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Terms of the merger between Colonial and Société Foncière Lyonnaise

Merger between Colonial and Société Foncière Lyonnaise

After considering the proposed cross-border merger between SFL and Colonial, France's securities regulator, *Autorité des Marchés Financiers* (AMF), has decided not to require Colonial to file a public buyout offer as provided for in Article 236-6 of the AMF's General Regulations¹.

The AMF's decision is an important step in the execution of this project.

It is also an opportune moment to outline the main features of the proposed merger and SFL shareholders' right to withdraw².

The merger agreement, signed on 4 March 2025, and the report of the merger auditor, Agnès Piniot (Ledouble), appointed by the President of the Paris Commercial Court on 12 November 2024, have been made available to Colonial and SFL shareholders and published on their respective websites. In addition, in accordance with applicable legal provisions, the report of the SFL Board of Directors has been made available to shareholders on the SFL website.

The proposed merger will be submitted for approval to the Extraordinary General Meetings of SFL and Colonial shareholders to be held on 23 April 2025 (the “**SFL General Meeting**”) and 27 May 2025, respectively. The agenda of the Extraordinary General Meeting of SFL shareholders was published in the *Bulletin des Annonces Légales Obligatoires* on 19 March 2025, along with the texts of the resolutions tabled at the meeting³.

¹ AMF decision no. 225C0556 of 26 March 2025.

² Shareholders may also refer to the report of the Board of Directors to the Annual General Meeting published on 13 March 2025 (in French only) on the SFL website (fonciere-lyonnaise.com).

³ Bulletin n°34, Publication n°2500713.



Merger exchange ratio

The exchange ratio specified in the merger agreement has been set at 13 Colonial ordinary shares for one SFL ordinary share. The merger auditor's report has confirmed that the exchange ratio is "*justified based on valuation methods that are appropriate in the context of the merger and is fair*".

Upon completion of the merger, all outstanding SFL shares will be cancelled *ipso jure* and, in exchange, Colonial will allocate Colonial treasury shares to SFL shareholders (other than SFL shareholders who have exercised their Right to Withdraw) based on the exchange ratio and on the terms and conditions set out in the merger agreement.

Right to Withdraw

SFL shareholders who vote against the Merger at the SFL General Meeting will be entitled to require SFL to buy back their shares (the "**Right to Withdraw**") (Article L.236-40 of the French Commercial Code).

The Right to Withdraw will apply to all the shares held by the shareholder on the date of the buyback request.

The Right to Withdraw will be exercisable only by SFL shareholders who vote against the merger and who ask SFL to buy back their shares within ten days of the SFL General Meeting (Article R. 236-6 of the French Commercial Code).

The buyback request must be submitted to SFL by email sent to the following address: juridique@fonciere-lyonnaise.com or by registered letter with acknowledgement of receipt sent to SFL's registered office. To facilitate the processing of their requests, shareholders wishing to exercise their Right to Withdraw should use the standard form attached as an Appendix to this press release. Within ten days of receiving the request, SFL will send to the shareholder concerned an offer to buy back all the shares held on the date of the request (the "**Buyback Offer**"). This offer will be sent by email or by registered letter with acknowledgement of receipt to the address provided by the shareholder.

The Buyback Offer will be valid for a period of ten days from the date of receipt. The Right to Withdraw will be exercised by accepting the Buyback Offer, using the special form that will be attached to the Buyback Offer.

The buyback price has been set at €77.5 per share *cum* dividend, minus the 2024 dividend voted before the merger is completed (the "**Exit Price**") as determined in accordance with Article R.236-26 of the French Commercial Code and Article L.433-4 of the French Monetary



and Financial Code). The merger auditor's report concluded that the Exit Price was appropriate and justified in the context of the merger.

The Exit Price and the proposed method of payment will be specified in the Buyback Offer.

Any dispute concerning the Exit Price specified in the Buyback Offer must be brought before the court in whose jurisdiction the Company's registered office is located within the above period during which the Buyback Offer is valid.

Subject to fulfilment of the Conditions Precedent, the Exit Price must be paid by the Company no later than two months after the merger completion date.

In this regard, the merger will not be completed until (i) the clerk of the Paris Commercial Court has issued a certificate of compliance and (ii) the Madrid Mercantile Registry has completed a legality check without any objections being raised and recorded the merger in the Register. In accordance with Article R.236-30 of the French Commercial Code, the compliance checks must be completed within three months of the copy of the minutes of the SFL and Colonial General Meetings being received. If the clerk of the Commercial Court considers it necessary to make further enquiries or obtain additional information in order to complete the checks, the three-month period may be extended for a further period of up to three months. If, due to the complexity of the operation, the checks cannot be completed within this period, the clerk may extend it again for successive one-month periods.

