Article 297.1 (a) of the Spanish Limited Liability Companies Law, it is proposed to delegate to Colonial's Board of Directors the power to execute the Capital Increase to be subscribed by Predica at any time within the period of one year from the date of the resolution referred to herein is adopted.

As stated in section 2.1 of this report, the Capital Increase to be subscribed by Predica, the Asset Exchange and the Offer are expected to be carried out simultaneously insofar as the aforementioned corporate transactions are interrelated, although each of these transactions, due to their nature, are scheduled to be completed at different times (except the Capital Increase to be subscribed by Predica and the Asset Exchange which are expected to be completed simultaneously). In this regard, it is proposed to delegate to Colonial's Board of Directors the power to refrain from executing the resolution referred to herein in the event that the conditions set out in the Agreements Reached are not met.

#### **11. Incomplete subscription**

The possibility of the incomplete subscription of the Capital Increase to be subscribed by Predica is expressly provided for. Consequently, in the event of an incomplete subscription, the Capital Increase to be subscribed by Predica shall be limited to the amount corresponding to the par value of the new Colonial shares actually subscribed and paid up as consideration for the SFL shares actually transferred.

#### **12. Amendment to Article 5 of the Company Bylaws**

It is proposed to grant the Company's Board of Directors with the power to redraft Article 5 of Colonial's Bylaws on the share capital, based on the final number of new Colonial shares that are effectively subscribed and paid up by Predica.

### 13. Independent expert

Notwithstanding the fact that the contribution consists of securities traded on a regulated market, in order to offer greater security to the Colonial shareholder and in due consideration of possible interpretations of the existing legal framework, Colonial's Board of Directors has decided to exercise the most prudent alternative and has issued a request to the Commercial Registry to appoint an independent expert to draw up a report on the non-cash contribution, pursuant to the provisions of Article 67 of the Spanish Limited Liability Companies Law.

In this regard, the Commercial Registry has appointed Grant Thornton, S.L.P. Sociedad Unipersonal as the independent expert. Its report will be permanently available to Colonial's shareholders, at the time of convening the General Meeting of Shareholders and until such meeting has been held, on the Company's corporate website ([www.inmocolonial.com](http://www.inmocolonial.com)).

\* \* \* \*

This report was drawn up and approved by Colonial's Board of Directors at a meeting held on June 3, 2021.



## APPENDIX

### MOTION TO AUTHORIZE A CAPITAL INCREASE BY WAY OF NON-CASH CONTRIBUTIONS, CONSISTING OF SHARES IN SOCIÉTÉ FONCIÈRE LYONNAISE (SFL) OWNED BY PREDICA PRÉVOYANCE DIALOGUE DU CRÉDIT AGRICOLE (PREDICA).

**Capital increase by way of non-cash contributions for a nominal amount of 56,236,752.50 euros, by issuing 22,494,701 new outstanding ordinary shares with a par value of 2.50 euros each, of the same class and series as current outstanding shares, their consideration being shares in Société Foncière Lyonnaise (SFL) directly owned by Predica Prévoyance Dialogue du Crédit Agricole (Predica). Delegation of powers.**

The General Meeting of the Shareholders of Inmobiliaria Colonial, SOCIMI, S.A. (“Colonial” or the “Company”) agrees to a capital increase by way of non-cash contributions in accordance with the terms established below, all with the purpose of acquiring 2,328,644 shares in Société Foncière Lyonnaise (“SFL”) representing approximately 5.0% of its share capital, directly owned by Predica Prévoyance Dialogue du Crédit Agricole (the “Contributor” or “Predica”).

For the purposes of this resolution, all capitalised terms not expressly defined shall have the meaning ascribed to them in Colonial’s Board of Directors’ report on this resolution.

#### 1. Capital increase by way of non-cash contributions

An increase of Colonial’s share capital is agreed for a nominal amount of 56,236,752.50 euros, by issuing 22,494,701 new outstanding ordinary shares with a par value of 2.50 euros each, of the same class and series as current outstanding shares (the “Capital Increase”). The consideration for the new Colonial shares issued under the Capital Increase will consist of non-cash contributions, specifically, the SFL shares described in section 2 of this resolution.

#### 2. Description of the planned non-cash contribution

The planned non-cash contribution consists of 2,328,644 SFL shares representing approximately 5.0% of its share capital of the same class and series, fully paid up and free of liens and encumbrances, which are currently traded on Euronext Paris.

Société Foncière Lyonnaise (SFL) is a French public limited company (*Société Anonyme*) registered in the Registre du Commerce et des Sociétés de Paris under number 552 040 982 (NAF code 6820B), with registered offices in Paris (France), 42, rue Washington (75008) whose shares are traded on Euronext Paris (regulated French market). SFL is regulated as a listed real estate investment company (*Société d’Investissement Immobilier Cotée* or SIIC).

#### 3. Identification of the Contributor

The Contributor of the 2,328,644 SFL shares is Predica Prévoyance Dialogue du Crédit Agricole (Predica), a French *société anonyme* registered with the *Registre du Commerce et des Sociétés* of Paris under number 334 028 123 (NAF code 6511Z) with its registered offices in Paris (France), 16-18 boulevard de Vaugirard (75015).

#### 4. Number and par value of the shares to be issued

As consideration for the planned non-cash contribution, 22,494,701 new Colonial ordinary shares with a par value of 2.50 euros each will be issued. Therefore, the total nominal amount of the Capital Increase will be 56,236,752.50 euros.

**5. Issue price of the new shares and effective amount of the Capital Increase**

The new Colonial shares will be issued at a par value of 2.50 euros each, plus a share premium of 7.50 euros per share. Therefore, the issue price of each share will be 10.00 euros and the total effective amount of the Capital Increase will be 224,947,010 euros.