Treatment of Performance Shares in the merger

Pursuant to Articles L. 225-197-1 and L. 228-98 to L. 228-106 of the French Commercial Code, Colonial will be automatically substituted for SFL in its obligations towards beneficiaries of rights to performance shares and other free share grants (the "**Performance Shares**").

Effect of the Merger on Performance Shares subject to a vesting period

Pursuant to Article L. 225-197-1, III of the French Commercial Code, as from the merger completion date, Colonial will automatically assume SFL's obligations towards the beneficiaries of Performance Shares (and any free shares) that have not yet vested, in accordance with the provisions of the applicable Performance Share Plans. Unvested SFL Performance Shares (and any free shares) will not be exchanged in connection with the merger.

Instead, the rights to a number of SFL shares will be replaced by rights to a number of Colonial shares determined by applying the exchange ratio. As a result:



- the number of Colonial share rights allocated to each beneficiary will correspond to the number of SFL shares to which they would have been entitled under the plans, multiplied by the exchange ratio;
- the rights to shares will be exchanged without any cash payment being due in respect of fractions of shares or otherwise;
- the number of Colonial share rights that results from applying the exchange ratio will be rounded down to the nearest whole number and beneficiaries will not receive any form of compensation for the rounding difference;
- all other terms and conditions of the Performance Share plans will remain unchanged to the extent permitted by Spanish law.

Effect of the merger on Performance Shares subject to a lock-up period

New Colonial shares delivered as consideration for the merger, in exchange for SFL Performance Shares for which the lock-up period has not expired as of the merger completion date, will be subject to the unexpired lock-up period applicable to each tranche of Performance Shares (Article L. 225-197-1, III of the French Commercial Code).

The shares will be exchanged without any cash payment being due in respect of fractions of shares or otherwise. The number of Colonial shares that results from applying the exchange ratio will be rounded down to the nearest whole number and beneficiaries will not receive any form of compensation for the rounding difference.

Tax regime

Given the composition of SFL's shareholder base (with a free float of less than 2%), no SFL shareholder is likely to hold 5% or more of Colonial's share capital as a result of the merger. Accordingly, the tax regime applicable to shareholders (as set out below) following the merger should be substantially the same as that currently applicable.

Case 1: Individual shareholders resident in France for tax purposes who are managing their private assets and do not trade regularly on the stock exchange in the same way as a professional investor, and whose shares are not held under a company or group employee share ownership plan or equivalent (performance shares, free shares or shares acquired on exercise of stock options)

Dividends paid to a private individual resident in France for tax purposes will be subject to withholding tax in Spain at a rate not exceeding 15%, provided that the shareholder concerned is the beneficial owner of the shares (Article 10 of the tax treaty between France and Spain). The dividends will also be subject to a flat tax in France (*prélèvement forfaitaire unique*). However, the shareholder will be entitled to a French tax credit equal to the



withholding tax levied in Spain up to an amount equal to the tax levied on the dividends in France (Article 24-1-a-ii of the tax treaty between France and Spain). This tax credit will be deductible from personal income tax to the extent possible and any excess may then be deducted from social taxes (*prélèvements sociaux*) (administrative doctrine published in the BOFiP - BOI-INT-CVB-DZA-60 no. 20 updated on 26 December 2014 concerning the tax treaty between France and Algeria, and BOI-INT-DG-20-20-100 no. 110 updated on 19 February 2020 concerning the method of allocating double tax credits relating to social taxes for non-residents). As a result, the total tax burden on dividends will be unchanged, but will be split between Spain and France.

As his or her interest in Colonial will represent less than 5%, any capital gains realised by the individual shareholder resident in France for tax purposes on the subsequent sale of Colonial shares received in the Merger should not be taxable in Spain (Article 14.1.i of Royal Legislative Decree 5/2004 of 5 March 2004) and will be taxed in France in the same way as capital gains on SFL shares.

In addition, as they will not represent 5% or more of Colonial's capital, the Colonial shares received in the merger will not be included in the taxable assets of an individual resident in France who is subject to the IFI or to an equivalent Spanish wealth tax.

Colonial shares received in the merger will not be eligible for inclusion in a PEA personal equity plan in which the exchanged SFL shares were previously held. Any shareholder concerned by this rule will therefore have to substitute a cash payment for the SFL shares exchanged for Colonial shares, failing which their PEA will be closed.