**6. Guarantees adopted to ensure the effective Capital Increase**

No special guarantees have been adopted in due consideration of the nature of the items contributed. However, Predica has agreed to transfer to Colonial the 2,328,644 SFL shares.

**7. Subscription and payment of the new shares**

The new Colonial shares will be subscribed by the Contributor, and the par value and the share premium will be fully paid up when the deed establishing the capital increase addressed in this resolution is executed.

**8. Preferential subscription rights**

Since the compensation for the Capital Increase consists of non-cash contributions, the Company's shareholders will not be entitled to any preferential subscription rights over the Colonial shares to be issued as a result of the Capital Increase referred to herein.

**9. Incomplete subscription**

The possibility of the incomplete subscription of the Capital Increase is expressly provided for. Consequently, in the event of an incomplete subscription, the Capital Increase shall be limited to the amount corresponding to the par value of the new Colonial shares actually subscribed and paid up as consideration for the SFL shares actually transferred.

**10. Rights attached to the new shares**

The new Colonial shares shall entitle the Contributor to the same voting and dividend rights as the shares of the Company currently outstanding as of the date on which they are registered in its name in the related accounting records.

**11. Representation of the new shares**

The new Colonial shares shall be represented by book entries and the accounting records shall be kept by *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. ("Iberclear")* and its participating entities.

**12. Amendment to Article 5 of the Company Bylaws**

The Board of Directors will have the power to redraft Article 5 of Colonial's Bylaws on the share capital, based on the final number of new Colonial shares that are effectively subscribed and paid up by the Contributor.

**13. Admission to trading of new shares**

It is resolved that the admission to trading of the new Colonial shares on the Madrid and Barcelona Stock Exchanges and on any other domestic or international markets in which the Company's shares are admitted to trading at the time of execution of this resolution shall be requested and for those shares to be included in the Spanish Stock Market Interconnection System (*Sistema de Interconexión Bursátil Español* or SIBE).

It is expressly stated that, in the event a request is subsequently made for the Company's shares to be delisted, such delisting shall be adopted in accordance with the procedures and requirements of the current legislation.

#### 14. Delegation of powers

Notwithstanding the specific delegations of powers set out in preceding sections (which should be understood as granted with express powers to replace the persons indicated herein), it is resolved to empower the Board of Directors, to the fullest extent required by law and with the express power to substitute the Chairman, CEO, the Corporate Managing Director and Secretary and Vice Secretary of the Board, so that any of them, within a period of a year, interchangeably and with a single signature, may take any necessary or advisable actions to execute this resolution, specifically, including but not limited to:

- Expand and develop this resolution, setting those terms and conditions not provided for, and, in particular, set the effective date for the Capital Increase, among other things.
- Prepare, subscribe and submit, as appropriate, to the Spanish Securities Market Commission (the "CNMV"), the French financial markets regulator (the "AMF") or other such supervisory authorities as may be appropriate, in relation to the issuance and admission to trading of any new Colonial shares issued under this resolution, (i) any prospectuses and supplements thereto as may be necessary or appropriate, undertaking responsibility therefor; and (ii) any documents and information as may be required for the purposes of compliance with the provisions of *Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC*, in the consolidated text of the Securities Market Law approved by Royal Legislative Decree 4/2015, of 23 October and in their corresponding implementing provisions.
- Declare the Company's share capital to have been subscribed and paid up following the Capital Increase, even when the total number of shares is not yet subscribed, and subscription is incomplete, with the possibility of the Capital Increase being concluded with the amount of the subscriptions executed, with express authorisation to change the number of SFL shares to be transferred by the Contributor, and therefore the number of new Colonial shares to be transferred as a consideration to the Contributor, within the nominal amount of the Capital Increase agreed by the General Meeting of Shareholders in this resolution.
- Resolve to refrain from executing this resolution in the event that the conditions set out in the Agreements Reached are not met.
- Adopt all the legally required resolutions, as well as carry out all the necessary or appropriate actions for the formalisation of this resolution, including the power to modify the corresponding article of the Bylaws relating to the Company's share capital.
- Take any action on behalf of the Company, make any statements and any arrangements with the CNMV, the AMF, Iberclear, Euroclear, stock exchange management companies and any other Spanish or foreign public or private body, entity or registry for the purposes of authorisation, verification and subsequent performance of the Capital Increase under this resolution and the admission to trading of the new shares on the Madrid and Barcelona Stock Exchanges and on any other Spanish or foreign markets on which the Company's shares are listed at the time of execution of this resolution, and the inclusion thereof in the Spanish Stock Market Interconnection System (SIBE).
- Negotiate and sign, as the case may be, in the terms it deems most appropriate, any contracts that may be necessary or advisable to carry out the Capital Increase addressed in this resolution.
- To request the admission to trading of the new shares on the Madrid and Barcelona Stock Exchanges and/or on any other Spanish or foreign markets on which the Company's shares are listed at the time of execution of this resolution, and the inclusion thereof in the Spanish Stock Market Interconnection System (SIBE).

- To adopt or reject the application, where appropriate, of the special tax systems established by the regulations for this type of transactions.
- Execute on behalf of the Company such public or private documents as required or appropriate to issue the new shares covered in this resolution and to admit such shares to trading and, in general, perform such legal formalities as required for the execution thereof and rectify, clarify, interpret, specify or supplement the resolutions adopted by the shareholders at the Annual General Meeting, in particular, such defects, omissions or errors, in substance or in form, arising from the oral or written assessment, that may prevent registration of the resolutions and related consequences at the Mercantile Registry, the official registries of the CNMV or any other registries.

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