Case no. 2: Shareholders that are legal entities domiciled in France for tax purposes and liable for corporate income tax

Dividends paid to a French company liable for corporate income tax will be subject to withholding tax in Spain at a maximum rate of 15%, provided that the shareholder concerned is the beneficial owner of the shares (Article 10 of the tax treaty between France and Spain). The dividends will also be subject to corporate income tax in France at the standard rate. However, the company will be entitled to a French tax credit equal to the withholding tax levied in Spain up to an amount equal to the tax levied on the dividends in France (Article 24-1-a-ii of the tax treaty between France and Spain). This tax credit will be deductible from the corporate income tax due by the company (Article 220 of the French General Tax Code). As a result, the total tax burden on dividends will be unchanged, but will be split between Spain and France.

As its interest in Colonial will represent less than 5%, any capital gains realised by a company domiciled in France for tax purposes on the subsequent sale of Colonial shares received in the merger should not be taxable in Spain (Article 14.1.i of Royal Legislative Decree 5/2004 of 5 March 2004). The gain will be taxed in France at the standard corporate income tax rate



(25%) and will also be subject to the 3.3% *contribution sociale* levy, in the same way as capital gains on SFL shares.

In Case 1 and Case 2, given that the shareholder concerned will not hold 5% or more of Colonial, the stipulations in the Articles of Association whereby certain shareholders who pay a low rate of tax on Colonial dividends are liable for the specific taxes payable by Colonial in Spain and/or France on dividends received by those shareholders will not apply.

SFL shareholders other than those referred to in Cases 1 and 2 above are invited to consult their tax advisor concerning their particular tax situation.

Financial transaction tax

Spain's 0.2% financial transaction tax (FTT) is levied on purchases for consideration of shares in Spanish companies with a market capitalisation in excess of €1,000 million as of 1 December of the year preceding the purchase.

This tax will not apply to Colonial shares received by SFL's minority shareholders in connection with the merger, as the exchange transaction will take place as part of a merger eligible for Spain's tax neutrality regime (Article 3.1.i of Law 5/2020 dated 15 October 2020). If all conditions remain unchanged, the subsequent sale of the Colonial shares received in the merger may be subject to the Spanish FTT unless one of the exemptions provided for in Article 3 of the FTT Law applies (Law 5/2020 dated 15 October 2020). The tax is generally due by the bank or broker that executes the transaction, but in practice the cost would be passed on to the purchaser of the shares. By way of comparison, SFL is currently subject to the French FTT (due at the rate of 0.4% from 1 April 2025).



APPENDIX

Right to Withdraw exercise form to be sent to the Company within ten days of SFL's Extraordinary General Meeting:

- by email to the following address: juridique@fonciere-lyonnaise.com, or
- by registered letter with acknowledgement of receipt to the following address:

Société Foncière Lyonnaise
42 rue Washington
75008 Paris
For the attention of: Emilie Germane

Form

I, the undersigned:

Surname, first name or company name:

Address:

Postcode:

City:

Country:

Owner of the following SFL shares:

Number of shares:

Number of voting rights:

Type of shareholding: pure registered shares/administered registered shares/bearer shares

If held in administered registered form or bearer form:

Name of securities account:

Securities account no:

Name of the financial intermediary that manages the securities:

Name, BIC code and Euroclear France affiliate number of the custodian or subcustodian in Euroclear France of the financial intermediary that manages the SFL shares:

- **confirm that I participated in the General Meeting of SFL shareholders held on 23 April 2025;**
- **confirm that I voted against the proposed cross-border merger of SFL into the Spanish company Inmobiliaria Colonial;**
- **note** that, in order for me to receive the Exit Price, my shares must be segregated in account type 15 if they are bearer shares (or in account type 17 if they are registered shares) and that my financial intermediary must therefore be instructed by me to move them to a segregated account as soon as possible;
- **hereby express my wish to exercise my right to withdraw** provided for in Article L.236-40 of the French Commercial Code.

I hereby certify that this request to exercise my right to withdraw applies to all the SFL shares that I hold as of the date hereof.

Signed in:

On:

Signature:



About SFL

A benchmark player in the prime segment of the Parisian commercial real estate market, Société Foncière Lyonnaise stands out for the quality of its property portfolio, which is valued at €7.6 billion and is focused on the Central Business District of Paris (#cloud.paris, Edouard VII, Washington Plaza, etc.), and for the quality of its client portfolio, which is composed of prestigious companies. As France's oldest property company, SFL demonstrates year after year an unwavering commitment to its strategy focused on creating a high value in use for users and, ultimately, substantial appraisal values for its properties. With its sights firmly set on the future, SFL is committed to sustainable real estate with the aim of building the city of tomorrow and helping to reduce carbon emissions in its sector.

Stock market: Euronext Paris Compartment A – Euronext Paris ISIN FR0000033409 – Bloomberg: FLY FP – Reuters: FLYP PA

S&P rating: BBB+ stable outlook